



25th June 2010

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CONDITION 7 NOTIFICATION:

Introduction of Mailsort 70 and Sustainable Mail 70

Dear Philip,

I am writing to formally notify you under Condition 7 of Royal Mail's licence that, on 27th of September 2010, Royal Mail will be introducing two new products called Mailsort 70 and Sustainable Mail 70. This notification follows on from a Postcomm Consultation that was issued in March 2010¹.

Mailsort 70 & Sustainable Mail 70 will join Royal Mail's existing suite of products for mailers posting Letter format items that meet Royal Mail's machineable specifications. Once Mailsort 70 & Sustainable Mail 70 are launched, customers will have the choice of using either Mailsort 70, Mailsort 120 or Mailsort 700 (or the Sustainable Mail equivalents of each) for pre-sorted machineable Letter format bulk mailings. Customers will be able to choose from 1, 2 or 3 service levels. These have identical standards of service to the existing Mailsort products.

Mailsort 70 & Sustainable Mail 70 will be available for mailings of 20,000 items or more for a single set of selections accompanied by one line listing and computer planning report. Items must be presented in trays rather than bags². Both products will be available in both OCR and CBC variants (using the existing OCR & CBC specifications). Customers using Mailsort 70 or Sustainable Mail 70

¹ 'Introduction of Mailsort and Access 70 services by Royal Mail' - consultation March 2010. Postcomm published a decision document on 24th of June 2010 on their [website](#). Launch of Mailsort 70 and Sustainable Mail 70 is dependent upon Postcomm making the required licence modifications prior to the 27th of September 2010.

²n.b. Bags must be used by customers posting Mailsort 70 and Sustainable Mail 70 items to the Channel Islands and Isle of Man.

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will sort to fewer selections than existing Mailsort products. When launched Mailsort 70 and Sustainable Mail 70 will have only 85 selections.

As with other Mailsort products, the Mailsort Database will determine the selections that customers have to sort to. Mailsort Database 2010 is available now from the [Mailsort Technical website](#) and includes the Mailsort 70 Database that must be used to sort Mailsort 70 and Sustainable Mail 70 mailings.

Upon launch Mailsort 70 CBC will be priced at the same level as Mailsort 700, with Mailsort 70 OCR priced slightly higher. Mailsort 70, like Mailsort 120, will not have a distinction between 'Direct' and 'Residue' selections; all mail will be treated and priced as direct selections. Mailsort 120 CBC & OCR customers switching to Mailsort 70 will pay a lower price and sort to fewer selections than they do currently. Mailsort 700 customers that switch to Mailsort 70 CBC will pay the same price, but with no loss of discount due to Residues and significantly less selections to sort to.

Sustainable Mail 70 will be priced in a similar manner to the other Sustainable Mail variants, i.e. mailers will receive an additional discount, over Mailsort 70, of 2% (Entry level) or 4.7% (Intermediate level) if they meet the Sustainable Mail specification.

To access Mailsort 70 or Sustainable Mail 70, customers will be required to have an Online Business Account (OBA) set-up with Royal Mail. When a customer wishes to use Mailsort 70 or Sustainable Mail 70, Royal Mail will add the appropriate product codes to their OBA account. Customers that are already accredited to use an OCR or CBC product will be able to have the corresponding OCR or CBC variant of Mailsort 70 or Sustainable Mail 70 added to their OBA account without any further requirement for pre-accreditation. Customers that are not already accredited for an OCR or CBC product will be required to undertake accreditation for Mailsort 70 before they can order via OBA just as they would if they wished to use Mailsort 120 or Mailsort 700. Customers will be unable to access Mailsort 70 or Sustainable Mail 70 using paper Posting Cheques.

Mailsort 70 and Sustainable Mail 70 will be subject to the same compensation arrangements as all other Mailsort products.

The full specification and requirements for Mailsort 70 & Sustainable Mail 70 will be contained within a new chapter of the Mailsort User Guide (MUG) that customers will be able to access via the [Mailsort Technical Website](#). This will be available for customers prior to the launch of the products in September. Prices are shown in Annex A and will be incorporated into the Mailsort Calculator, which can be found on the Mailsort Technical website, in due course.

Mailsort 70 & Sustainable Mail 70 will also be available with the following:

Mailsort Light. Customers will be able to use Mailsort 70 or Sustainable Mail 70 for the 'main-stage' part of a Mailsort Light campaign. In addition, they will be able to use the '3' variant of Mailsort 70 for the 'Light' stage(s) of a Mailsort Light campaign. However Sustainable Mail 70 will not be permitted for use as the 'Light' stage of a Mailsort Light campaign.

Tailor Made Incentives (TMI's) will be available to customers using Mailsort 70 or Sustainable Mail 70 under Royal Mail's standard terms and conditions for TMI usage. As is the case with other Mailsort products, TMIs will not be available for the '2' variant of Mailsort 70 or Sustainable Mail 70.

