

ROYAL MAIL WHOLESALE

Change Proposals for Access Contracts

A Decision Document

30 June 2015

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SECTION 1

INTRODUCTION

- 1.1 Royal Mail has indicated that it intended to make some changes to the Access Letters Contract and the Wholesale Parcels Contract.
- 1.2 Under the terms and conditions of the Access Letters and Wholesale Parcels contracts that were introduced in April 2013, Royal Mail can make certain changes to the contract terms unilaterally following the expiry of the applicable notice period. Proposed changes that are not otherwise provided for under a specific change clause and are deemed to be material to customers require consultation with Access customers prior to Royal Mail issuing a change notice.
- 1.3 On 16 January 2015, Royal Mail published a discussion document, "Change Proposals for Access Contracts", outlining four proposed changes to the Access Letters and Wholesale Parcels Contracts and invited customers to comment on them, in particular on the potential impact and other potential consequences of the proposed changes.
- 1.4 During the consultation period, which closed on 16 March 2015, Royal Mail also engaged directly with those customers who wished to ensure a full understanding of the proposals and to discuss their views.
- 1.5 We received eighteen written responses from a mix of Access contract holders and Access posting customers. We would like to express our appreciation to all our customers for taking the time to share their views with us, informally and formally.
- 1.6 As the current consultation has been undertaken against the backdrop of Ofcom's on-going Access Pricing Review and Ofcom's subsequent announcement of an over-arching review of postal regulation, we considered that, on this occasion, it would be useful to summarise in this decision document the feedback we have received from customers and how that has informed our decision.
- 1.7 The rest of this document sets out the four change proposals, summarises customers' responses to each of the questions posed by us for each of the change proposals and outlines our decision on how we intend to proceed with each of the change proposals.

SECTION 2

PROPOSALS TO REMOVE ARBITRAGE BETWEEN ACCESS PRICE PLANS

Background

- 2.1 Under the Access contracts, customers can choose between price plans that offer national/averaged prices based on the customer meeting a posting profile akin to Royal Mail's own profile (National Price Plan One (SSCs) and Averaged Price Plan Two (Zones)), or a price plan that offers de-averaged zonal prices (Zonal Price Plan). Arbitrage between the price plans can occur where a poster, a mail producer or a mail provider selectively streams mail from a posting such that items for delivery to the zones at cheaper prices than the national/averaged prices are sent via the Zonal Price Plan and items to the more expensive zones are sent via National Price Plan One or Averaged Price Plan Two. The tolerances in the price plans allow companies that do this to access cheaper prices simply by "playing the price plans".
- 2.2 Some customers asked us to address this issue. As one customer succinctly explained: "We currently face 'unfair' competition from operators and 'consolidators' who are taking advantage of the letter of the rules to flaunt the spirit and achieve unintended discounts. These cost [Royal Mail] revenue and us business".
- 2.3 We have analysed posting data of customers who use more than one price plan under the same contract. This appears to show that arbitrage between Averaged Price Plan Two (Zones) and the Zonal Price Plan is occurring. Our evidence does not show the same level of detrimental revenue impact on Royal Mail from arbitrage between National Price Plan One (SSCs) and the Zonal Price Plan.
- 2.4 We therefore focused on reducing arbitrage opportunities for customers who use both Average Price Plan Two (Zones) and the Zonal Price Plan.

Summary of Customers' Responses

- 2.5 The arbitrage issue is a sensitive one on which different groups of customer have diverging views. The discussion document raised questions that enabled us to capture all those views. Below is a summary of customers' responses to those questions.

Question 1: What would be the impact on your business if we offer either national/averaged price plans or a zonal de-averaged price plan, but not both?

- 2.6 Fifteen customers responded to this question, the majority (9) of which explained that they would incur increased costs if they had to switch to a different price plan and expend greater resources. Five respondents commented that some existing customers could find themselves no longer eligible for an Access contract depending on which price plan Royal Mail decided to offer. One customer was supportive of the move and another said that they could not do zonal. Many were in favour of having two price plans to retain customer choice and flexibility.

Question 2: Should Royal Mail remove the option for customers to hold more than one of the current available price plans on their Access contract? Please explain your response.

