

REPORT

To: GENERAL PURPOSES COMMITTEE		Subject: ROYAL MAIL GROUP PLC: SIZE BASED PRICING
From: DIRECTOR OF ADMINISTRATION		
Date: 30 July 2004	Ref: MS/RM	

1. Purpose of Report

To advise Members that correspondence has been received from Royal Mail Group PLC advising that Royal Mail had submitted a proposal to Postcom, Appendix 1, to change the pricing of its mail services so that postal prices reflect postal costs.

2. Background

2.1. Royal Mail indicate that modern postal systems have changed so much since they introduced their current pricing system that they now require to change the pricing of their mail services so that postage prices reflect postal costs. Given that most mail is now sorted by machine, the price of postage will be related to the size of the item sent.

2.2. They advise that justification for this claim is that large and bulky items cost more to handle because they take up more space in mail delivery vans and mail delivery pouches. For that reason, fewer can be carried at one time and, prices should reflect handling costs with the size of a piece of mail being a key factor in the cost of processing, handling and delivery.

3. Proposals

3.1. Royal Mail indicate that some ordinary letters will be cheaper to post as customers will be able to use 28p for First Class and 21p for Second Class stamps on letters weighing up to 100 grammes, where currently they can only be used up to 60 grammes. Heavier packets would also be cheaper to post and the maximum weight from second class mail would be extended from 750 grammes to 1 kilo.

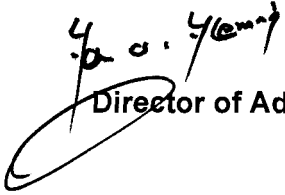
3.2. Royal Mail further state that customers sending heavy compact items, such as catalogues and books (eg small paperback books) will benefit from the new pricing changes. Customers who will not benefit are those sending large light items such as very large cards, posters and CDs in plastic cases. A few sheets of paper posted in an A4 envelope rather than folded into an A5 envelope would cost more.

4. Corporate Considerations

It is anticipated that the price changes proposed by Royal Mail PLC would have no adverse effect on the current budget provision for the Department of Administration.

5. **Recommendation**

It is recommended that the Committee note the proposed price changes by Royal Mail PLC, as contained within the Appendix to this report.

A handwritten signature in black ink, appearing to read 'J. A. Fleming', is written over a large, loopy oval scribble.

Director of Administration

Members seeking further information are asked to contact John Fleming, Head of Central Services on Ext. 2228.



Size-Based Pricing

INDICATIVE SPECIFICATIONS AND PRICES CONTAINED
IN ROYAL MAIL'S APPLICATION TO POSTCOMM

Produced by Royal Mail

JANUARY 2004

(amended April 2004)

All prices are indicative and are likely to change prior to final implementation.

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Public Tariff Structure and Sizes

Proposed New Size	Maximum Thickness	Weights	Content would include
Letter Size not to exceed 240mm x 165mm This size is larger than A5 (half a sheet of standard paper).	5mm	0-100g	Most letters, postcards, bills and statements, some brochures and catalogues, most birthday cards.
Large Letter Size not to exceed 353mm x 250mm. This size is larger than A4 (a standard sheet of paper).	10mm	0-250g 251-500g	Large letters (containing unfolded sheets of standard paper). Most brochures, catalogues and company reports, some magazines. Most larger birthday cards. Most magazines.
Packet Any item which is more than 10mm thick or longer than 353mm or wider than 250mm, or heavier than 500g.		0-250g 251-1000g	CDs, DVDs, VHS cassettes, books, some magazines and catalogues, parts and samples, prints and posters in large or cylindrical packaging.

Notes:

- i. The maximum weight for second class would increase from 750g to 1000g (1kg).
- ii. Items weighing over 1kg would remain on the existing weight based price scale – and with unchanged prices.

Public Tariff Prices

Format	Weight	First Class	Second Class
Letter	0-100g	28p	21p
Large Letter	0-250g	46p	38p
	251-500g	83p	70p
Packet	0-250g	93p	81p
	251-1000g	179p	155p
>1000g	1000-1250g	431p	
	Each extra 250g	+86p	

All prices are indicative and are likely to change prior to final implementation.

