

# Tariff 2010

## Customer Presentation

December 2009



Royal Mail

# Content

- Key Changes for Tariff 2010
- Tariff 2010 by Application
  - Social mail
  - Advertising and Transactional (SME & Large Business)
  - Fulfilment Services (SME & Large Business)
  - Publishing and Catalogue services
  - Value added services
- Summary



# Key changes for Tariff 2010

	Strategy	Tariff 2010
Stamp Prices	<ul style="list-style-type: none"><li>• Increase stamp prices to cover costs of providing the USO</li></ul>	<ul style="list-style-type: none"><li>• Stamp letter prices increase by 2p / 2p</li></ul>
International (non-contract)	<ul style="list-style-type: none"><li>• Increase International prices to cover increasing costs of delivering abroad</li></ul>	<ul style="list-style-type: none"><li>• International stamp and meter prices up by 9%</li></ul>
SME/Unsorted	<ul style="list-style-type: none"><li>• Support SMEs affected by the economic downturn</li></ul>	<ul style="list-style-type: none"><li>• Price freeze for inland Meter, PPI, Cleanmail and ASTLL services</li></ul>
Fulfilment	<ul style="list-style-type: none"><li>• Support packet customers through difficult times</li></ul>	<ul style="list-style-type: none"><li>• Some re-balancing of prices in favour of &gt;500g weights</li></ul>
Large Business – Transactional & Advertising	<ul style="list-style-type: none"><li>• Support Direct Mail in the media market place</li></ul>	<ul style="list-style-type: none"><li>• Mailsort 3 prices maintained following October decrease</li><li>• Some re-balancing of prices</li></ul>
Large Business – Publishing & Catalogues	<ul style="list-style-type: none"><li>• Increase prices to improve alignment with costs</li></ul>	<ul style="list-style-type: none"><li>• Introduce VRDs for Presstream customers</li><li>• Increase prices to cover costs</li></ul>



# Our price changes

- Social Customers
- International Services
- Advertising & Transactional
- Fulfilment Services
- Publishing/Catalogue Services
- Value Added Services

- *Increase stamp prices to address costs of providing the USO*
- *Stamp letter prices are currently some of the cheapest in Europe:*
  - 5th cheapest on 1<sup>st</sup> class*
  - Cheapest for 2<sup>nd</sup> class*



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# Stamp prices increase to cover the costs of providing the USO

- Stamp letter prices increase by 2p / 2p

	Stamp Letter Prices	
	2009/10	2010/11
1 <sup>st</sup> Class	39p	41p
2 <sup>nd</sup> Class	30p	32p

- Large Letter and Packet prices increase by up to 8.6% at lower weights

	1 <sup>st</sup> Class		2 <sup>nd</sup> Class	
	Large Letters	Packets	Large Letters	Packets
0-100g	8.2%	8.6%	8.5%	8.3%
101-250g	6.7%	6.2%	6.6%	7.1%
251-500g	6.5%	4.7%	6.7%	5.4%
501-750g	5.6%	3.8%	5.3%	5.4%
751-1kg		3.1%		5.2%
>1kg		0-1.1%		