- 2.7 In this option, the customer can choose the one price plan they wish to operate on from the range of different price plans made available by Royal Mail. In total, fifteen customers responded to this question. Only one customer supported this option. Two customers supported the principle subject to changing other terms of the current available price plans (please see responses to Question 4 which covers customers' alternative solutions to addressing arbitrage). The majority of respondents opposed the option, expressing concern about Royal Mail withdrawing an option for which there was a genuine customer need and thus limiting customer choice.

Question 3: How much notice would you need to transfer all mailing items to one nominated price plan? If you need longer than 6 months, please explain why.

- 2.8 Customers were unanimous in their response that any change from their current price plan/s to a different and therefore new price plan would involve IT changes for them. The time period required to implement IT changes varied, depending on the size and complexity of the customer, from 6 months to 12+ months. We were however specifically interested in the views from customers who currently hold two price plans. These customers responded that 6 months' notice should be sufficient but one customer did say that their contracts with some posting customers tied them into 12 month terms. Implicit in our understanding is that the change would be easier to administer at the same time as tariff changes.

Question 4: Other than reducing the tolerances, what recommendations do you have for other ways to prevent customers exploiting arbitrage?

- 2.9 Respondents were generally supportive of the principle of reducing arbitrage through adjustment of the permitted variances. Customers acknowledged that reducing the permitted variances of Averaged Price Plan Two (Zones) will create an earlier trigger for surcharges and thus stem the revenue impact on Royal Mail and the "unfair" price competitiveness between Access customers.
- 2.10 Three customers commented that Royal Mail could consider increasing the surcharge rates rather than reducing the tolerances to avoid impacting those customers on Averaged Price Plan Two and the Zonal Price Plan who were not exploiting arbitrage. Royal Mail's evidence indicates that, at the current permitted variance level, there are no surcharges being incurred by customers who use both Average Price Plan Two and the Zonal Price Plan. Therefore any adjustment to the surcharge rate alone will not provide the desired effect of reducing the opportunity for arbitrage.
- 2.11 Other suggestions related to Royal Mail making changes that would have a much bigger impact on all customers, even those operating their price plans in compliance with the principles of those plans.

Reduction of permitted variances to zero

- 2.12 One suggestion was to remove all tolerances from National Price Plan One and Averaged Price Plan Two and charge customers surcharges where they fail to meet the set Royal Mail posting profile, such surcharges to align with the Zonal charges of the Zonal Price Plan. This would remove the need for customers to have two price plans and therefore remove arbitrage.

A National Price Plan One / Averaged Price Plan Two only

- 2.13 Another suggestion made by some customers was that Royal Mail should only offer national / averaged prices. Whilst we accept that the lack of a Zonal Price Plan will remove arbitrage opportunities, for reasons we have already mentioned, this would prohibit some existing customers from having an Access contract with us because they would not meet the profile criteria. Should Royal Mail relax its eligibility criteria for profiles, some customers would experience a high level of surcharges that would be likely to prevent them from being price competitive and cause them to exit the market.

A Zonal Price Plan only

- 2.14 The principle behind this suggestion is about users of Royal Mail services paying for what they use. Whilst we acknowledge that the suggested change would remove arbitrage between Access price plans, the implementation of the solution would be complex and would be likely to have a significant impact on the industry.

Our Decision

- 2.15 Royal Mail has chosen not, at this stage, to proceed with proposals to remove arbitrage between Access price plans but will continue to consider how it might equitably address arbitrage exploitation, and may make future proposals on this issue in due course.

SECTION 3

PROPOSAL TO REMOVE CLAUSE 13.8 ON SUSPENSION OF CHANGE NOTICE PERIODS

Background

- 3.1 Clause 13.8 of the General Terms and Conditions of the Access Letters Contract and the Wholesale Parcels Contract reads as follows:

“If:

(a) any Regulatory Body makes a formal public notification that it has opened an investigation into us or accepted to resolve a dispute referred to it involving us through formal proceedings; and

(b) the outcome of the investigation or formal proceedings is reasonably likely to affect our rights to change your Contract, or it would be reasonable to expect us to take that outcome into consideration in deciding whether we were acting fairly and reasonably in changing your Contract,

then the relevant notice period referred to in clauses 13.2 or 13.3 shall be suspended as between the Parties, until the Regulatory Body determines that the investigation or formal proceedings has been concluded and makes a decision or issues directions regarding our decision to change your Contract.”

