



3 October 2024

Royal Mail Wholesale

185 Farringdon Road
London
EC1A 1AA

ROYAL MAIL DECISION RE CONSULTATION ON "INTRODUCTION OF CHANGE PROVISION TO ENABLE TIMELY INTRODUCTION OF ANY OFCOM DECISION ON FUTURE OF USO"

Dear Customer,

On 26 June we published our consultation proposals to introduce a new change provision (**Change Notice provision**) to enable the timely introduction of any Ofcom decision on the Universal Service Obligation (USO) and the future of letter deliveries. Thank you to those customers who took the time to respond to the consultation, and who participated in follow up 121s with us. We found this engagement helpful in refining our thinking on this issue.

In particular, we held a customer workshop at which customers gave feedback on the Royal Mail proposal. We received further written responses to the consultation document from eleven Access customers across all segments – carrier, intermediary and direct. We also invited responding customers to participate in post-consultation 121s, holding such 121s with nine customers.

In short, as you will be aware, we are trying to balance the need to be able to move to a more fit for purpose delivery model (given how customers use mail today) against the reasonable concerns raised by Access customers and end customers about having sufficient time to adjust and migrate to the new services. As we have discussed we need to realise the cost savings from this model in a timely manner to ensure a financially sustainable USO. With this in mind, and in answer to customers' calls for more certainty and time around a move to an alternate day delivery model, we will be commencing dialogue with customers over the coming weeks to explore the introduction of a D+3 service which, at least initially, will sit alongside our existing D+2 service. We are considering introducing this new product in advance of the change to the Access Conditions. We explain this in more detail below.

In addition, we consider it is still necessary to proceed with introducing the Change Notice provision into the ALC. This is because we may need to invoke the provision to reflect in the ALC any changes Ofcom makes to the Access Condition which we may not have anticipated. We have listened to and considered the feedback about the draft Change Notice provision very carefully, and in response we have also decided to introduce a sunset provision which time bounds the provision.

Accordingly, the main purpose of this letter is to provide formal notice of our decision to introduce the Change Notice provision, explaining our reasoning, including addressing and responding to the common themes from the customer feedback.

Background - The need for urgency

Given the current financial position of Royal Mail it is essential to ensure that, whatever Ofcom's eventual decision on USO reform may be, we are able to implement its decision as rapidly as possible.

The need for urgent reform was re-emphasised by Ofcom following its assessment of stakeholder responses

to “The Future of the Universal Postal Service” Call for Input (CFI). In its September 2024 update it stated ‘*there is a clear and urgent need to align the USO specification for letters more closely with the reasonable needs of users, and to ensure the sustainability of the service*’¹.

In the same announcement, Ofcom set out it will consult with stakeholders in early 2025 on core elements of our USO reform proposal. This is the proposal that we have been discussing with you, our customers, and many other stakeholders since April. We believe Access customers should be putting in place the appropriate contingencies to implement any commercial and operational changes they believe may be required to accommodate a move for Royal Mail to an alternate day delivery model, Monday to Friday for non-priority letters.

New D+3 Service

We recognise the challenges highlighted through our customers on behalf of posting brands that migrating Standard D+2 to a D+3 service creates uncertainty derived from not knowing the precise detail of what Ofcom will choose to implement, or when. At the same time, Royal Mail has been consistently clear that change is required now, and we will continue to explore all avenues to make this achievable. To that end I would like to share with you that we are now exploring the introduction of a new D+3 product into the ALC before the expected date of new USO regulations coming into effect. We believe this approach will give us all the opportunity to get the new service in place in good time and will provide customers with greater clarity of what a D+3 service will look like, whilst retaining at least initially an appropriately priced D+2 service (which some customers have asked for) thereby providing customers with greater choice. We will be inviting customers to participate in 121s during early October to share our plans in further detail and seek your input on the implementation of the new product.

Our reasoning for introducing the Change Notice provision

Although we are considering introducing an additional product, it is necessary to introduce the new Change Notice provision in the ALC. Ofcom, when it changes the Access Conditions, may introduce changes that we have not foreseen, and that we need to introduce in a timely manner. The new Change Notice would allow us to do that on 70 days’ notice from the Ofcom decision (rather than having to consult and then give 190 days). Given Ofcom is carrying out an extensive consultation exercise on the potential regulatory changes we view it as fair and reasonable to shorten the notice period for implementation of this particular Ofcom decision. We are therefore today giving formal notice of our decision to introduce this new Change Notice provision (see “Our decision on the Change Notice provision and next steps” below).