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This letter serves as formal notice of the addition of Mailsort 70 & Sustainable Mail 70 to the TMI Policy. No other changes will be made to the TMI Policy; a copy of which will be provided to Postcomm separately in due course.

Term Contracts will be available for Mailsort 70 and Sustainable Mail 70 under the same terms and conditions as they are for all other Mailsort products. In addition, Customers will be permitted to switch from existing term contracts for other Mailsort products into term contracts for Mailsort 70 or Sustainable Mailsort 70 as long as they provide Royal Mail with prior notice of this requirement as per the current [term contract switching guidelines](#).

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

Annex A – Prices for Mailsort 70 & Sustainable Mail 70 – valid from launch on 27th June 2010

Mailsort[®] 70 Rate Card OCR and CBC, Sustainable[®]

Mail - Entry Level and Intermediate Level

Mailsort[®] 70 and Sustainable Mail[®] 70 pricing depends on:

- **the volume of your mailing (minimum of 20,000 letters)**
- **how letters are addressed – by OCR or CBC**
- **your mail items weigh not more than 100g**
- **meet the letter format dimensions**

For help or advice, contact your Royal Mail account manager or call the sales centre on 08457 950 950

Please note Mailsort[®] 70 and Sustainable Mail 70 are exempt from VAT



Mailsort[®] 70 Rate Card

Mailsort 70 prices depend on whether your mail is designed using Optical Character Recognition (OCR) or a Customer Barcode (CBC). The true invoice price is based on the base price and the percentage discount. The prices listed in the tables below are indicative prices after discount, have been rounded and may not perfectly match the invoiced details.

Mailsort[®] 70 OCR and CBC

Table 1 - Base price

	Mailsort 1	Mailsort 2	Mailsort 3
Letters 0 – 100g	34.2p	23.8p	20.8p

Table 2 - Sortation and machineability discount

	Mailsort 70 1	Mailsort 70 2	Mailsort 70 3
OCR Letter	19.0%	19.0%	19.0%
CBC Letter	19.3%	19.3%	19.3%

Table 3 - Volume Related Discount (VRD)

Volume Band	Number of items	Mailsort 70 1	Mailsort 70 2	Mailsort 70 3
Letter ³	0 – 19,999	0.0%	0.0%	0.0%
Letter 20	20,000 – 39,999	1.5%	1.5%	1.5%
Letter 40	40,000 – 79,999	3.5%	3.5%	3.5%
Letter 80	80,000 – 119,999	4.5%	4.5%	4.5%
Letter 120	120000 +	5.3%	5.3%	5.3%

³ Applicable only for portions of a 20,000 plus mailing that has been split over more than one day. Minimum volume per day must be 4,000 items as per normal Mailsort rules.

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Calculating the price of your mailing

Step 1: Find the base price for the service from table 1

Step 2: Identify the appropriate sortation and machineability discounts from table 2

Step 3: Add to the sortation and machineability discount the applicable volume related discount from table 3

Step 4: Apply the aggregate discount to the full price to calculate the item price.

Step 5: Multiply the item price by the number of items in each category.

Step 6: Add the values together to calculate the total transaction price.

Worked example - A Mailsort 70 3 OCR posting of 120,000 letters weighing 72g each.

- **Step 1:** The base price for a Mailsort 70 3 Letter = 20.8 p from table 1
- **Step 2:** Sorting and machineability discount = 19% from table 2
- **Step 3:** VRD from table 3 = 5.3%, added to the direct discount of 19% the total discount now totals 24.3%.
- **Step 4:** Price per item = $20.8p * (100\% - 24.3\%) = 15.7456p$
- **Step 5:** Total price of mailing = $(15.7456p * 120,000) / 100 = £18,894.72$

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Sustainable[®] Mail 70 Rate Card

Table 1 Sustainable Mail Entry Level pricing structure

	Mailsort 70
Letter 0 - 100g	2.00%

Table 2 Sustainable Mail Intermediate Level pricing structure

	Mailsort 70
Letter 0 - 100g	4.70%

Calculating the price of Sustainable[®] mail

- **Step 1:** Calculate the Mailsort 70 price for the service you are using (Sustainable Mail is not available on the packet format or non-Mailsort services).
- **Step 2:** If you meet the Entry Level specification for Sustainable Mail, then reduce the Mailsort price by the amount shown in Table 1.
- **Step 3:** If instead you meet the Intermediate specification for Sustainable Mail, then reduce the Mailsort price by the amount shown in Table 2.

Term Contract

Product and Class of service*	Contract Duration	
MS70 - 1, MS70- 2, MS70 - 3,	1 Year	2 Year
<i>Discount (per year)</i>	1.40%	2.00%

*minimum annual volume of 1 million mail items applies per product and class of service contracted

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