Our Change Proposal

- 3.2 We proposed to remove the terms of clause 13.8 from the Access contracts based on two facts:
- a. that customers can call upon Ofcom to use its authority to impose interim measures or suspend or restrict particular postal services where it has a reasonable suspicion that there has been a regulatory infringement or a competition law infringement and it is necessary to act as a matter of urgency to prevent significant damage; and
 - b. that Royal Mail is obliged under the Postal Services Act 2011 to provide D+2 Access on “fair and reasonable” terms, conditions and charges, with the “fair and reasonable” measure defined according to three broad principles:
 - i. any price change should not foreclose effective competition;
 - ii. any contract change should provide benefits to consumers and avoid a material distortion of competition; and
 - iii. any contract change should be reasonably practicable to implement.

Summary of Customers’ Responses

- 3.3 We asked customers what impact the removal of clause 13.8 could have on their business. In total, we received seventeen formal responses from customers, two of which supported Royal Mail’s proposal.
- 3.4 Customers who did not support the change proposal argued that it would not provide any customer benefit and offered them less protection against the implementation of potentially harmful or unreasonable change notices. According to these Access customers, clause 13.8 was added to the re-negotiated 2013 Access contracts to provide reassurance to Access customers who were concerned about Royal Mail’s right under the 2013 Access Contract to

make certain contract changes by giving notice of those changes to the Access customers, given that the previous Access agreement required their formal consent to changes¹.

- 3.5 Customers also told Royal Mail that, in addition to the potential to incur legal costs if they proceeded with the alternative safeguards suggested by Royal Mail, customers would have to rely upon a new legal test for interim measures which has so far been neither tried nor tested. Customers argued that this would provide little or no protection to Access customers aggrieved by a potentially harmful or unfair contract change.
- 3.6 These customers were not convinced that the alternative safeguards described by Royal Mail would provide a realistic alternative and strongly opposed this proposal.

Our Decision

- 3.7 Royal Mail believes that Ofcom already has the authority to take urgent action against Royal Mail which may include modification, suspension or termination of any Royal Mail change proposal. This should provide sufficient opportunity for Access customers to protect their position if a contract change notice is ever subject to investigation by a regulatory body, pending the outcome of that investigation. Further, we consider that the “fair and reasonable” requirement discussed above in paragraph 3.2 does not require us to include “automatic” interim measures in the Access Contract in addition to those provided for by statute.
- 3.8 Notwithstanding the above, given the strong customer feedback against making this change, we have decided not to remove clause 13.8 from the Access contracts.

¹ Under the previous form of agreement only the following changes could be made without customer consent: annual price changes; changes to the NGPP; postcode sector to zones mapping changes; changes to reflect licence conditions; revisions to the service failure compensation scheme; User Guide changes; Database changes.

SECTION 4

PROPOSAL TO CHANGE PARAGRAPH 3.1 OF NATIONAL PRICE PLAN ONE (SSCs)

Background

- 4.1 The national averaged prices of Price Plan One of the Access contracts that were introduced in April 2013 are predicated on customers using “all reasonable endeavours” to meet the Royal Mail national posting profile. Paragraph 3.1 of National Price Plan One (SSCs) in Schedule 3 states:

“The geographic spread and urban density of your Daily Postings under this Price Plan will be measured against the National Spread Benchmark and the Urban Density Benchmark during each Contract Year. You agree to use all reasonable endeavours to meet the National Spread Benchmark and the Urban Density Benchmark.”

- 4.2 “All reasonable endeavours” was a term that had been in the pre-existing national Access agreements and customers told us they wanted to retain it as a protection against potential adverse impact that exceptional and unforeseen events could have on their annual posting profile. In particular, customers asked how we would take into account changes in ownership, regulatory requirements and the impact of major customers switching from one operator to another.
- 4.3 In February 2013, prior to implementation of the new Access contracts and to ensure transparency to customers on how we would operate National Price Plan One, we issued a separate contract guidelines document² for the new Access Contract which specified how we would interpret “all reasonable endeavours”. The separate contract guidelines document described the following two situations as consistent with the “all reasonable endeavours” requirement, subject to the customer having informed us of the occurrence of one of these situations:
- a. when the profile is not achieved as a result of a change in company ownership (e.g. mergers, acquisitions) or company structure; or
 - b. when the profile is not achieved as a result of unplanned/exceptional mailings.

