



22nd December 2009

Philip Groves & Rebecca Churchill
Postcomm
Hercules House
6 Hercules Road
LONDON
SE1 7DB

Mark Waples
1st Floor
Royal Mail Letters Centre
35-50 Rathbone Place
LONDON
W1T 1HQ
mark.waples@royalmail.com

Copied for information to:

Nigel Woods & Cem Suleyman
Consumer Focus
4th floor
Artillery House
Artillery Row
LONDON
SW1P 1RT

**CONDITION 7 NOTIFICATION:
New Bulk Mail Compensation Scheme for Delay**

Dear Philip & Rebecca,

I am writing to notify you formally, under Condition 7 of Royal Mail's Licence, that on 1st April 2010 Bulk Mail customers will be covered by a new compensation scheme for delay which will replace the regulated scheme which cease on 31st March 2010. Similarities & differences from the existing scheme are summarised in Appendix 2.

Similarities with the current scheme:

The new scheme builds on some of the existing scheme's features, for example:

- Existing processes for Quality of Service measurement will remain in place – aggregated Quality of Service figures for 1st, 2nd and 3rd class products will be produced via current research methods
- The Quality of Service thresholds will remain as the original scheme agreed with Postcomm (91% for first class products, 97.5% for second and third class products)
- Compensation will be paid annually in the event that Quality of Service targets are failed by more than 1%
- In the event of compensation, customers will be paid in the form of a postal credit

Differences from the current scheme

These changes will make the scheme easier to administer.

- Payment will be a proportion of the total amount of revenue paid for products covered by the scheme equal to the level of failure above 1% (i.e. a failure of 2% will trigger payment equivalent to 1% of revenues). This is a change from the original scheme, in which the

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proportion was equal to the absolute level of failure (i.e. a failure of 2% triggered payment equivalent to 2% of revenues)

- Compensation will not be paid on accounts where less than 80% of invoices have not been paid. Invoices must be settled no later than 3 days after the final due date
- There will be no payment for accounts where the level of compensation is calculated to be less than £20
- We will not pay compensation in the event of Quality of Service failures caused by industrial action or force majeure incidents such as extreme weather conditions
- The scheme will be extended to include Royal Mail Heavyweight, Big Book and Cleanmail Advance – which were introduced after the inception of the original scheme and therefore not included in it. Appendix 2 contains a full list of the products that will be covered by the scheme from 1st April 2010

A copy of this letter has been sent to Consumer Focus and will be published on Royal Mail's website within four working days. Changes will be made to all relevant publications prior to deployment.

Yours sincerely,

A handwritten signature in black ink that reads "M Waples". The signature is written in a cursive style with a large, stylized 'M'.

Mark Waples
Head of Regulation and Compliance

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Appendix 1 – Differences between the existing and new Bulk Mail Compensation Schemes

	Existing Scheme	New Bulk Mail Compensation scheme
Minimum payment per account	No current minimum	£20
Payment level	X% of customer payment for all bulk products in relevant class, where X = the level of failure. NB if X<1% then no payment is made	(X-1)% of revenue for all bulk payments in relevant class where X= the level of failure – with a minimum of 0%
Payment cap	5%	4%
Payment to terms requirements	Customers must either have paid 80% of their accounts on time over the course of the previous 12 months or have paid all overdue accounts by a specific date	Customers must have paid 80% of their accounts on time over the course of the previous 12 months
Exceptions	QoS calculation corrected for force majeure based on protracted negotiations with Postcomm	QoS threshold corrected for force majeure, extreme weather and industrial action based on consistent published criteria
Quality Levels	1st Class: 91% 2nd/3rd Class: 97.5%	No change
Method of measurement	Annual measurement of quality based on sampling using a panel of recipients noting delivery times	No change

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Appendix 2: Products covered by the scheme¹

The following bulk mail services will be affected by these changes (the products highlighted in bold are additions to the current scheme):

Mailsort[®] 120

Mailsort[®] 700

Mailsort[®] 1400

Mailsort Variants:

Sustainable Mail,

Mailsort Light

mailmedia[®]

Walksort[®]

Presstream[®]

Presstream Walksort

Presstream Premium

Cleanmail[®] Advance

Cleanmail

Cleanmail Plus

Packetpost[™] Daily Rate

Packetpost Flat Rate

Packetsort[™] 8

Packetsort Plus

Packetsort

Packetsort Returns

Royal Mail Heavyweight[™]

Big Book

Response Services

STL PPI 1st and 2nd Class

STL Variant:

ASTLL

¹ Clarifications in *italics* were made on 22nd January 2010