



Royal Mail Wholesale

148 Old Street
LONDON
EC1V 9HQ
4th March 2014

Dear Customer,

Customer update on changes to Access Letters Contracts: Ofcom investigation, C9 Agreements and further contractual notices

Ofcom Investigation

We wrote to you on Friday, 21 February and again on Tuesday, 25 February to let you know that Ofcom has opened an investigation into a complaint brought by TNT Post UK about some of the Access contract changes we have announced recently.

Royal Mail believes TNT Post UK's complaint is unfounded. Royal Mail considered carefully its legal and regulatory obligations and obtained extensive legal and economic advice before notifying its Access customers of the changes to the Access contracts. We are confident that the changes comply with these obligations.

We will cooperate fully with Ofcom and will share with them the comprehensive and robust rationale for our proposals. We wish to see this matter resolved as quickly as possible.

This letter sets out how Ofcom's decision to open an investigation impacts your Access agreement with us. It also explains the basis for the further change notices Royal Mail is issuing and enclosing with this letter.

Suspension of certain Access Letters Change Notices

Ofcom's public announcement and its notification to Royal Mail gave limited information about the investigation. However, we recognise that clarity about the price changes is important for all Access customers, as well as for Royal Mail itself. Therefore, following further discussions with Ofcom, Royal Mail is suspending the notice periods for Change Notices **001, 003, 004** and **005** for all Access customers. Royal Mail will also suspend the notice periods for any equivalent changes under the C9 contracts.

Royal Mail has not suspended Change Notice **002**, which relates to its annual RPI-related price increase, nor has it suspended Change Notice **006**, which relates to changes to postcode sectors between zones. Royal Mail believes these notices are not the subject of the Ofcom investigation (please see below for further information in relation to Notice 002).

The key changes to the Change Notices you received in November 2013 and January 2014 are:

- The pricing differential between National Price Plan One and the Averaged Price Plan Two (Zones) and the Zonal Price Plan and the changes to the zonal variances of the Zonal Price Plan (set out in Change Notice 005), which were to be introduced from 31 March 2014, are suspended.
- The Access Charges for customers on the Averaged Price Plan Two (Zones) and the Zonal Price Plan will be as changed by Change Notice 002 (inflation related price update) only.

- From 31 March 2014, item prices for all three Price Plans will now remain equivalent to the prices that were set for National Price Plan One.
- The Permitted Variance on Averaged Price Plan Two (Zones) will remain at 7.5% and the Permitted Variance for the annual volume of Mailing Items that exceed the Permissible Amount of Mailing Items in each Zone which has a positive Weighted Average Price Variance Percentage shall remain at 15%.

The pricing tables for Averaged Price Plan Two (Zones) and the Zonal Price Plan have been amended today to reflect Change Notice 002 only and made available to you at www.royalmailwholesale.com.

Voluntary suspension of equivalent changes to C9 Agreements

Although there is no suspension provision in the C9 contracts, in order to ensure fair treatment of all Access customers, we have decided also to postpone the equivalent pricing changes for customers who post letters and large letters under Condition 9 Access Agreements.

This means that we shall also amend the pricing tables of Condition 9 Access Agreements today and make these available to you at www.royalmailwholesale.com.

Table 1 to this letter summarises which Change Notices will be implemented and those which are suspended. For clarity, Change Notices under the Wholesale Parcels Contract are not affected.

Notification of Change Notice 002 and equivalent tariff related notice to C9 Customers

As you are aware, we issued a number of Change Notices on 10 January 2014. In order to avoid confusion and ensure that our pricing was as simple and clear as possible for customers, the pricing on our website at www.royalmailwholesale.com showed the combined effect of all Change Notices that were to take effect from 31 March 2014, including the normal, inflation related price update in Change Notice 002 and the price differential introduced by Change Notice 005. A customer has questioned our combined approach to showing the effect of all Changes Notices on each price plan, and suggested it may affect the validity of Notice 002.

