



10 November 2021

## Royal Mail Wholesale

185 Farringdon Road  
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### PERMITTED VARIANCES FOR 2022-23 / DYNAMIC BASELINE PROPOSAL

Dear Customer

I write to you concerning our plans in relation to the application of permitted variances for NPP1, APP2 and Regional customers in 2022/23 as part of the four-year glidepath we announced in 2018. We would also like to discuss with you our proposals to introduce dynamic rolling baselines for measuring NPP1, APP2 and Regional price plan customers. This letter provides further details about both matters.

#### Permitted variances for NPP1 and APP2 customers

As you are aware, we are in the third year of a four-year glidepath to reduce the permitted variances (tolerances) of the national price plans and the regional price plan, following proposals from customers that attended workshops in 2017.

When the glidepath was announced we shared the end state (10% for Urban Density and 2% for National Spread) to be reached by our 2022/23 financial year but did not specify the route to the end state. We have taken a gentle path so far, to give customers as much time as possible to make necessary changes to accommodate the glidepath, with the urban density tolerance for example, only having been reduced by 15% instead of the 30% that would be required to reach the end state.

We have been listening carefully to customers and recognise that we have all been facing some unique challenges in recent months. In light of that, and whilst we are committed to achieving the planned end state, we have made the decision to hold tolerances at their current level for 2022/23, as below, rather than apply the glidepath end state tolerances for that year:

| Price Plan                    | Current Tolerance  | Tolerance April 2022 |
|-------------------------------|--------------------|----------------------|
| National Price Plan 1 (SSC)   | Urban Density: 25% | Urban Density: 25%   |
| Averaged Price Plan 2 (Zones) | 4.5%               | 4.5%                 |
| Regional Price Plan           | 4.5%               | 4.5%                 |

We will continue to review the contract monitoring data over the remainder of this financial year, and upon completion of our review, engage with customers regarding future changes to the tolerances. This period will also give us an opportunity to discuss a potential new methodology – see below.

### Dynamic baselines for price plan conformance monitoring

Between now and March 2022, we would like to discuss with you the concept of dynamic rolling baselines for measuring NPP1, APP2 and Regional price plan customers' conformance.

The methodology would enable Royal Mail to create a baseline for a period which is made up of data from the same period which the customer is posting within, meaning a customer's posting profile for that year will be measured against a baseline of the same year. This, we believe, has the opportunity to address the primary concerns raised by customers regarding being measured against a historical national mail profile.

We have published a [presentation on the Wholesale website](#) which provides further details about the proposals and an example of how the dynamic baseline would be created through the year.

Your Account Director will be in touch to discuss the proposal with you further to gather your views.

I trust that you welcome the decision to hold tolerances at their current levels, and to explore a new methodology to overcome the remaining concerns of certain customers on baselines, and my team and I look forward to the opportunity to discuss this with you in the near future.

Yours sincerely,



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