



26 October 2023

Royal Mail Wholesale

185 Farringdon Road
London
EC1A 1AA

PERMITTED VARIANCES FOR 2024/25

Dear Customer

In April 2019 we communicated a four-year flightpath to reduce NPP1, APP2 and Regional price plan tolerances, following proposals from customers that attended workshops in 2017. When we announced the flightpath we informed you that the end state (10% for Urban Density on NPP1 and 2% for APP2) would be reached by the 2022/23 financial year.

The intention of the four-year flightpath was to allow customers time to implement changes to their business model to minimise the impact of reduced tolerances. To support customers, we implemented relatively small decreases in years 1 to 3 of the flightpath, reducing tolerances to 25% for Urban Density on NPP1 and 4.5% for APP2. After listening carefully to customers, and recognising that we had all been facing unique challenges in recent times, we made the decision in each of the last two financial years to hold tolerances at the same level as 2021/22, rather than apply the flightpath end state tolerances as originally planned.

We also recently introduced dynamic baselines into the Access Letters Contract (**ALC**) to support Access customers in their effective implementation of price plan contract requirements. Dynamic baselines give the most up to date rolling baseline for customers to be measured against so that where they choose to, customers can adjust their price optimisation activity against their in-year performance.

After careful consideration we have decided to resume the flightpath in 2024/25 so that the tolerances shall be as stated in the below table. Whilst we have a view to further reducing the tolerances in 2025/26 and reaching the previously communicated end state by 1 April 2026, we will review the contract monitoring data over the course of next financial year before taking a decision.

Price Plan	Current Tolerance	Tolerance April 2024
National Price Plan 1 (SSC)	Urban Density: 25%	Urban Density: 20%
Averaged Price Plan 2 (Zones)	4.5%	3.6%
Regional Price Plan	4.5%	3.6%

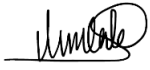
The equivalent changes will also be made to the NPP1 and APP2 tolerances in the Wholesale Parcels Contract (**WPC**).

We do recognise that this would not be the preferred path for some customers who engage in 'price optimisation' across two price plans. At the same time Royal Mail finds itself in an unprecedented financial position, and we have had to make some very difficult decisions to help us overlay the high fixed costs associated with running the USO network and overall turnaround the business' finances.

Whilst we are required to provide 70 days' notice under the ALC and WPC, we understand the importance of notifying affected customers of such changes as early as possible. Appended to this letter is an Access Letters

Contract Change Notice and Wholesale Parcels Contract Change Notice which gives effect to the changes to the tolerances from 1 April 2024.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tim Cable', written over a horizontal line.

Tim Cable
Wholesale Products Director
Royal Mail Wholesale



**ACCESS LETTERS CONTRACT CHANGE NOTICE: NUMBER 101
CHANGES TO PERMITTED VARIANCES**

Date: 26 OCTOBER 2023

This notice applies 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 shall apply to this notice.

2 Changes to the Contract

- 2.1 We hereby give you notice under clause 13.2(d) of the General Access Terms and Conditions to change the Permitted Variances with effect from **1 April 2024**.

Yours sincerely,

Tim Cable
Wholesale Products Director
Royal Mail Wholesale



WHOLESALE PARCELS CONTRACT CHANGE NOTICE: NUMBER 043
CHANGES TO PERMITTED VARIANCES

DATED: 26 OCTOBER 2023

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 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 shall apply to this notice.

2. Changes to the Contract

- 2.1 We hereby give you notice under clause 13.2.3 of the Parcels General Terms and Conditions to change the Permitted Variances with effect from **1 April 2024**.

Yours sincerely,

Tim Cable
Wholesale Products Director
Royal Mail Wholesale