Our Change Proposal

To remove the term “all reasonable endeavours” from paragraph 3.1 of National Price Plan One (SSCs) in Schedule 3 and to replace that term with qualifying criteria which would be added to paragraph 3.2 of the same Schedule.

- 4.4 We propose to change paragraphs 3.1 and 3.2 of National Price Plan One (SSCs), Schedule 3 and the definition of “Profile commitment” to read as follows:

“3.1 The geographic spread and urban density of your Daily Postings under this Price Plan will be measured against the National Spread Benchmark and the Urban Density Benchmark during each Contract Year. You agree to meet the National Spread Benchmark and the Urban Density Benchmark.

² Royal Mail Wholesale, February 2013: New Contracts Guidelines on key terms

3.2 A failure by you to meet the National Spread Benchmark and/or the Urban Density Benchmark shall not constitute a material breach for purposes of clause 8.2 of the General Access Terms and Conditions, but shall entitle us to levy a National Spread Surcharge and/or Urban Density Surcharge (both of which are Profile Surcharges) in accordance with paragraphs 5 and 7 of this Price Plan; provided, however, that we will not apply any Profile Surcharges for failure to meet your Profile Commitment in a Contract Year if you prove, to our reasonable satisfaction, that such failure results directly from:

- (a) a major corporate transaction that involves you, such as a material change in your ownership or structure as a result of a merger, acquisition, restructuring or other major corporate transaction; or
- (b) unplanned changes in volumes, origination and/or types of Mailing Items as a result of events or circumstances beyond your reasonable control which were not reasonably foreseeable.”

The definition of “Profile Commitment” will also change accordingly to read as follows:

“in National Price Plan One (SSCs), your commitment to meet the Benchmarks and in Averaged Price Plan Two (Zones), your commitment to meet the Royal Mail Zonal Posting Profile;”

Summary of Customers’ Responses

- 4.5 Of the fifteen formal responses received, five customers had no objections to the proposed changes.
- 4.6 Six customers disagreed with our interpretation of the term “all reasonable endeavours” arguing that if a customer on National Price Plan One (SSCs) posts all of its mail that is eligible for Access services then they are using “all reasonable endeavours” to meet the Royal Mail posting profile and therefore should not incur surcharges.
- 4.7 Three customers thought that the new wording at paragraph 3.2 introduced complexity with the introduction of more caveats potentially making it more difficult for customers to meet the conditions. One customer queried that the revised wording did not make it clear how long a dispensation would apply.
- 4.8 Two customers contended that the replacement terms disadvantage the customer because the onus of proof of “failure to meet the profile” moves from Royal Mail to the customer.
- 4.9 One customer believed that Royal Mail should remove the term “all reasonable endeavours” from the terms of National Price Plan One because, they suggested, the profile-related surcharge mechanism is not cost-based and potentially leads to undue discrimination. The same customer believes that Averaged Price Plan Two uses a more transparent and fair surcharge mechanism and suggested that it is time for Royal Mail to adopt one single form of national access contract.

Our Decision

- 4.10 We understand that there has been a general misunderstanding by some Access customers of “all reasonable endeavours” which is not related to how we manage “all reasonable endeavours” in practice. We wish to prevent that misunderstanding from re-occurring and to provide greater clarity in the Access Contract on the meaning of “all reasonable endeavours”.
- 4.11 We have decided to proceed with our change proposal as outlined above, with a minor amendment to make it clear that the relief from surcharges, when granted, will only apply to the contract year affected by the relevant “all reasonable endeavours” criteria. We do not believe that this change is a change that will disadvantage customers because the proposed change is merely a clarification: the reality is that, in practice, there will be no change to the way Royal Mail has been granting relief from surcharges due on National Price Plan One (SSCs).
- 4.12 Please refer to the change notices in Annex A of this document for details on how the changes affect your Access contracts.