# Our price changes

- Social Customers

- International Services

- Advertising & Transactional

- Fulfilment Services

- Publishing/Catalogue Services

- Value Added Services

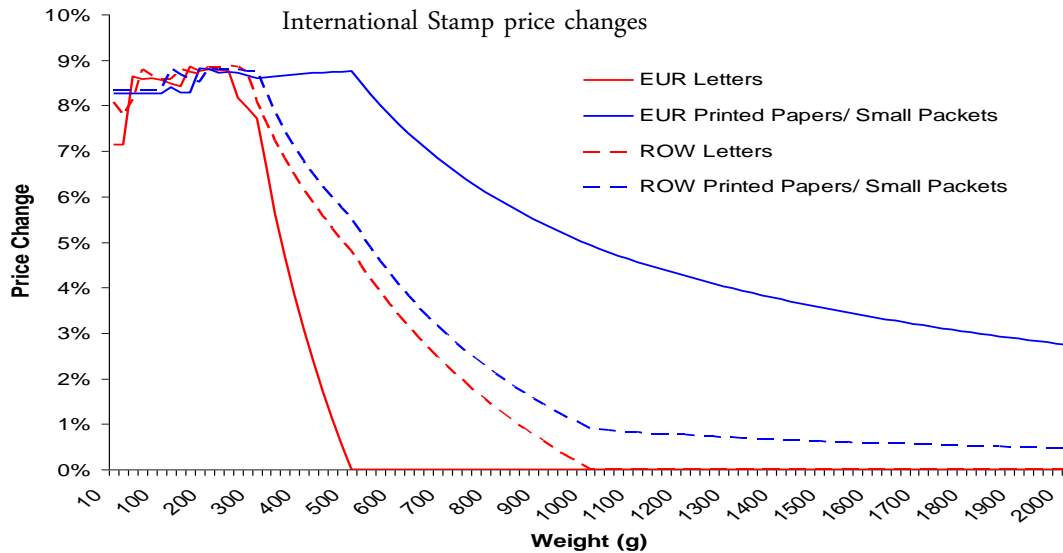
- *Price increases to cover increasing costs of delivering abroad, primarily driven by the low value of sterling against other currencies*
- *Contract product prices will be announced by March 6th*



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# International Stamp and Meter prices are increasing by up to 9%

- Stamp, Meter and STL Airmail prices increase on average by 6.5%
- Lower increases at higher weights to maintain attractiveness of packet traffic
- Surface mail will increase up to 9% at all weight-steps, reducing the difference with Airmail, to reflect costs



Priority Services are increasing:

- Airsure up 8.9% to £4.90
- Contract Airsure up 40p (no change >500g to ROW)
- International Signed-For up 14.9% to £4.25
- Additional compensation up 13.6% to £2.50

IBRS increasing by 2p at all weight steps



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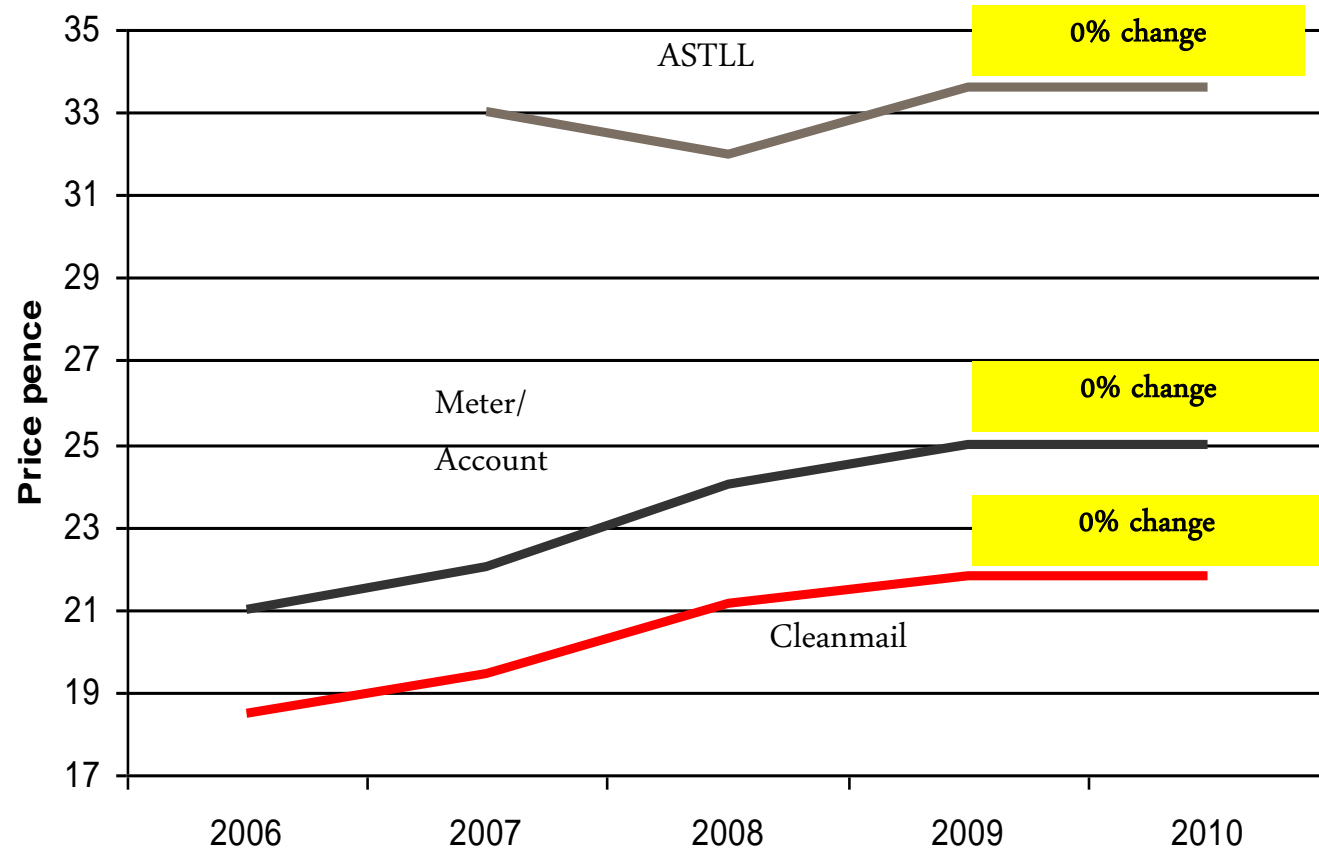
# Our price changes

