

Contract Monitoring 2022-23 benchmark and baseline volumes

May 2021

Agenda

- Reminder of what we said in April 2020
 - How the temporary MCS suspension impacts on price plans
- Zonal Recut and Benchmark update for 2022/23
- Profile comparison at glance including proposal for 2022/23
- Next Steps

How the temporary MCS suspension impact on price plans?

- Our MCS sampling runs during the financial year to create an accurate representation of Royal Mail's posting profile.
- Therefore, the temporary suspension of MCS sampling activity in 2020/21 impacts on several areas relating to the Access Letters Contract price plans:
 1. Our ability, for the year 2022/23, to update the Baseline Year for NPP1 customers to use 2020/21 data
 2. Our ability, for the year 2022/23, to update the Royal Mail Zonal Posting Profile for APP2 and PP4 (Regional) customers to 2020/21 data

Zonal Recut and Benchmark update for 2022/23

- The proposal shared with customers in April 2020 is the most appropriate way to tackle a year of unusual activity and incomplete data, to undertake the zonal recut and benchmark update for 2022/23 profiles
 - Covid-19 had a significant impact on letter volumes. Reusing the 2021/22 benchmark (from 19/20 baseline volumes) will ensure the volume profile represents a ‘normal’ year
 - MCS data was not collected between April 2020 and 6 July 2020. Therefore the baseline data set would be incomplete
 - Updating the postcode sectors to zone allocation usually has minimal change to current postcode sectors but ensures that any postcode changes are incorporated. This allocation could be run as normal

Profile comparison at glance including proposal for 2022/23

Price Plan	Profile measure	Measure level	Zonal allocation input	Volume input period	How often it is updated	Required notice
PP1	National Spread Benchmark	SSC	×	Baseline Year	19/20 monitoring using 15/16 & 18/19 21/22 monitoring using 19/20. Aspiration annually Proposing 22/23 monitoring using 21/22 benchmarks	190 days No change to baseline year, no notice required
	Urban Density Benchmark	Urban zone in SSC	✓	Baseline Year	Annually, capturing changes of postcode allocation to zones only Proposing 22/23 monitoring using 21/22 benchmarks but still updating postcode allocations to zones	70 days for changes to zone allocations (or 190 days for changes to Baseline Year) 70 days notice
PP2	Zonal Posting Profile	Zone (national)	✓	Latest financial year	Each year, capturing zonal changes and updated volumes.	70 days
PP4		Zone (regional)		Not updating financial year	Proposing 22/23 monitoring using 21/22 benchmarks but still updating postcode allocations to zones	Contract change - 190 days

Profiles come into effect in April at the start of the contract year. Meaning notice is given by Jan (70 days) or Sep (190 days)

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Next Steps

- Publish the customer presentation on the Wholesale website
- Issue the PP2 and PP4 change notice to retain the current baseline volumes before mid-September
- We are aiming to commence monthly customer price plan contract reporting from January 2022 for Mailmark monitored customers