SECTION 5

PROPOSAL TO CHANGE THE PRICE CHANGE CLAUSE, CLAUSE 13.2.3

Background

5.1 The terms of clause 13.2.3 of the Access contracts reads as follows:

“Access Charges and Permitted Variances: on giving you at least 70 days' written notice, to make a change (whether an increase or a decrease) to any Access Charge or Permitted Variance provided that we may not make more than two such changes (i.e. not more than two changes to Access Charges and not more than two changes to Permitted Variances) in any Financial Year;”

5.2 We introduced clause 13.2.3 into the 2013 Access contracts with the intention that it would allow Royal Mail more flexibility to respond to changes in market conditions sooner than the once a year change permitted by the previous Condition 9 Access Agreements.

5.3 In section 6.2 of the discussion document, Royal Mail stated that, in practice, the clause is still quite restrictive because it does not allow us to respond to market conditions on a product basis should there be a need to stagger price changes by service or by format at different times of the year. Similarly, changes to permitted variances are overly restrictive.

Our Change Proposal

We proposed to remove the restriction on the number of price changes and permitted variance changes.

5.4 We proposed to change clause 13.2.3 so that it would read as follows:

“Access Charges and Permitted Variances: on giving you at least 70 days' written notice, to make a change (whether an increase or a decrease) to any Access Charge or Permitted Variance in any Financial Year;”

Summary of Customers' Responses

5.5 We received eighteen formal responses from customers, all of which disagreed with the change proposal. Customers believed that such a change would create an opportunity for Royal Mail to do continuous price changes in circumstances where, even if Royal Mail only does one price change in a year, price uncertainty is created in a market that needs price certainty to accurately forecast and budget on projected mail volumes for a year in advance.

5.6 Royal Mail attended a Working Access Group Forum on 25 February 2015 and discussed openly its reasons for seeking more flexibility on pricing, describing how market forces were affecting Royal Mail's multiple products in different ways and how price flexibility by product could help Royal Mail, and possibly customers, with price changes to better respond to market conditions. At this forum Royal Mail tried to assure customers that it was not its intention to change any one product's prices more than once a year. Customers in attendance accepted this point and suggested that Royal Mail include this statement in the contract. Subsequently, six customers indicated they would accept an amendment to clause 13.2.3 to allow a maximum of one price change per product per year, where "products" mean "Access Services".

- 5.7 Many customers contended that Royal Mail’s proposed change did not meet the “fair and reasonable” criteria for contract changes as the proposed wording would allow Royal Mail to change prices at will, which is not acceptable in an industry where forward planning and budgets are key to securing mail volume and providing forecasts. They further questioned what benefit the customer gained from the change proposal, suggesting that the change would be more acceptable if there was a price cap or price control on Access prices which would drive Royal Mail to focus on efficiency improvements, an improvement benefit to all in the industry. Some customers suggested that an annual cap should be less than the rate of inflation to try and incentivise mail to be used as a favoured channel of communication.
- 5.8 Some customers said that the recent contract amendment that gained unanimous customer consent to allow Royal Mail to launch price promotions and incentives without impacting on the price change clause already provided Royal Mail with the flexibility it was seeking under the price change proposal. The approach used to gain customer consent for the incentive change proposal further demonstrated that price decreases, to which customers are most likely to give their consent, could easily be managed by written customer consent, leaving scope for Royal Mail to use the current two unilateral opportunities for price increases only.
- 5.9 Customers complained of the administrative burden involved with multiple price changes, explaining that the activities related to implementing any price change, be it an increase or a decrease, added costs to their business and urged Royal Mail to reconsider their change proposal. They suggested that Royal Mail set specific times of the year for price changes and permitted variance changes so that certainty of mail budgets and thus mail volumes can be more accurately forecasted. Customers expressed concern that to do otherwise would drive customers away from using mail.