- Social Customers
  - International Services
  - Advertising & Transactional
  - Fulfilment Services
  - Publishing/Catalogue Services
  - Value Added Services
- *Price freeze for SMEs to support them through the economic downturn*
  - *For Large Customers there are some re- balancing of price points*
  - *Support Direct Mail in the media market place*



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# No change in prices for SME customers



No price change to inland:

- Meter
- PPI/Account
- Cleanmail
- ASTLL

To support SMEs through the economic downturn



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# Mailsort price changes to promote Direct Mail

## Maintain October price reductions

Price changes	In October 2009	In April 2010
MS 3 1400	-3.3%	-0.5%
MS 3 120 OCR	-2.8%	No Change
MS 3 120 CBC	-2.8%	0.4%
MS 3 700	-2.8%	No Change

- Mailsort 1400 direct letter prices are reduced by a further 0.5%
- MS3 1400 residue letters increase by 0.6%
- No changes to Sustainable discounts
- No change to Response Plus and 0.5p increase to Standard Response

## Royal Mail Sale

- We further encourage the use of mail, especially amongst advertisers
- Applications for sale opened on 1<sup>st</sup> Dec '09 and close 19<sup>th</sup> March '10
- Sale runs from:  
**1<sup>st</sup> March to 30<sup>th</sup> April '10**
- Additional 20% discount on incremental volumes only  
**MS3 and Sustainable MS3 letter format (120/700/1400)**
- For further information visit [www.royalmail.com/rmsale](http://www.royalmail.com/rmsale)



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# Large customers see few price changes

- Very little change to machinable presort prices (1c/2c)

<b>MS 120/700</b>	<b>Price change (Directs)</b>
<b>MS 120 OCR</b>	<b>No Change</b>
<b>MS 120 CBC</b>	<b>0.4%</b>
<b>MS 700</b>	<b>No Change*</b>

\*Also no change to MS 700 residue prices

- Small price increases on other (non-machinable) bulk mail letter products:

<b>Product</b>	<b>Price change (Letters)</b>	
	<b>Direct</b>	<b>Residue</b>
<b>MS1 1400</b>	<b>No Change</b>	<b>1.1%</b>
<b>MS2 1400</b>	<b>1.0%</b>	<b>2.1%</b>
<b>Walksort 1</b>	<b>No Change</b>	
<b>Walksort 2</b>	<b>1.0%</b>	



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# Our price changes

- Social Customers
- International Services
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- Publishing/Catalogue Services
- Value Added Services

- *Average prices remain unchanged but some price points will see either increases or decreases in line with the true costs of providing the service*
- *Support packet customers through difficult times*



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# Most customers posting over 2000 packets a day using Packetpost/Packetsort will see a price reduction

