

# **ROYAL MAIL WHOLESALE**

## **ACCESS CONTRACT CHANGE PROPOSAL**

### **FUTURE TREATMENT OF MAIL TO THE CHANNEL ISLANDS AND ISLE OF MAN**

**23 June 2017**

**Issue date: 23 June 2017  
Close date: 5 August 2017**

## **1. Executive Summary**

- 1.1. Under our current bulk mail contracts, items for the Isle of Man, Guernsey and Jersey (the three islands) are priced at our domestic rates. However we have to pay charges for the cost of delivery to the three islands' postal authorities. These charges are based on bilateral agreements between Royal Mail and each island's postal authority. The charges are significantly higher than the price we are paid by customers which results in us making significant losses on sending mail to the three islands. We are considering how to amend our prices for bulk mail services to the three islands to ensure that we get paid fairly for the services that we provide.
- 1.2. The purpose of this consultation is to share our proposed changes for the treatment of bulk mail services destined to the three islands. We are seeking your views on our proposals, including any alternatives, by 5 August 2017.

## **2. Background**

- 2.1. Since the establishment of their own independent postal authorities in 1969, Royal Mail has treated mail destined for the Isle of Man, Guernsey and Jersey (the three islands), as domestic delivery destinations for UK based posting customers using Royal Mail services.
- 2.2. We have a bilateral trade agreement with each of the three islands' postal authorities that sets out the terms for delivery of items on the islands. For any item we hand over to the three islands we have to pay a charge to the receiving postal authority for them to deliver the item. This charge is known as a terminal due charge.
- 2.3. The terminal due charges that we pay are higher than the prices we charge customers for our bulk mail services. This means that our bulk mail services from the UK to the three islands are currently loss making. UK based bulk senders of letters, large letters and parcels are paying below market rates for delivery to the three islands.
- 2.4. We are unable to continue to absorb these losses. It is unsustainable in the long term. As a result we need to consider ways to address this situation whilst working with our customers to ensure that this is done in a fair and reasonable way that minimizes unnecessary disruption. We are therefore proposing to introduce an additional charge for Access and Retail bulk mail products for the three island mail (further details below).

## **3. Proposal**

- 3.1. Customers already provide Royal Mail Wholesale volumes by product by Standard Selection Code (SSC) and the three islands have three discrete SSCs (328, 353 and 354 for Isle of Man, Guernsey and Jersey respectively). We propose to take the volume by format, weight and zone for the three islands and apply a price adjustment using a J-docket. The total price charged per item would be the same across all our services irrespective of sortation, zone, content, machinability etc but will vary by format and weight. It will also be the same price across all three SSC's.

3.2. Table 1 below highlights the three islands proposed format and weight step structure:

<b>Format</b>	<b>weight</b>
Letter	0-100g
Large Letter	0-100g 101-250g 251-500g 501-750g
Parcels	0-1kg 1-2kg

3.3. Our proposal for changes to the treatment of bulk mail to the three islands would enable customers to continue with their current data selection processes for bulk mail and their current postage declaration processes. This solution would mean that there would be no system changes required by customers to handover mail to the three islands.

3.4. The additional charge would increase the item price for the three islands to a price point less than the USO Account prices.

3.5. For the avoidance of doubt the three islands will still be classified as Rural and will continue to be excluded from the National Spread Benchmark.

#### **4. Your views**

Q1. Do you think the way we propose to implement the change is fair and reasonable?

Q2. Do you think there are other options we could consider?

We are very interested in your views. Please send your feedback to Luisa Fulci at [Luisa.fulci@royalmail.com](mailto:Luisa.fulci@royalmail.com) by 5 August 2017. We intend to inform you of our decision on how we will proceed by no later than 18 September 2017.