Our Decision

- 5.10 We expected our change proposal for clause 13.2.3, the price change clause, to evoke a certain amount of negative feedback from customers. We are not intending to alter prices any more frequently than we have always done and would not, as a practical matter, be able to do so because of the notice periods and other requirements that we must meet in order to make those changes. We continue to believe, however, that we need more commercial flexibility to allow us to alter prices by service which means that, should market conditions dictate, we can change prices of specific individual services at potentially different times of the year e.g. as we have needed to do with General Large Letters this year.
- 5.11 We acknowledge the point made by some customers that the contract should provide certainty on the number of price changes and we have taken on board the strong feelings expressed. We agree that it is unhelpful to create any feeling of price insecurity in the market and accept that customers would prefer to see stable prices which are not subject to potentially continuous review. In order to meet the concerns raised, we have decided not to proceed with our proposal to remove the current restriction on the number of price changes and permitted variance changes that Royal Mail may make in a Financial Year.
- 5.12 However, we do think that it is in the interests of customers that the current restriction should not prevent Royal Mail from **reducing** prices, either in response to market conditions or in order to create temporary incentives for growth. Therefore we will amend clause 13.2.3 to provide that the only price changes which will be subject to the current restriction are price **increases**. Furthermore, whilst we have no intention to increase the frequency of tariff increases for Access services, we are concerned that the current restriction may in

effect compel us to revise tariffs for all services, where market conditions may dictate that only a smaller sub-set of prices need to change. Therefore, we will amend the restriction to make it clear that it will apply separately to each Access Service. In practice we do not expect that this will result in any practical change to the way in which we revise our prices, but it does at least create the possibility that, in the event of a price rise, we do not have to review all our prices at the same time.

- 5.13 Please refer to the change notices in Annex A of this document for details on how the proposed changes affect your Access contracts.

SECTION 6

NEXT STEPS

We would like to thank all our customers for their feedback in responding to these contract change proposals. We have considered the feedback we have received very carefully and have only proceeded to make those few changes which we think are fair and reasonable and support the whole market. We don't make any changes lightly, but the market is challenging and Royal Mail needs to ensure that its Access contract terms remain fit for purpose and practicable to operate for all. If you have any questions on the change notices detailed in Annex A, please contact your Access Account Director.

ANNEX A

ACCESS LETTERS CONTRACT CHANGE NOTICE: NUMBER 014

DATED: 30 JUNE 2015

This notice applies to you if you hold an **Access Letters Contract** (Contract) with **Royal Mail Group Limited**, a company registered in England and Wales (number 04138203) with its registered address at 100 Victoria Embankment, London EC4Y 0HQ.

1. Definitions and interpretation

- 1.1 If a word or expression is defined in this notice, it shall have the meaning given in this notice.
- 1.2 Any words or expressions which are not defined in this notice, but have an initial capital letter, shall have the meaning given to them in the Contract.
- 1.3 All of the rules about how to interpret the Contract shall apply to this notice.

2. Changes to the Contract

- 2.1 In accordance with clause 13.2.1(a) of the General Access Terms and Conditions we give you notice of the following changes, which shall take effect on **6 January 2016**:

2.1.1 Schedule 3 Option A (National Price Plan One (SSCs)), shall be amended as follows:

(a) Paragraph 3.1 shall be replaced in its entirety with the following:

“3.1 The geographic spread and urban density of your Daily Postings under this Price Plan will be measured against the National Spread Benchmark and the Urban Density Benchmark during each Contract Year. You agree to meet the National Spread Benchmark and the Urban Density Benchmark.”

(b) Paragraph 3.2 shall be replaced in its entirety with the following:

“3.2 A failure by you to meet the National Spread Benchmark and/or the Urban Density Benchmark shall not constitute a material breach for purposes of clause 8.2 of the General Access Terms and Conditions, but shall entitle us to levy a National Spread Surcharge and/or Urban Density Surcharge (both of which are Profile Surcharges) in accordance with paragraphs 5 and 7 of this Price Plan; provided, however, that we will not apply any Profile Surcharges for failure to meet your Profile Commitment in a Contract Year if you prove, to our reasonable satisfaction, that such failure results directly from:

- (a) a major corporate transaction that involves you, such as a material change in your ownership or structure as a result of a merger, acquisition, restructuring or other major corporate transaction; or

- (b) unplanned changes in volumes, origination and/or types of Mailing Items as a result of events or circumstances beyond your reasonable control which were not reasonably foreseeable.