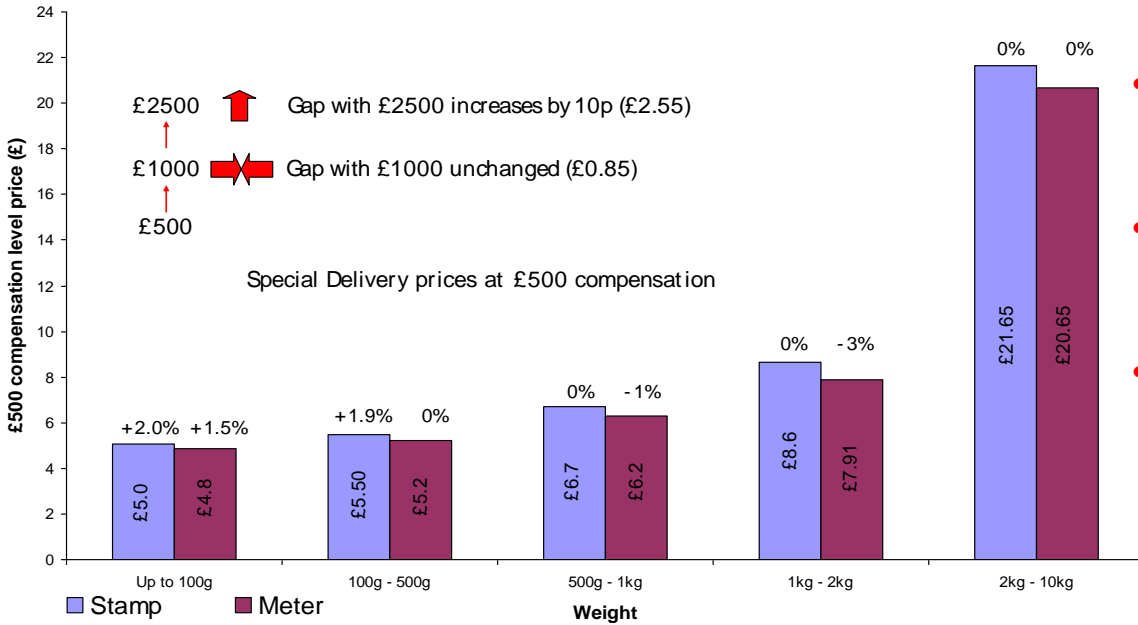
Price Changes	Number of 2c Packetpost packets a day			
	<100	100-749	750-1999	2000+
0-100g	3.0%	2.7%	1.4%	0.3%
101-250g	3.0%	2.7%	1.4%	0.3%
251-500g	2.0%	1.7%	0.4%	-0.7%
501-750g	1.0%	0.7%	-0.6%	-1.7%
751-1kg	-2.0%	-2.2%	-3.5%	-4.6%
1-2kg	1.0%	0.7%	-0.6%	-1.7%

- All customers posting between 751g to 1kg will see a price reduction of at least 2%
- Customers posting over 2000 packets a day will see reductions of up to 4.6%
- Customers posting less than 750 packets a day will see price rises of up to 3% at lightweights

- Packetpost returns increase by up to 3% (shown in <100 column)
- Packetsort maintains 4% discount
- Packetsort Plus discount structure unchanged
- No changes to Large Letter prices on Packetpost/Packetsort
- Existing Tracked prices are not changing
- No change to Mailsort 1 and 2 packet prices, Mailsort 3 packets increase by 2%



# Special Delivery meter and account prices are reducing between 500g and 2kg



- Stamp/Meter SD 1pm prices rising up to 2% at lighter weights
- Meter SD 1pm prices reducing at higher weights by up to 3%
- 9am increasing by more than Next Day

Price changes for account customers posting >5k items per annum				
	5-100k	100-500k	500k-1.5m	1.5m+
Up to 100g	+2.3% to 3.5%	+1.5% to 2.1%	+0.9% to 1.2%	+0.3% to 0.6%
101-500g	No change			
501-1kg	-1%			
1-2kg	-3%			

- Contract prices rising at lower weights and reducing at higher weights
- No change over 2kg

# Our price changes

- Social Customers
- International Services
- Advertising & Transactional
- Fulfilment Services
- Publishing/Catalogue Services
- Value Added Services

- *Introduce VRDs on the basic Presstream service*
- *Prices for catalogue services continue to increase to cover costs*



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# We are introducing Volume Related Discounts on the basic Presstream service (not Profile)