In this connection, reflecting on customer feedback from the 15 July workshop, and to illustrate what the ALC changes might entail, on 31 July 2024, we shared a [redlined version of the ALC](#) which shows the likely necessary amendments required for Royal Mail to move delivery of Access non Premium mail to weekdays only, and on a D+3 basis for the current D+2 service (as per our CFI submission). The changes we presented are confined to the following areas of the ALC:

- a new definition of “Weekday” in Schedule 1 (page 51);
- an amend to bullet (k) of the interpretation section (page 53);
- amendments to the D+2 Service Standard provisions at paragraphs 2.1 to 2.5 and paragraph 2.11 of Schedule 2 (pages 54-57); and
- equivalent changes to the Mailmark Economy Service Standard provisions at paragraphs 3.1 to 3.5 and paragraph 3.11 of part 2 of Schedule 8 (pages 129-132).

¹ “*Future of the universal postal service: Summary of responses to our Call for Input and next steps*” – Ofcom, 5 September 2024.

70 days' notice period

It was made clear at the 15 July workshop that customers were having difficulty making a judgment as to whether 70 days' notice under the proposed change provision would be enough to implement the changes in question. Hence the ask from customers for Royal Mail to be more specific on the changes which were envisaged, and our consequent sharing of the redlined version of the ALC as referenced above.

Having discussed these changes with customers in follow up 121s, some customers agreed that, should the changes to the ALC be as presented above, 70 days' notice would be enough to implement the changes. No customers told us of any practical or operational obstacles to implementing the change on 70 days' notice that could not be accommodated with appropriate contingency planning in advance of Ofcom publishing their final decision. We hope Ofcom's 'early 2025' consultation should provide greater clarity which will help us all in that respect. However, we have listened and heard concerns from Access customers about the need to provide posting customers with clarity and certainty about what the changes mean for them.

It is also important to remind customers that 70 days' notice (or ten weeks as is stated in the Ofcom USPA Conditions) is the regulatory minimum notice we are required to provide to make amendments to the Access terms and conditions.

Change Notice provision drafting

At the 15 July workshop, customers fed back that the drafting of the Change Notice provision which we consulted on should be narrower and only permit changes to reflect Ofcom's decision relating to the **current** regulatory review on the future of USO, i.e. the provision should not be so wide as to give Royal Mail the ability to make contract amendments to reflect any changes which arise as a result of future regulatory reviews by Ofcom.

In consideration of this feedback, we issued a further iteration of the provision on 31 July 2024, confining the drafting to only give Royal Mail the ability to amend the contract to reflect the pending decision from Ofcom in respect of the USO, which some customers subsequently fed back was a step in the right direction. We also sought to provide examples of the types of changes which could be captured by the clause. The examples given mirrored the changes put forward in Royal Mail's CFI submission.

Further feedback received from customers is that the Change Notice provision should be time limited. To reflect this, we have decided to include a sunset provision under which our right to serve notice under the change provision expires 12 months after the effective date of the last changes to the Ofcom regulations following its decision on the USO.

We believe this is a reasonable approach considering the feedback received from customers through the consultation.

Our decision on the Change Notice provision and next steps

Taking all the above into consideration, we have decided to proceed with introducing the Change Notice provision into the ALC, with the drafting being as presented to customers on 31 July 2024 (with some minor amends) with the addition, as mentioned above, of the sunset provision. As proposed in our consultation document, changes made under the Change Notice provision will be exempt from any consultation obligation in the ALC and clause 13.2(b)(ii)(A) of the ALC will be amended to note that changes to the parts of the ALC specified in this clause may also be made under the new change provision.

The appended Access Letters Contract change notice gives effect to the introduction of the new provisions from 12 April 2025.

As explained above, we will also be contacting you shortly to discuss the introduction of the new D+3 product in advance of Ofcom's final decision on USO Reform.

Commitment to delivery tail

Some customers asked for Royal Mail to provide a contractual commitment which requires us to deliver x% of mail on a D+2 basis, and y% on a D+3 basis. To be clear, our proposal to Ofcom in our CFI submission is for a by D+3 service. As with the Economy D+5 service we are open to reporting the amount delivered each day.

As we conveyed at the 15 July workshop, our operational model required to deliver the efficiency savings necessitates half of addresses to receive a delivery attempt one day, and the other half the next. We understand the points around which days the mail will be delivered are of importance to users of mail. We have been clear in all our customer facing communications what the delivery model for mail will be, and we will continue sharing details of our proposals with customers.

Furthermore, we are exploring a range of options to give posting customers visibility of planned delivery days by postcode under an alternate day delivery model. As you are aware we recently invited customers to complete an online research questionnaire to help with shaping a solution. Thank you to those who participated and shared the questionnaire with your own customers. This input is invaluable, and once we have completed full analysis of the results, we will give due consideration to next steps. As previously communicated any outputs from the survey exercise will be implemented in line with the provisions of the ALC.

