

POST Impressions

WINTER NEWSLETTER 2007 Issue No.8



MORE PRICE RISES ON THE WAY

Just before Christmas, Royal Mail announced that there will be more price rises with effect from 2nd April 2007. All price rises are unwelcome, particularly those which are in excess of current inflation levels – however, Royal Mail have the flexibility to raise the price of stamps annually right through to 2010. This is all linked to the four-year price controls agreed with Postcomm last year. By announcing these rises in December Royal Mail are honouring the agreement by providing at least three months notice of any changes to the tariffs.

The new prices will see 1st class stamps rise by 2p to 34p and second class stamps will rise by 1p to 24p. These price levels only apply to standard letters weighing up to 100g. Similar rises will also apply to heavier and larger items, which of course are now priced differently following the introduction of PiP back in August last year. It's interesting to note that the cost of sending a single A4 letter will have risen from 30p in March 2006 to a staggering 46p in April 2007. This equates to a rise of over 50% in just 13 months!

So, if any mailer still hasn't considered a rationalisation of the way they maximise their postal budget... now might be the time!

The business mailing tariffs have become increasingly complex to calculate. We've calculated that all the Mailsort tariffs are set to rise, with some increases as much as 7%. The complexity has been compounded by the fact that you now have to calculate more factors against the base prices, including volumes and how 'directs' and 'residues' are treated. Confused? You may well be... why not contact us here at **ONEPOST**. We can help with your mailing solutions that continue to maximise your postal budget.

And, don't forget, **ONEPOST** solutions can apply to almost all mailers – even those handling 'normal' unsorted mail. If you do handle mail of over 5,000 items at a time, we now have a solution for you. Why not give us a try!

THE UNIVERSAL SERVICE... MUST BE MAINTAINED!

Much is written about the Universal Service Obligation (USO) and its importance within the UK postal market. Indeed, Postcomm view the provision and protection of the Universal Service as its most important job.

So, just by way of a reminder, we thought it more than useful to explain just what is meant by the 'USO' and why it is so important.

What does a Universal Service mean?

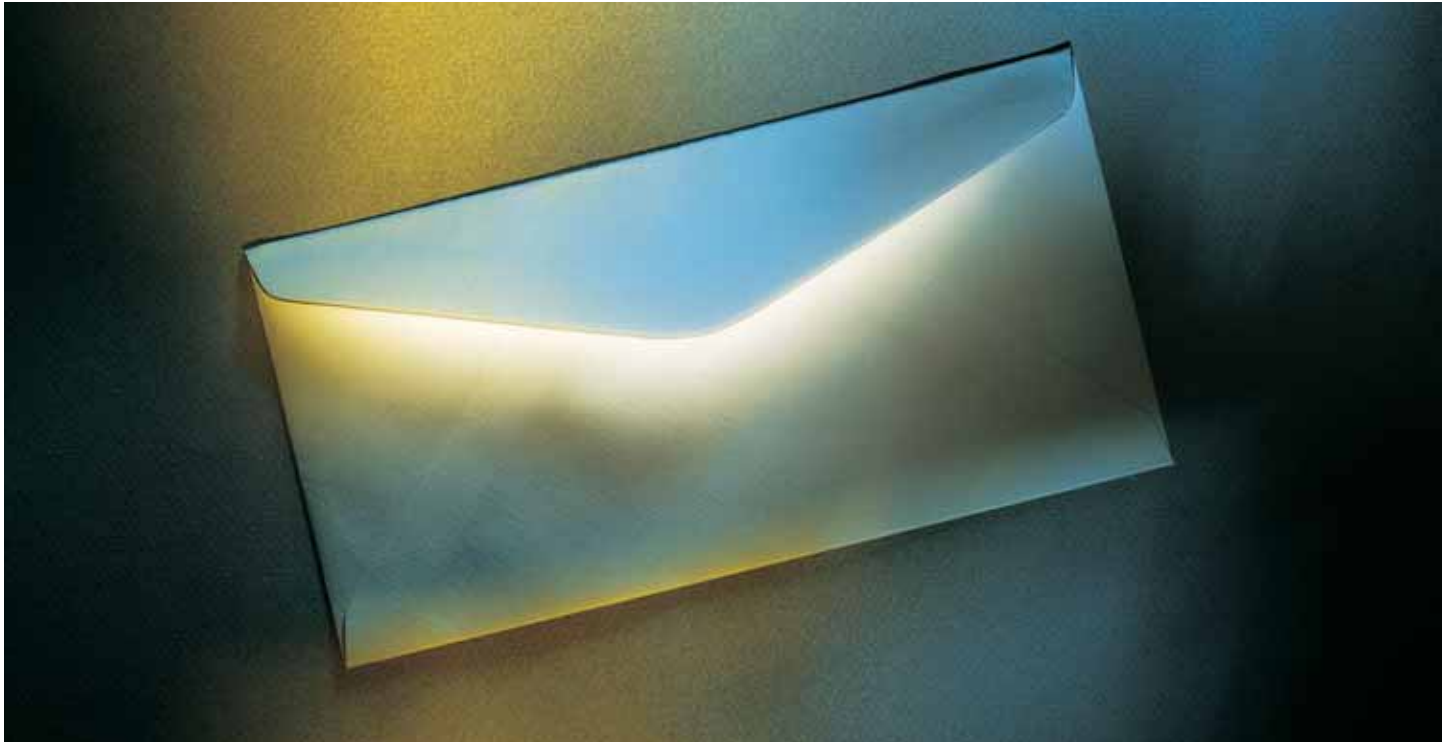
Royal Mail is the only licensed postal operator charged with the provision of a Universal Service for UK postings. This means that Royal Mail is obliged to guarantee one delivery of mail to every UK household and business six days a week. There are certain agreed exceptions to this provision and not all products are included within current definitions.