- Applicable to Direct selections in line with Mailsort 1400 VRD's
- The discount will be calculated in addition to the Sortation Discount

$$\text{Base Price} \times (100 - \text{Sortation Discount} - \text{VRD}) = \text{Per item price}$$

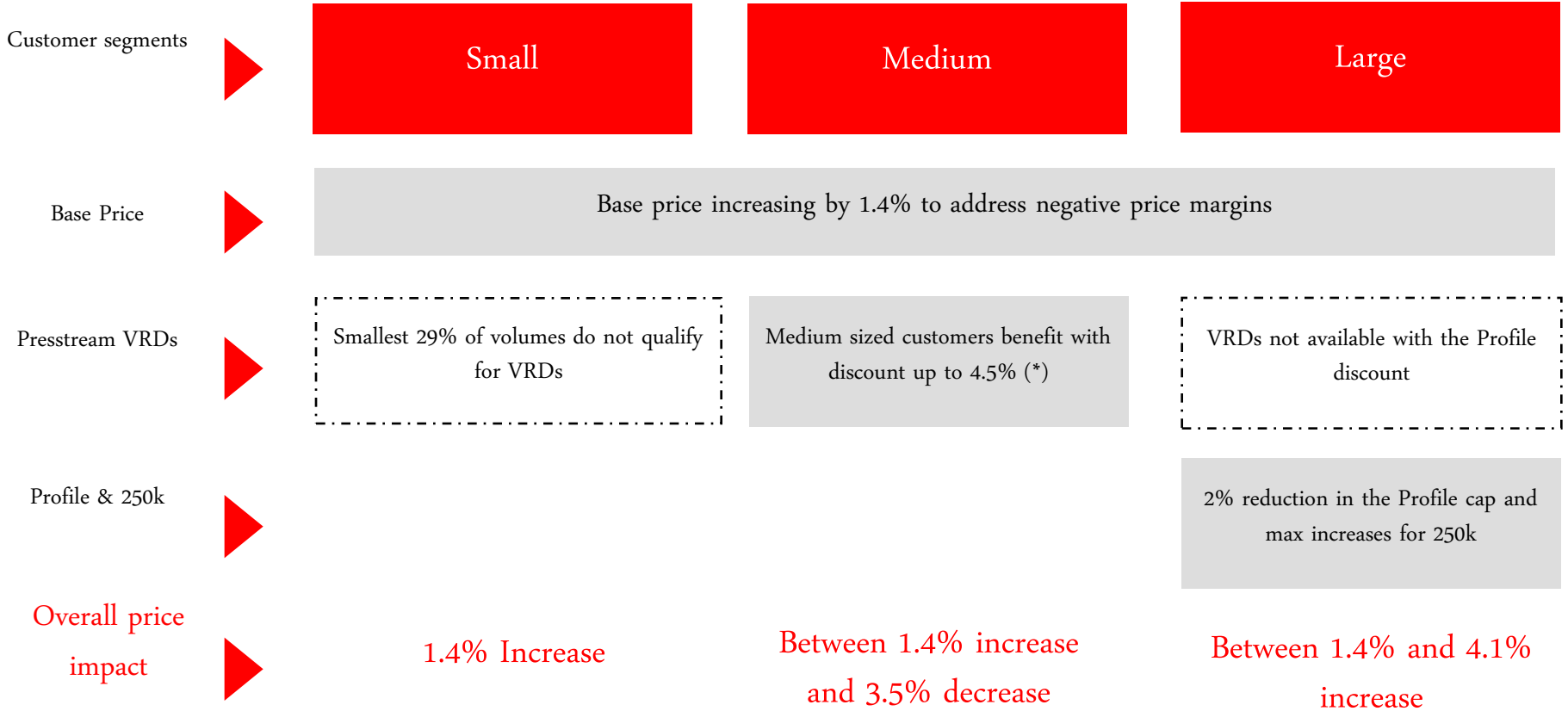
- Calculated automatically as part of the billing process
- Current Presstream Terms & Conditions will still apply
- Mailings made across multiple magazine codes, operational sites or days cannot be amalgamated to obtain a higher level of VRD
- However, customers able to combine a single magazine code from the same operational site into a single mailing have the potential to access higher VRDs