While we are confident that Change Notice 002 is valid and complies with the contractual requirements for change notices (under clause 13 of the Access Letters Contract), Royal Mail has decided to take the protective step of issuing a further Change Notice (the "Further Notice") (please see enclosed) expressly without prejudice to the validity of Change Notice 002 issued on 10 January 2014.

The prices quoted by the Further Notice are the same as those in the original Change Notice 002 dated 10 January 2014; this Further Notice simply repeats the changes effected by Change Notice 002 (although there is a different effective date).

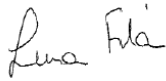
To clarify, the price increase contained in the Further Notice will only come into effect on the day specified in the Further Notice (i.e. 15 May 2014) in the unlikely event that there is a successful challenge in relation to the validity of Change Notice 002 (which was issued on 10 January 2014). **For the avoidance of doubt therefore, Change Notice 002 (issued on 10 January 2014) still applies and the price change referred to in it will come into effect for all Price Plans from 31 March 2014.**

For the same reason (i.e. because the pricing on our website at www.royalmailwholesale.com showed the combined effect of all price increases), we are also issuing a further notice (please see enclosed) in relation to the Condition 9 Access Agreement price changes (the "C9 Further Notice"). Again, this is a protective step and expressly without prejudice to the validity of the Condition 9 Access Agreement Change Notice issued on 10 January 2014.

The C9 Further Notice will only come into effect on the day specified in the C9 Further Notice (i.e. 15 May 2014) in the unlikely event that there is a successful challenge in relation to the validity of Condition 9 Access Agreement Change Notice (which was issued on 10 January 2014). **For the avoidance of doubt therefore, Condition 9 Access Agreement Change Notice (issued on 10 January 2014) still applies and the price change referred to in it, other than the zonal pricing variances for letters and large letters (which have been postponed), will come into effect for all Condition 9 Access Agreements from 31 March 2014.**

We hope that the changes are clear and that it is clear why we have taken the step of issuing the Further Notice and the C9 Further Notice. However, please do contact us if you have any questions in relation to this.

Yours sincerely,

A handwritten signature in black ink that reads "Luisa Fulci". The signature is written in a cursive, flowing style.

Luisa Fulci

Regulated Products Director

Table 1: Update on the deployment date of the changes to Prices and Price Plans notified in November 2013 and January 2014

Summary of proposed change	Change Notice	Update
Access Letters Contract		
<ul style="list-style-type: none"> Change to Permitted Variances affecting National Price Plan Two (Zones) Renaming of National Price Plan Two (Zones) as Averaged Price Plan Two (Zones) 	Change Notice 001 dated 15 November 2013	Suspended
Price update affecting all price plans.	Change Notice 002 dated 10 January 2014	Deployment as scheduled from 31 March 2014
Requirement for Contract Volume Forecast and notification of shortfalls on an SSC specific basis, affecting National Price Plan One (SSCs).	Change Notice 003 dated 10 January 2014	Suspended
Change to Permitted Variances affecting National Price Plan One (SSCs).	Change Notice 004 dated 10 January 2014	Suspended
Change to Access Charges for Averaged Price Plan Two (Zones) and Zonal Price Plan: introduction of price differential between Averaged Price Plan Two (Zones) and National Price Plan (SSCs); change to prices including zonal variances for Zonal Price Plan.	Change Notice 005 dated 10 January 2014	Suspended
Change to allocation of Zones to Postcode Sectors.	Change Notice 006 dated 17 January 2014	Deployment as scheduled from 31 March 2014
Wholesale Parcels Contract		
Price update and update to zonal pricing variances to the national prices of National Price Plan Two (Zones).	Change Notice 001 dated 10 January 2014	Deployment as scheduled from 31 March 2014

Change to allocation of Zones to Postcode Sectors.	Change Notice 002 Dated 17 January 2014	Deployment as scheduled from 31 March 2014
Condition 9 Agreements		
Price update.	Change Notice 009 Dated 10 January 2014	Deployment as scheduled from 31 March 2014
Zonal pricing variances to the C9 national prices for letters and large letters.	Change Notice 009 Dated 10 January 2014	Introduction delayed