Why is it so important to maintain a Universal Service?

Technology has provided new ways for people to communicate with each other but, without doubt, postal services are viewed as essential to society. It is also true to say that many people still rely on the post as the most important means of communication.

In addition, businesses rely on the provision of a reliable and secure postal service to ensure important information and marketing messages are provided to their customers (and potential customers).

As the competitive market unfolds it is likely that some of the definitions may change, but we believe that postal services play such a valuable and economic role in today's society that it is crucial that everyone has access to them on the same terms and that the continuing provision of the USO is maintained.



The Changing **UK Postal Market**

One year ago, the UK mail market fully opened to competition. All the indications were that there would be a steady change with businesses beginning to understand what competitive offerings would be available to them... after all for the previous 150 years there had effectively been one sole provider!

As we mentioned in our previous newsletter, **ONEPOST** has had an exceptionally busy year as we have continued to gain new clients who have been keen to not only understand the new opportunities available but also gain competitive edge by maximising that postal budget.

Clearly 2006 will be seen as a year of change, a year of choice and a year when the mail medium came under increasing scrutiny in the media. Choice has arrived with 19 new operators holding licenses to deliver mail in the UK market and its not just price which is driving competition. Innovative products and quality of service are also prime considerations. It seems that everybody is beginning to benefit from competition with Royal Mail delivering record service levels for many of their products.

Further encouraging signs can be seen with the arrival of more 'access' agreements being signed with Royal Mail. This has resulted with 1.2 billion items being mailed during 2005/6 which compares favourably with the 870 million items mailed in 2004/5. (Source Postcomm's Competitive Market Review 2006). As expected 'end to end' competition has been slow to develop, but it is interesting to note that some operators are now trialling 'end to end' solutions in selected geographical areas.

The question of VAT remains a bit of an obstacle with Royal Mail still holding an unfair advantage over its competitors ... with no immediate solution in sight. However, here at **ONEPOST** we are continually seeking ways to help our customers and we can offer a working solution for companies, such as financial services & charities, who are unable to reclaim VAT.

In summary 2006 has seen a number of encouraging signs in the creation of a fully liberated and commercial marketplace. Like many other commentators, we believe that this momentum will continue into 2007 and indeed beyond. There will of course be many challenges ahead – with price, quality of service and range of products at the heart of what will be an ever changing market. And, don't forget it's our role to make life easier for you... so don't delay, make it your resolution to contact us early in 2007.

Zonal Confusion?

As we have previously reported, Royal Mail is planning another significant change in the way prices for bulk mail services are calculated. There has been considerable trade press regarding this new initiative, commonly referred to as 'Zonal Pricing'. We've been studying the proposals closely and do share many of the concerns expressed regarding the likely impact it will have on mailers who, after all, are still getting to grips with the full impact of Pricing in Proportion, which was only introduced back in August last year.