LL Volumes	1 – 10k	10-20k	20-40k	40-60k	60k+
Discount Level	0.0%	1.0%	2.5%	4.0%	4.5%

Pkts/A3 Volumes	1 – 5k	5-8k	8-12k	12-20k	20k+
Discount Level	0.0%	0.5%	0.75%	1.0%	2.0%



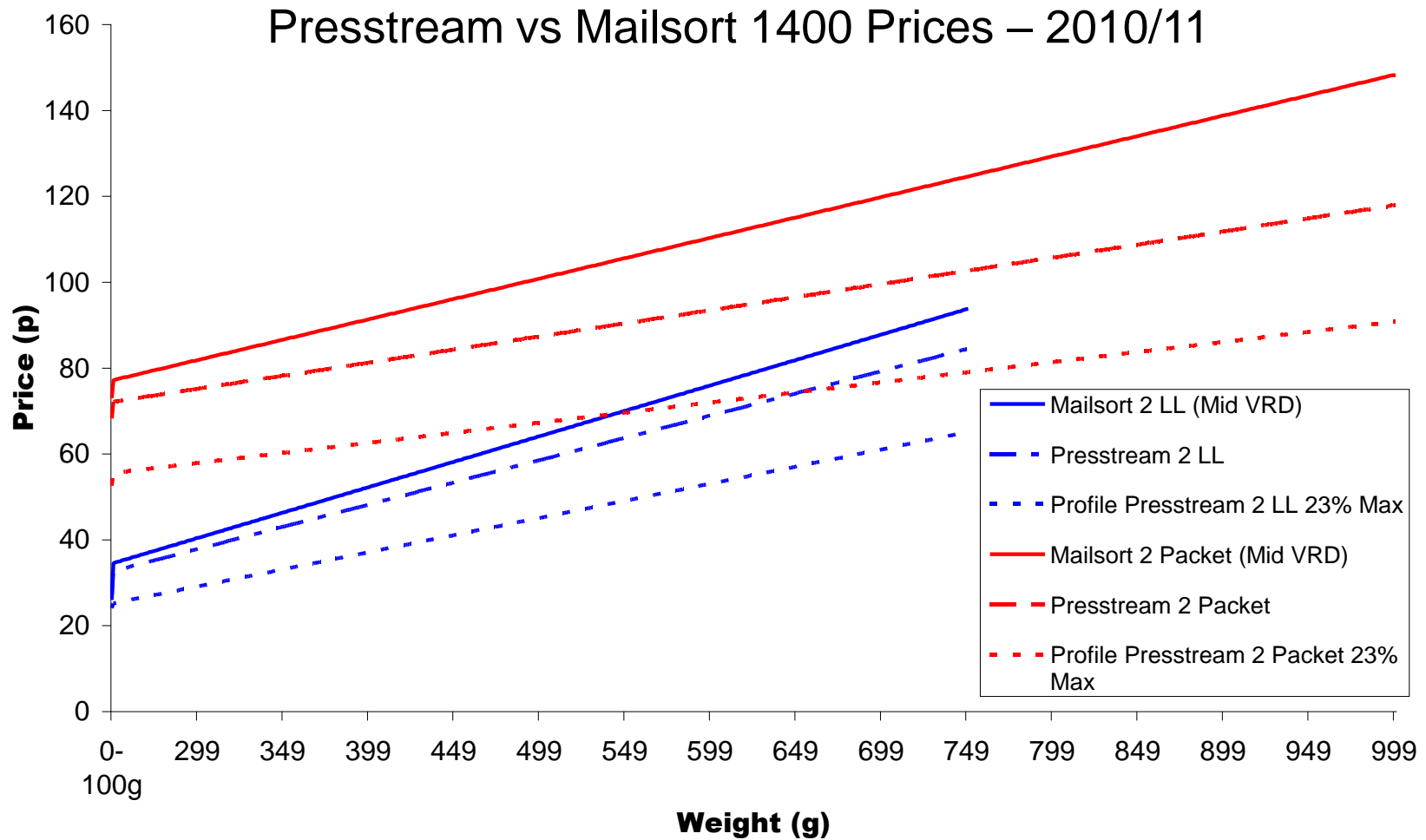
# Some customers using our Presstream service can access lower prices next year via VRD, however our largest customers will see price increases



