



11 October 2018

Royal Mail Wholesale
4th Floor
185 Farringdon Road
London
EC1A 1AA

PRICE CHANGES FOR THE ACCESS LETTERS CONTRACT

Dear Customer,

Today, we publish new Access prices for the Access Letters Contract that will come into effect from 2 January 2019. This letter is accompanied by a formal contract change notice (number 046). You can find all the new prices at www.royalmailwholesale.com/pricing.

We know how hard it is for many companies in the current economic environment, so we have thought long and hard about our price changes. We are committed to keeping prices as competitive as possible against a backdrop of rising UK inflation and a decline in letter volumes. We are making these changes in our pricing so that we can continue to deliver the high levels of service that are expected by you.

We are increasing our prices for business mail services by an average 9%. For example, customers that post Access 70 Mailmark in trays will see a 2.036p per item increase whereas if they post Access 70 (manual) in trays the increase is 2.409p per item. We regret the need to raise some of our prices in this way, but it is necessary for us to maintain, protect and invest in the Universal Service. The Universal Service, which Royal Mail is honoured to provide, comes with high fixed costs which need to be paid for. To put this into context, in the last financial year (2017/18) Royal Mail reported a 5.6% operating loss¹ on its wholesale business, according to its Regulatory Financial Statements 2017-18.

Where possible we have kept price increases low. Advertising Mail prices remain competitive with the average price increase 1% below RPI. Direct mail continues to be an effective way to reach audiences and deliver lasting impressions for businesses. When used with other marketing mediums it can boost ROI by as much as 12%.

Some business mail customers may be able to keep their postage costs down by taking advantage of some of the following initiatives designed to deliver greater value:

- **Developing more business mail incentives** – Some customers are seeing a real benefit from using our existing business mail Test and Innovation incentive. They achieved results that highlight the value of mail as a cost-effective means of communication. Given their success, and working with our customers, we intend to develop more incentives for business mail users for next year. The first is a two-year volume commitment incentive for bank statements, which we will be launching in January 2019. We hope to initiate further sector-specific propositions in due course to reward volume commitment as well as new mail growth.
- **Introducing a lower priced service for magazine subscriptions** – On 25 June 2018, we announced the launch of a new Magazine Subscription Mail service from 2 January 2019. Customers currently use our business mail services to send magazines. Today we announce new prices for our Magazine Subscription Mail service which are lower than our existing business mail services. For example, a publisher using the new Magazine Subscription Mail service will see an average price increase of 3% for mailing items sent in trays when compared to prices they pay to mail the items today. Please note, we previously announced that the service would be zero VAT rated. However following further VAT advice, the service will be subject to the 20% VAT rate.

¹ Royal Mail Regulatory Financial Statements 2017-18, Network Access – page 19. These regulatory accounts are presented on a fully allocated costing basis, calculated using Ofcom's regulatory accounting guidelines.

We are making other changes to our prices that I would like to draw your attention to:

Improving the cost alignment of Zonal prices

We indicated to you last October that we adjusted the zonal prices as part of an ongoing initiative to bring them more in line with the actual cost of serving the different zones. We have again changed the zonal prices as part of this same initiative. For illustrative purposes the table below shows the Mailmark prices for business and advertising letter items posted in trays for each zone valid from 2 January 2019.

| Mailmark | Zonal Price Plan Access Charges for Letter format items posted in trays | | | |
|------------------|---|----------|--------|--------|
| | Urban | Suburban | Rural | London |
| Business Mail | 22.584 | 24.560 | 27.555 | 27.303 |
| Advertising Mail | 14.998 | 16.974 | 19.969 | 19.717 |

Reducing missort charges

We are committed to reviewing non-compliance charges for customers. Having seen an improvement in customer performance relating to missorts, we are reducing the missort charges by 1p for Letters and Large Letters sent using Mailmark, OCR or Manual services.

Increasing the tray discount

Trays are a more hygienic and efficient container and we continue to offer lower prices for mail presented in trays compared to mail in bags. We want to encourage more mail in trays, particularly Large Letters up to 10mm thick. From 2 January 2019, the item discount will be increased to 0.9p for each Large Letter item and 0.3p for each Letter item in trays.

Standardising interest on late payments

We are changing the Retail and Access terms on late payments such that they align with Government guidelines on interest payments for late commercial payments. From 22 April 2019, we will:

1. charge the statutory rate of interest (calculated at an annual rate of 8% above the Bank of England base rate) for overdue payments owed by customers. Equally you will be able to charge us the statutory rate of interest for disputed invoice amounts which are resolved in your favour;
2. charge a fee for each late payment event the amount of which will be dependent on the value of the debt; and
3. charge reasonable costs incurred by us in recovering the debt.

To enable these changes, we are amending the Access Letters Contract. The appended change notice (number 047) details the changes.

Our commitment to you

Finally, I would like to take this opportunity to thank you personally for your business and give you my assurance that we are committed to delivering the highest levels of service to our customers.

Yours sincerely,



Luisa Fulci
Regulated Products Director
Consumer and Network Access



Royal Mail Wholesale
4th Floor
185 Farringdon Road
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ACCESS LETTERS CONTRACT CHANGE NOTICE: NUMBER 046

Date: 11 OCTOBER 2018

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 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 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 General Access Terms and Conditions to change the Access Charges with effect from 2 January 2019, details of which can be found on our Website, www.royalmailwholesale.com/pricing.

Yours sincerely,

Luisa Fulci
Regulated Products Director
Consumer and Network Access



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- 3.2 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.
- 3.3 All of the rules about how to interpret the Contract shall apply to this notice.

4 Changes to the Contract

- 2.2 Under clause 13.2.1(a) of the General Access Terms and Conditions, we hereby notify you of the following changes to the General Access Terms and Conditions to the Contract:

- 2.2.1 Clause 11.2 shall be amended to read as follows:

“11.2 If there is a dispute over an invoice, you should pay the invoiced amount in full in line with the payment terms of this Contract, pending the dispute being resolved. If the dispute is resolved in your favour:

11.2.1 we shall make any adjustment due immediately upon the dispute being resolved;

11.2.2 you may charge us daily interest on that part of the amount of payment that was in dispute and resolved in your favour. Interest will be calculated for the period commencing on the date of payment of the amount by you and ending on the date of repayment of the amount by us at an annual rate equal to 8 per cent above the Bank of England base lending rate as is current from time to time.”

- 2.2.2 Clause 11.7 shall be amended to read as follows:

“11.7 If you fail to make any payment by the date when payment is due then, regardless of any other right or remedy we may have, we may:

- 11.7.1 (provided we have given you seven days' notice of our intention to do so) immediately suspend the performance or further performance of our obligations under this Contract, without liability to you;
- 11.7.2 charge daily interest on all amounts not paid until payment is received in full. That interest will be calculated at an annual rate equal to 8 per cent above the Bank of England base lending rate as is current from time to time;
- 11.7.3 charge a fixed sum fee (a **Late Payment Fee**) in respect of such late payment, tiered according to the value of the debt as follows:

| Amount of Debt | Late Payment Fee |
|-------------------|------------------|
| Up to £999.99 | £40.00 |
| £1000 to £9999.99 | £70.00 |
| More than £10,000 | £100.00 |

and;

- 11.7.4 charge reasonable costs incurred by us as a result of actions taken to recover the debt to the extent such reasonable costs exceed the Late Payment Fee.”

2.3 The changes detailed in paragraphs 2.1 will take effect from 22 April 2019.

Yours sincerely,



Luisa Fulci
Regulated Products Director
Consumer and Network Access