



14th October 2015

Royal Mail Wholesale

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London
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PRICE CHANGES FOR THE ACCESS LETTERS CONTRACT

Dear Customer,

Today, we published the new Access prices for the Access Letters Contract that will come into effect from 4th January 2016.

This letter summarises certain price changes we are making to Access Letter and Large Letter services from 4th January 2016. You can find all of the new prices at www.royalmailwholesale.com/pricing.

Keeping prices low

We have thought very carefully about the price changes as we are conscious of the challenging environment many of our customers are dealing with and, as a result, have limited the price increase for business mail this year to 1.9% on Letters and 0.7% on Large Letters in trays for customers using Royal Mail Mailmark® (Mailmark). These are lower price increases than in previous years. Customers that switch from CBC in bags to Mailmark in trays, will see potential price reductions in 2016 of -0.3% for business mail.

We understand that keeping prices low for advertising mail has a positive impact on mail as a marketing channel. We want to work with our customers to encourage this trend. So, for the third consecutive year, our lowest price increases will be for items posted under the Royal Mail Advertising Mail® (Advertising Mail) service. We are increasing the Advertising Mail discount to 4.7p per Letter item and 7.4p per Large Letter item. The overall impact is one of very small price changes. For example, customers that post Advertising Mail Letter items in trays using the Mailmark barcode will see an increase of as little as 0.04p per item. Those customers that switch from CBC in bags to Mailmark in trays will see potential price reductions in 2016 of -2.4% for Advertising Mail.

Customers that post catalogues or brochures may be interested in the new weight bands introduced with our 2016 Advertising Mail prices. They will come into effect from 4th January 2016 for use in the Advertising Mail Catalogue Trial. They include, for the first time, five new weight bands between 100g – 150g for both Letter and Large Letter format items. This will, in effect, reduce the price increases for catalogues over 100g.

The Advertising Mail Catalogue Trial starts on 4th January 2016 and will run until 17th March 2017. We are offering Access customers the opportunity to participate. If they do, they can test whether increasing the size of their catalogues will result in more, bigger sales orders and ultimately improve their profits and their return on their Advertising Mail catalogue investment.

Getting more from Mailmark

We would like to thank customers for their commitment to investing in Royal Mail Mailmark® in 2015. As we have been communicating throughout the year, our price changes further recognise

those customers that have already switched to Mailmark and are designed to encourage further switching.

As part of our 2016 Access price changes, we are:

- expanding the current 1% Letter differential between Mailmark and CBC, as we have previously indicated we would;
- having listened to customer and industry feedback, we have decided not to proceed to the full 5% differential in 2016. Rather, we will be implementing the expansion in two stages:
 - i. adding an initial 1.5% in January 2016 (bringing the differential to 2.5%), and
 - ii. adding a further 1.5% expansion 6 months later, bringing the total differential to 4% (c0.8p/item). We will send you separate notification of this second expansion of the differential when we can be more definite on the timing of that change;
- introducing a Large Letter differential of 1% between Mailmark and Access 1400, which will become effective on 4th January 2016; and
- changing the Mailmark Adjustment charges from 4th January 2016, with many being reduced.

Encouraging mail in trays

The use of trays enhances mail hygiene. Items presented in trays have the lowest price. This is because they are the most efficient container for handling of Letters and Large Letters (up to 10mm thick). We continue to want more of this mail type in trays, particularly Large Letters up to 10mm thick. The discount for items presented in trays will continue to be 0.25p for Letters. From 4th January 2016, the discount will be increased to 0.5p for Large Letter items when compared to the same items being presented in bags.

Future improvements for Mailmark

We would also like to thank customers who responded to our recent Mailmark consultation for their valuable thoughts on the timing for migrating our other machineable services to Mailmark. Whilst we remain committed to the withdrawal of CBC, we have listened to concerns expressed by some customers. We are minded to do the following:

- delay the withdrawal of CBC until **January 2018**, a year later than proposed;
- monitor the migration of CBC volumes to the Mailmark option in 2016 and provide you with an update in January 2017 on our plan to remove CBC; and
- monitor 2016 Mailmark volumes and decide whether a further expansion of the price differential from January 2017 would be appropriate.

Relaxing Large Letter specification

In 2015 we made further investment in our Large Letter Automation. This enables us to relax some of the presentational requirements for Large Letter machineable services, namely:

- with effect from 4th January 2016, an increase in the allowance of the 20mm poly overhang to 30mm. This will ease the technical difficulties some customers had experienced in staying within the 20mm limit; and
- to follow later in 2016:
 - a reduction in minimum size;
 - the cessation of the application of the white barcoded labels by our machines;
 - a new specification for open, unwrapped mail.

We shall advise you of the availability of these enhancements in the next few months.

Full details of our prices are now published on our website www.royalmailwholesale.com/pricing

Yours sincerely,

A handwritten signature in black ink that reads "Luisa Fulci". The signature is written in a cursive style with a large initial 'L' and 'F'.

Luisa Fulci
duly authorised for and on behalf of
Royal Mail Group Limited