

REPORT

To: GENERAL PURPOSES COMMITTEE		Subject: ROYAL MAIL PROPOSAL - ZONAL PRICING	
From: DIRECTOR OF ADMINISTRATION			
Date: 19 July 2006	Ref: JAF/AC		

1. Purpose of Report

1.1 To advise the Committee of a consultation from Postwatch Scotland on a proposal by Royal Mail to introduce zonal pricing to certain bulk mail products used by larger mailers.

2. Background

2.1 Postwatch Scotland has intimated that Royal Mail is proposing to introduce zonal pricing to certain bulk mail products used by larger mailers. Presently, Royal Mail charges large mail users the same 'one price goes anywhere' rate for postage. Royal Mail intends to bring prices into line with costs by introducing zonal pricing for some bulk mail products.

2.2 The regulator for postal services in the UK - Postcomm - has published a document seeking views on the issues surrounding the proposal as it is required to approve of any proposal before it is implemented.

2.3 Royal Mail has already introduced zonal pricing for some of its contracts and has now applied to move zonal pricing to several bulk mail products that are not part of the universal service, e.g. mailsort products. It does not apply to stamped or franked mail which has a geographically uniform price, but it is the products which do not have this restriction which could be affected.

3. Considerations

3.1 Zonal pricing is where Royal Mail delivery prices would vary according to the geographic location of those who receive the mail. Postage in a zonal pricing structure would result in delivery of bulk mail to rural areas being more expensive than it would be to urban areas and business districts.

3.2 Royal Mail wants to divide the country into five price zones for some of its products i.e. from business districts with very high delivery density to areas with very low delivery density. The initial price differences depend on the number of delivery points in a postcode area and thus, in commercial, urban and suburban areas, the cost of the Royal Mail delivery services involved are not likely to increase, but, in rural areas, the delivery of bulk mail would be likely to increase.

3.3 For the Council's mailing arrangements - mainly stamped and franked mail - the proposal would have limited impact.

4. Recommendations

4.1 The Committee is asked to note the position.


Director of Administration