Business Tariff Structure and Sizes			
Proposed New Size	Maximum Thickness	Weights	Additional and changed specifications for business contact pricing – compared to the public tariff
Letter Size not to exceed 240mm x 165mm (This size is larger than A5 half a sheet of standard paper).	5mm	0-100g	The Packetpost and Presstream services would exclude Letters, with prices starting at the Large Letters rates.
Large Letter Size not to exceed 353mm x 250mm. (This size is larger than A4 a standard sheet of paper).	10mm	0-250g 251-500g	Mailsort 3 1400 would have a separate (lower) price for 0-100g Large Letters, and then share the Mailsort 2 1400 0-250g price from 101g. Presstream Large Letters would have a maximum weight of 700g. Presstream Large Letters would have no maximum thickness, provided they have a uniform depth. (eg. no cover mounts on magazines) Prices from 251-500g for Mailsort and 251-700g in the case of Presstream would increase per gramme.
Packet Any item which is more than 10mm thick or longer than 353mm or wider than 250mm, or heavier than 500g.		0-250g 251- 1000g	An 'A3' category of packet, defined as an item not exceeding 420mm x 297mm x 10mm and 500 grammes would exist for Mailsort. Lower prices would apply. For Presstream, A3 packets would have no maximum thickness, provided they have a uniform depth (eg. no cover mounts on magazines). The maximum weight would be 600g. Again, lower prices would apply. Prices from 251-500g (and from 251-600g in the case of Presstream A3 Packets) would increase per gramme.

Notes:

- i. The business tariff structure and sizes follow the public tariff except for the instances in the right hand column.
- ii. Items weighing over 1kg would remain on the existing weight based price scale – and with unchanged prices.

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Indicative Prices for Size Based Pricing

Public Tariff Prices – 2004/5

Format	Weight	First Class	Second Class
Letter	0-100g	28p	21p
Large Letter	0-250g	46p	38p
	251-500g	83p	70p
Packet	0-250g	93p	81p
	251-1000g	179p	155p

The maximum weight for second class is increased from 750g to 1000g (1kg).

Business Prices

All Business prices are inclusive of standard 'workshare' discounts.

Cleanmail Prices

		Letter	Large Letter	A3 and Packet
Cleanmail 1	OCR	27.0p		
	CBC	26.4p		
Cleanmail 2	OCR	20.2p		
	CBC	19.8p		

Packetpost Prices

Format	Weight	First Class	Second Class
Letter	0-100g	Customers are recommended to use Public Tariff for Letters	
Large Letter	0-250g	43p	35p
	251-500g	77p	65p
Packet	0-250g	86p	75p
	251-1000g	166p	144p

The Packetpost service is restricted to the Large Letter and Packet sizes only, with the minimum 61g requirement removed.

Flatsort 12 and Packetsort 12 prices

Format	Weight	First Class	Second Class
Letter	0-100g	Customers are recommended to use Public Tariff for Letters	
Large Letter (Flatsort 12)	0-250g	40p	33p
	251-500g	72p	61p
Packet (Packetsort 12)	0-250g	83p	72p
	251-1000g	159p	138p

The Packetsort 12 service is restricted to the Packet size only, with the minimum 101g weight requirement removed. The Flatsort 12 service is restricted to the Large Letter size only, with the minimum 101g weight and uniform thickness requirement removed.

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Mailsort & Walksort prices

The Flatsort 1400 variant of Mailsort 3, becomes Mailsort 3 1400 Large Letters and the minimum 101g and uniform thickness requirement is removed.

