



19th August 2008

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**CONDITION 7 NOTIFICATIONS:
Term Contracts: Clarification of Switching Plan Guidelines**

Dear Philip,

Further to my letter of 17th December 2007, I am writing to notify you, under Condition 7 of Royal Mail's Licence, of an amended set of Term Contract Switching Plan Guidelines which, in part, determine the price paid by a customer. The current Term Contract Switching Plan Guidelines can be found in Annex A. The future Term Contract Switching Plan Guidelines can be found in Annex B.

These guidelines will take effect on 19th November 2008 and have been reviewed to ensure they best meet the needs of customers and Royal Mail as well as provide clarity. For the record, no customer has yet enquired about switching volumes within a Term Contract. All Term Contract customers will be issued with these revised guidelines.

A copy of this letter has been sent to Postwatch and will be published on Royal Mail's website within four working days.

Yours sincerely,

Mark Waples
Regulation & Commercial Policy Manager

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Annex A

Current Term Contract Switching Plans - Guidelines

- A customer may agree a plan to switch all or some contracted mail volumes from one product to another eligible product or products.
- The total contracted mail volume per quarter will be apportioned between the products involved as specified by the customer. The applicable discount going forward will then be the discount for the contract duration relevant to the product(s).
- Tolerance levels and actual mail volumes achieved will be measured quarterly against the new apportioned contracted mail volumes for each product.
- Contracted mail volumes may only be switched between products a maximum of once in any rolling twelve month period.
- The contract duration may not be extended.
- If RM ceases a product and launches a new replacement product, contracted mail volumes will be transferred from the ceased product to the new product and the rolling twelve month limitation on further switching of volumes will not apply in this specific instance.

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Annex B

New Term Contract Switching Plan Guidelines (valid from 1st November 2008)

1. A customer may agree with Royal Mail a plan to switch all or some contracted mail volumes from one term contract eligible product to another term contract eligible product or products.
2. The total contracted mail volume per quarter will be apportioned between the products involved as agreed by the customer and Royal Mail.
3. Tolerance levels and actual mail volumes achieved will be measured quarterly against the new apportioned contracted mail volumes for each product.
4. Term contract eligibility criteria will continue to apply separately to all products.
5. Contracted mail volumes may only be switched between products a maximum of once in any rolling twelve month period.
6. Original contract durations may not be extended.
7. Any switching plan can only be implemented at the end of a quarter listed on the original term contract *agreement amendment* document for the “losing” product. Any request to agree a switching plan must be submitted a minimum of 20 working days prior to the end of that quarter.
8. Requests to agree a switching plan should be submitted by email to:

pricing@royalmail.com
9. A switching plan for agreement between the customer and Royal Mail will be drawn up by Royal Mail specifying, by quarter, the volume to be switched and the products involved (subject to paragraph 10 below).
10. A switching plan can only be agreed if it is technically feasible to be implemented on relevant Royal Mail systems as at the time of any request to agree a switching plan.