(\*) A small number of Presstream customers will qualify for the max VRD as most larger customers are on Profile

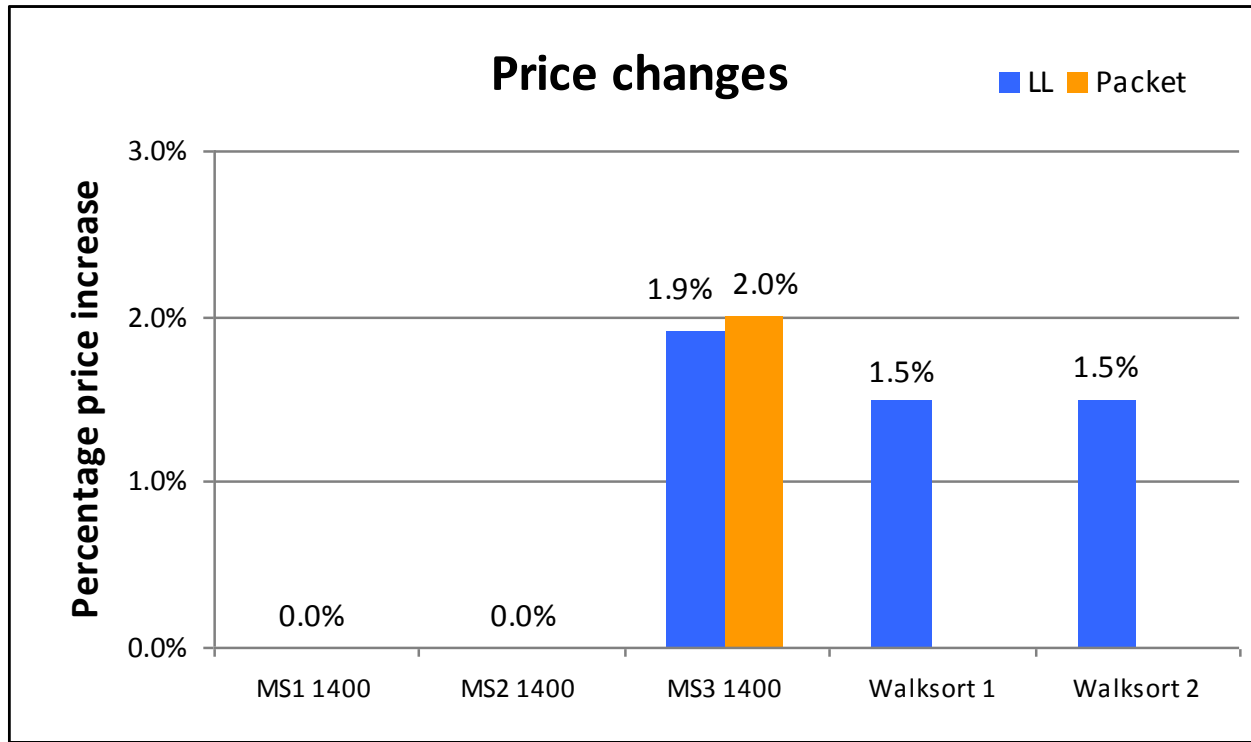


# Presstream is still cheaper than MS1400



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There are large price increases for catalogue services (for those customers who can't use Presstream)



- BUT A3 prices increasing by 4.2%
- AND Big book/Heavyweight price increases up to 5%



# Our price changes

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- *Price freeze for SMEs to support them through the economic downturn*
- *Price increases to cover RM costs*



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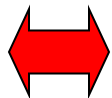
Prices held for the majority of our Value Added Services, however there are some increases

	PO Box – 12 Month Prices			
	Basic	+ Delivery	+ Transfer*	Locked Box
Current	£62.85	£125.75	£125.75	£160.00
2010/11	£95.00	£125.75	£125.57	£160.00

\* Price Controlled Service



- The basic PO Box price will be rising to cover costs
- Prepaid Envelopes in line with Stamp price increase
- Safebox 48 First Class by 5.8% to £172 to reflect cost



- Prices held for other services including Domestic Redirections, Business Collections, Early Collect, Timed Delivery, Selectapost and Presorted Delivery



# Summary of key changes - Tariff 2010

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Any questions?



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Thank you



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