By way of a refresher, here is a reminder of the key proposals contained within Zonal Pricing:

Pricing mechanism whereby customers will be charged varying rates according to the delivery destination.

There will be 5 specific price zones:

ZONE A:	Commercial Centre
ZONE B:	Urban
ZONE C:	Suburban
ZONE D:	Rural
ZONE E:	Deep Rural

Royal Mail services affected by Zonal Pricing will include all classes of Mailsort 120, 700 and Walksort, Presstream and Mailsort 3 1400.

We've been talking to a number of bulk mailers who are genuinely concerned about the complexities arising from these proposals and in particular that there will be a need to purchase upgraded software to handle the additional mail presentation requirements.

Postcomm will now move towards a consultation paper, which will have a three month deadline for responses. Royal Mail is aiming to publish final prices by December 2007. If all goes to plan then Zonal Pricing will become operative from April 2008. In the meantime, if you have any queries or concerns, please do contact us.

Regulation under the microscope...

Postcomm (the Regulator) play a pivotal role in the changing postal marketplace. Like most organisations it too is accountable and its performance has recently been reviewed by the House of Commons Committee of Public Accounts. In a recently produced report called 'Postcomm and the Quality of Mail Services' there are some interesting findings some of which, in our opinion, appear a little harsh... particularly bearing in mind the overall improved position regarding quality of service and more innovative products now arriving on the market.

The report looked at three specific areas:

- 1) The design of the new quality of service regime*
- 2) The implementation of the new quality of service regime*
- 3) The role of Postcomm in introducing competition.*

Amongst its conclusions, it criticises the way Postcomm has introduced compensation schemes for the 15 million items of mail that are lost, stolen or damaged in a year. In its wider comment it goes on to say that the schemes introduced are too complex and that simplification is required. Another key finding is in the area of competition. It recognises that most competitor activity is generated via the various 'access deals' and it urges Postcomm to investigate whether the current arrangements for the access area need to be changed to prevent Royal Mail from using its dominant position to hinder the development of competition.

Here at **ONEPOST** we certainly welcome such comments and we will be hoping for a positive reaction from Postcomm, who provide a central role in the new commercial mail market.



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Confused by Compensation?

Okay, we know the answer is a resounding 'yes' as many of our readers have previously raised their concerns about how Royal Mail's compensation schemes operate and whether they might have a viable claim.

Ideally, there would be no requirement for a compensation scheme as mail would be delivered on time with a minimum of losses and damages. However, it seems sensible to have some form of compensation scheme in place particularly when you consider the amount spent on business mail each year.

The current compensation schemes are indeed confusing and further complicated by the fact that there are 4 separate schemes run by Royal Mail. That's why we welcome the recent Postcomm consultation paper called "Royal Mail's Compensation Schemes for Delay, Loss and Damage". There is a general recognition that the current schemes, which have been developed over recent years, are complicated for customers to understand and not very user friendly or indeed fair to likely claimants.

ONEPOST fully appreciates that recent quality of service has improved with

many targets now being met or exceeded. However, that has not always been the case and it is as recent as 2003/4 when Royal Mail was forced to pay out £40 million for poor performance. This figure could double depending on the final result of an on going Judicial Review.

The consultation closes at the end of February and we will certainly be monitoring developments and looking for a clearer scheme where mailers are fully aware of what can be claimed and system that is fair to all users of postal services in the UK.

PACKETS & PARCELS

If you're part of the biggest change of shopping habits ever, then you know just how revolutionary the move to internet retailing is. And, of course, one of the main areas of costs is delivery.

Industry sources have estimated that 25 million of us in the UK are now shopping online, accounting for about 10% of all retail sales – and that's an awful lot of packets and parcels that need to be sent out.

ONEPOST realises that online retailers and anybody needing to distribute any quantity of packets really need a simple way of handling the administration and delivery.

The clear and straightforward process that ONEPOST has brought to handling letter mailings has now been applied to larger items. This allows 'mail order' operators to take advantage of multi-operator networks, optimum pricing and single-point contact and invoicing.

Just send us a sample of a typical daily distribution file – along with size and weight profile – and we'll show you what we think you should be paying.

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The future for postage prices is altogether brighter