

ROYAL MAIL WHOLESALE

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Dear Customer,

Improvements to bulk mail specification processes, clearer guidance, and an enlightened approach to surcharging.

We have listened to our customers and the mail industry and have been working with them to improve the processes around measuring compliance to specifications for bulk mail products.

Our extensive investment in new automation capability to improve the efficiency of our mail operation has enabled us to offer our customers considerable discounts linked to mail production specifications – designed to help us handle your items as efficiently as possible.

Following significant engagement with our customers and the industry, including the Strategic Mailing Partnership and the DMA, we are introducing a number of improvements to the current processes. These are **due for launch on 17th September** and we want to keep our customers informed of the progress we are making and the positive changes you can expect.

How to avoid common faults – and we'll share our programme of checks

To help customers improve the quality of their bulk mailings, Royal Mail will produce a table of the most common faults that occur in achieving OCR and Barcode product specifications. We will also publish a programme of product specification checks that our revenue protection teams will focus on, over the following rolling 6 months¹. This information will give our customers and the industry an opportunity to focus their mail production improvement activity in the right areas and to help keep specification failures to a minimum. This information will be published on Royal Mail's websites from 17th September and will be updated on a monthly basis. These websites can be found at www.royalmailtechnical.com and www.royalmailwholesale.com

Changes to specification and a staged reintroduction of sealing surcharges

We are currently carrying out a full review of bulk mail specifications for machineable mail to ensure that they remain appropriate when helping Royal Mail to handle your items as efficiently as possible.

We are pleased to announce an amendment to the envelope sealing specification following testing of the current requirement. This amendment may be implemented from 17th September but for the purposes of clause 13.2.3 of the Access Agreement will take effect from 28th September 2012. The new specification is:

- Items that are no less than DL envelope size and presented in trays, this will change to 35mm/35mm.
- Mail which is presented in bags will still be required to meet the 35mm/25mm specification as the handling of items presented in this way can further contribute to the difficulties caused by unsealed envelope flaps.

Full details will be shared in updated User Guides, shortly.

We have also listened to our customers and to the industry regarding the reintroduction of surcharges for mail that fails to meet the sealing specification and are pleased to announce that, following the end of the current moratorium on 15th September, there will be a phased approach from 17th September as follows:

17 th Sept – 31 st Oct	20% surcharge
1 st Nov – 31 st Dec	50% surcharge
2nd Jan 2013 onwards	100% surcharge

Two positive changes to the way we surcharge mail

In future, we are proposing a more proportionate approach to surcharging which will see a surcharge more relative to the scale and impact of not meeting the specification. This is comparable for both Retail and Wholesale customers.

Surcharges will now be based on low, medium and high volumes of mail that has failed to meet the relevant product specification. In addition, we are introducing an approach which will categorise specification failures into those which have a high impact on our ability to handle mail efficiently and those which have a lesser impact. The surcharges applied to mail which fails specification will be as follows:

- Mail which fails for a 'high impact' element of the specification will be reverted to the relevant product which specification it does meet
- Mail which fails for a 'low impact' element of the specification will be surcharged a fixed fee which will be between 0.5 pence per item and 1.5 pence per item. We will confirm this charge shortly. For information and clarity, this is similar to the approach we introduced last year, for a failure to have a full and accurate delivery point suffix on a machineable mail piece, charging a fixed fee of 0.5 pence per item.

Whilst we are making significant improvements to the processes around compliance to specifications that are in place for bulk mail products, we will continue to work with customers, the Strategic Mailing Partnership and the DMA to look for further opportunities to make these processes better still for our customers, whilst ensuring that we can continue to justify the significant discounts offered for this mail.

We will update you, both before the launch date of 17th Sept and following that date with any further improvements we make. If you have any queries, please do not hesitate to get in touch with your Account Director.

Jenny Ledger
Network Access Director
Royal Mail

ⁱ Please note these checks are in addition to and do not replace the daily quality checks we will carry out.