For the avoidance of doubt, you may not claim relief from Profile Surcharges under this clause 3.2 for the same set of circumstances any more than once.”;

2.1.2 Schedule 1 shall be amended by replacing the definition of “Profile Commitment” with the following:

“Profile Commitment in National Price Plan One (SSCs), your commitment to meet the Benchmarks and in Averaged Price Plan Two (Zones), your commitment to meet the Royal Mail Zonal Posting Profile;”;

2.1.3 Clause 13.2.3 shall be replaced by the following:

“13.2.3 *Access Charges and Permitted Variances:* on giving you at least 70 days’ written notice, to increase any Access Charge or change any Permitted Variance provided that we may not make more than:

- (a) two increases to Postage for each Access Service;
- (b) two increases to any Profile Surcharge or Surcharge; and
- (c) two changes to Permitted Variances

in any Financial Year;”.

Yours sincerely,



Luisa Fulci
Regulated Products Director
Consumer and Network Access

WHOLESALE PARCELS CONTRACT CHANGE NOTICE: NUMBER 006

DATED: 30 JUNE 2015

This notice applies to you if you hold a **Wholesale Parcels Contract** (Contract) with **Royal Mail Group Limited**, a company registered in England and Wales (number 04138203) with its registered address at 100 Victoria Embankment, London EC4Y 0HQ.

1. Definitions and interpretation

- 1.1 If a word or expression is defined in this notice, it shall have the meaning given in this notice.
- 1.2 Any words or expressions which are not defined in this notice, but have an initial capital letter, shall have the meaning given to them in the Contract.
- 1.3 All of the rules about how to interpret the Contract shall apply to this notice.

2. Changes to the Contract

- 2.1 In accordance with clause 13.2.1(a) of the Parcels General Terms and Conditions we give you notice of the following changes, which shall take effect on **6 January 2016**:

2.1.1 Schedule 3 Option A (National Price Plan One (SSCs)), shall be amended as follows:

(c) Paragraph 3.1 shall be replaced in its entirety with the following:

“3.1 The geographic spread and urban density of your Daily Postings under this Price Plan will be measured against the National Spread Benchmark and the Urban Density Benchmark during each Contract Year. You agree to meet the National Spread Benchmark and the Urban Density Benchmark.”

(d) Paragraph 3.2 shall be replaced in its entirety with the following:

“3.2 A failure by you to meet the National Spread Benchmark and/or the Urban Density Benchmark shall not constitute a material breach for purposes of clause 8.2 of the General Access Terms and Conditions, but shall entitle us to levy a National Spread Surcharge and/or Urban Density Surcharge (both of which are Profile Surcharges) in accordance with paragraphs 5 and 7 of this Price Plan; provided, however, that we will not apply any Profile Surcharges for failure to meet your Profile Commitment in a Contract Year if you prove, to our reasonable satisfaction, that such failure results directly from:

- (a) a major corporate transaction that involves you, such as a material change in your ownership or structure as a result of a merger, acquisition, restructuring or other major corporate transaction; or

- (b) unplanned changes in volumes, origination and/or types of Mailing Items as a result of events or circumstances beyond your reasonable control which were not reasonably foreseeable.

For the avoidance of doubt, you may not claim relief from Profile Surcharges under this clause 3.2 for the same set of circumstances any more than once.”;

2.1.2 Schedule 1 shall be amended by replacing the definition of “Profile Commitment” with the following:

“Profile Commitment in National Price Plan One (SSCs), your commitment to meet the Benchmarks and in Averaged Price Plan Two (Zones), your commitment to meet the Royal Mail Zonal Posting Profile;” and

2.1.3 Clause 13.2.3 shall be replaced by the following:

“13.2.3 *Access Charges and Permitted Variances:* on giving you at least 70 days’ written notice, to increase any Access Charge or change any Permitted Variance provided that we may not make more than:

- (d) two increases to Postage for each Access Service;
- (e) two increases to any Profile Surcharge or Surcharge; and
- (f) two changes to Permitted Variances

in any Financial Year;”.

Yours sincerely,



Luisa Fulci
Regulated Products Director
Consumer and Network Access