Mailsort 1 & 2 1400

Format	Weight	Mailsort 1 directs	Mailsort 1 residues	Mailsort 2 directs	Mailsort 2 residues
Letter	0-100g	24.0p	28.0p	18.1p	19.1p
Large Letter	0-250g	34.2p	40.0p	27.8p	29.4p
	Each extra 1g (up to 500g)	0.12p	0.14p	0.108p	0.114p
A3	0-250g	57.5p	68.8p	50.0p	53.0p
	Each extra 1g (up to 500g)	0.138p	0.165p	0.135p	0.143p
Packet	0-250g	71.9p	86.0p	62.5p	66.2p
	Each extra 1g (up to 500g)	0.08p	0.096p	0.085p	0.090p
	501-1000g	92.0p	110.0p	83.8p	88.8p

Mailsort 3 1400

Format	Weight	>4k <250k	>250k <1m	>1m	Residues
Letter	0-100g	15.7p	15.3p	14.9p	17.7p
Large Letter	0-100g	19.4p	18.6p	17.3p	26.6p
	101-250g	23.6p	22.7p	21.4p	26.6p
	Each extra 1g (up to 500g)	0.091p	0.088p	0.083p	0.103p
A3	0-250g	43.6p	42.0p	39.7p	49.3p
	Each extra 1g (up to 500g)	0.118p	0.1136p	0.107p	0.133p
Packet	0-250g	54.5p	52.5p	49.6p	61.6p
	Each extra 1g (up to 500g)	0.074p	0.0716p	0.0676p	0.0836p
	501-1000g	73.0p	70.4p	66.5p	82.5p

Walksort 1 & 2

Format	Weight	Walksort 1	Walksort 2
Letter	0-100g	18.2p	13.3p
Large Letter	0-250g	26.0p	20.5p
	Each extra 1g (up to 500g)	0.091p	0.0794p
A3	0-250g	40.2p	34.6p
	Each extra 1g (up to 500g)	0.096p	0.0936p
Packet	0-250g	50.2p	43.3p
	Each extra 1g (up to 500g)	0.056p	0.0588p
	501-1000g	64.2p	58.0p

All prices are indicative and are likely to change prior to final implementation.

Mailsort & Walksort prices (continued)

Mailsort 1	120	OCR			
	>4k	<100k	23.4p		
	>100k	<250k	23.0p		
		>250k	22.4p		
		CBC			
	>4k	<100k	23.2p		
	>100k	<250k	22.7p		
		>250k	22.1p		
Mailsort 2	120	OCR			
	>4k	<100k	17.4p		
	>100k	<250k	17.1p		
		>250k	16.6p		
		CBC			
	>4k	<100k	17.2p		
	>100k	<250k	16.9p		
		>250k	16.4p		
Mailsort 3	120	OCR			
	>4k	<100k	15.7p		
	>100k	<250k	15.4p		
		>250k	14.9p		
		CBC			
	>4k	<100k	15.5p		
	>100k	<250k	15.1p		
		>250k	14.7p		
Mailsort 1	700	directs			
	>10k	<100k	22.6p		
	>100k	<250k	22.1p		
		>250k	21.6p		
		residues	25.2p		
Mailsort 2	700	directs			
	>10k	<100k	16.8p		
	>100k	<250k	16.5p		
		>250k	16.0p		
		residues	18.7p		
Mailsort 3	700	directs			
	>10k	<250k	14.9p		
	>250k	<1m	14.5p		
		>1m	14.1p		
		residues	17.3p		

All prices are indicative and are likely to change prior to final implementation.

Presstream prices

Format	Weight	P'tream 1 directs	P'tream 1 residues	P'tream 2 directs	P'tream 2 residues
Letter	0-100g	Customers are recommended to use Mailsort 1400 for Letters			
Large Letter	0-250g Each extra 1g (up to 700g)	30.7p +0.1185p	35.2p +0.13622p	24.8p +0.11996p	26.2p +0.1269p
A3	0-250g Each extra 1g (up to 600g)	43.4p + 0.1159p	49.9p + 0.1332p	35.9p + 0.1225p	38.0p +0.1295p
Packet	0-250g Each extra 1g (up to 500g) 501-1000g	63.4p +0.0825p 84.0p	72.8p +0.09483p 96.5p	55.8p +0.0919p 78.8p	59.1p +0.0972p 83.4p

The above net prices do not include any discounts attributed as a result of their mailing profile and the associated fall to earth of the mail volumes. Presstream customers are able to access extra discounts from this net price according to the line listings of their titles. However there would no longer be a separate rate card for mailings of over 250,000 items.

Response services prices

Prices for Business Reply and Freepost will also change in line with the Public Tariff.

All prices are indicative and are likely to change prior to final implementation.