In the coming weeks, once we have completed our analysis of the customer questionnaire on delivery visibility, it is our intention to engage with you and the wider mailing industry to shape any delivery visibility solution.

I thank you once again for your ongoing contributions to the dialogue about the future of the USO, which will help shape the future of Royal Mail and how we can best serve our Access customers in the future. We understand that contract holders will be wanting to ensure their own customers are kept up to speed with developments in this area, and we will endeavour to provide regular updates to you as and when we have new information to share.

Yours sincerely,



Tim Cable
Wholesale Products Director
Royal Mail Wholesale



ACCESS LETTERS CONTRACT CHANGE NOTICE: NUMBER 111

DATED: 3 OCTOBER 2024

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 185 Farringdon Road, London, EC1A 1AA.

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 meanings given to them in the Contract.
- 1.3 All of the rules about how to interpret the Contract which are set out in the Contract shall apply to this notice.

2 Changes to the Contract

- 2.1 Under Clause 13.2(a)(i) of the General Terms and Conditions of the Contract, we hereby notify you of the following changes to the Contract:

- 2.1.1 New clauses 13.2A and 13.2B of the General Access Terms and Conditions will be added as follows, after the existing clause 13.2:

13.2A The parties acknowledge that further to the Regulator's "Call for input: The future of the universal postal service" published on 24 January 2024 ("Call for Input"), the Regulator's summary of responses to its Call for Input and next steps document published on 5 September 2024 ("CFI Summary and Next Steps Document"), and any subsequent Regulator consultations following on from its Call for Input and CFI Summary and Next Steps Document ("Consultations"), the Regulator may make changes to the Regulatory Conditions and/or Access Condition. If the Regulator decides to change the Regulatory Conditions and/or Access Condition following its Consultations, then we may change the terms of the Contract without your consent on giving you at least 70 days' notice to reflect the obligations placed on us under the revised Regulatory Conditions and/or Access Condition (as applicable) (and each such change is referred to below as a "Relevant Change"). By way of illustration only, the types of changes that we may effect under this clause include, but are not limited to, changes to the days on which we deliver Mailing Items under this Contract and/or the delivery periods for Mailing Items under this Contract. We may effect more than one Relevant Change pursuant to this clause 13.2A, subject to clause 13.2B.

13.2B Our right to serve one or more notices under clause 13.2A expires 12 months from the effective date of the last change to the Regulatory Conditions or Access Condition

made by the Regulator pursuant to the Consultations (Sunset Period). In the event that any legal or regulatory challenge is or are made or a dispute or disputes arise in relation to the changes to the Regulatory Conditions and/or Access Condition made pursuant to the Consultations and/or any Relevant Change (each a "Challenge"), then (a) the Sunset Period but, for the avoidance of doubt, not the right to make the Relevant Change(s), shall be suspended for the period during which any Challenge or Challenges is/are unresolved and shall resume once such Challenge or Challenges is/are finally concluded; and (b) we may suspend the notice period for the relevant notice(s) served under clause 13.2A until the process for such Challenge has finally concluded. In this clause 13.2B "finally concluded" means that a Challenge has been both finally and conclusively dealt with and that the time for any appeal or judicial review in relation thereto has also expired.

2.1.2 Clause 13.2(b)(ii)(A) of the General Access Terms and Conditions shall be amended as follows:

(A) change the General Access Terms and Conditions, Schedule 2 (Service Standard and General Service Obligations), Part 4 (Trunking Services) of Schedule 4 (Standard Services), paragraphs 3 to 5 of Part 2 (Royal Mail Mailmark® Economy) or Part 4 (eManifest Billing) of Schedule 8 (Mailmark® Options), as such changes can only be made in accordance with clause 13.2(a)(i) or clause 13.2A (as applicable); and/or

2.1.3 Clause 13.5 of the General Access Terms and Conditions shall be amended as follows:

13.5 Where we intend to make any changes to the Contract pursuant to this clause 13, we shall consult with you on any such change which we reasonably believe may have a material impact on Access Customers, provided that this obligation shall not apply in relation to changes under clauses 13.2(c), 13.2(d), 13.2(e) and 13.2A.

2.2 The changes detailed in paragraph 2.1 above will take effect from 12 April 2025.

2.3 The Contract will continue in force and effect in accordance with its terms, as modified by this notice.

2.4 This notice shall be governed by English law and the English courts will have exclusive jurisdiction to determine any contractual or other issues arising under or in connection with it.

Yours sincerely,



Tim Cable
Wholesale Products Director
Royal Mail Wholesale