

Royal Mail Wholesale

6th December 2010

Royal Mail Wholesale
4th Floor
148 Old Street
London
EC1V 9HQ

Dear Customer,

Condition 9 Access Agreements: A New Presentation Option for Customers - Segregation by Format

From 17th January 2011, Royal Mail Wholesale (RMW) is introducing an alternative practice to the presentation requirements for handing over mailing items under a Condition 9 Access Agreement: subject to signing a supplementary agreement to their current Access Agreement with Royal Mail, our customers will be able to hand over mailing items by segregating mail bags and trays into Yorks according to mailing item format (Letters, Large Letters and Packets).

This is an alternative to the current requirement to hand over by discrete customer account number (an option that remains available) and is one of the first improvements under our Improving the Customer Experience Programme.

Why are we offering this?

We are keen to reduce, where mutually beneficial, the end-to-end cost of mail in order to improve customer service and make Access more efficient. The current handover and mail release requirements by discrete customer account have been standard practice since we introduced Access services in 2004, and have worked well. However, due to the higher volumes of mail now being processed in the Access Window (some 45% of Royal Mail's daily volume), this is creating pressure points for mail release and is also driving operational costs for upstream providers and customers as well as Royal Mail Operations. For example, some factors that are affecting operational efficiencies for upstream providers and customers are:

- Increased need for floor space for sorting and segregation by customer account;
- Sub-optimal container fill;
- Increased handover time, reducing driver and vehicle efficiency; and
- Poor vehicle utilisation due to sub-optimal container fill.

What are the benefits?

When we ran a feasibility study in August this year, it allowed us to test some assumptions on what would happen if customers' mail did not have to be segregated by customer account. The tests demonstrated improvements in the following areas:

- Improved quality of service from a leaner end-to-end mail pipeline;
- Improved container fill;
- Improved vehicle utilisation; and
- Potential cost savings from reduced segregation requirements.

Whilst these improvements are of direct benefit to upstream providers and to us, we believe that the more customers who embrace this option of presentation, the greater the potential for all Access customers to reap the above benefits.

What do I need to do differently?

If you have a Customer Direct Agreement (CDA) and you wish to take up this new option, you should sign the "Segregation By Format Agreement" (the Agreement), attached to this letter. In addition, if you have not already instructed us to process your mail without waiting for authorisation via the client report you will need to agree and to sign the "Early Release Agreement" (see Schedule 2 of the Agreement).

In practice, as a CDA, it is your upstream provider(s) who will need to effect the operational change of this agreement since they manage the handover process on your behalf. Schedule 1 of the Agreement contains the details of the revised operational process for handover requirements.

If you have an Operator Agreement or Agency Operator Agreement and you wish to take up this new option, you will also need to sign the Segregation By Format Agreement and, if you have not already done so, the Early Release Agreement. The Agreement requires you to provide accurate 'York' cards and 'York' manifests with details of the contents of each 'York' as specified in the User Guide. Please find attached a draft of the proposed additions to the User Guide.

Why is the Early Release Agreement required?

This agreement means that you give your permission to release your mail for processing as soon as Royal Mail's Revenue Protection sampling has been completed.

This replaces the authorisation process via the client report i.e. you will still receive a client report but we do not need to wait for you to authorise it before releasing the mail for processing. The Early Release Agreement is required in combination with format segregation to ensure that when a York contains a mix of different customers' bags or trays, we do not inadvertently release an individual customer's mail without their approval. This enables colleagues at our mail centres to manage the flow of your mail more effectively.

Next steps

Both Royal Mail and Access carriers need to implement some system and operational changes before 'Segregation By Format' can be introduced. We will be ready to accept handovers under 'Segregation By Format' from January 17th 2011 but please do work with your upstream providers to determine its availability to you specifically.

If you have any further questions or would like to discuss this proposal, please contact your Access Account Manager.

Yours sincerely,

Nicole Walker
Royal Mail Wholesale

