

THIS DEED OF UNDERSTANDING MADE

ON THE 17TH DAY OF FEBRUARY 1998

BETWEEN HER MAJESTY THE QUEEN in right of New Zealand, acting by and through the Minister of Communications ("the Minister")

AND NEW ZEALAND POST LTD, a duly incorporated company having its registered office at 7 Waterloo Quay, Wellington ("New Zealand Post").

Recitals

- (A) The Government of New Zealand ("The Government") has decided to remove the statutory protection for the delivery of certain postal services which had previously been conferred on New Zealand Post Ltd under the Postal Services Act 1987.
- (B) The Government desires that New Zealand Post should continue to meet certain social, price and service quality obligations ("the social obligations").
- (C) The Government and New Zealand Post wish to record the social obligations which New Zealand Post will continue to provide.
- (D) The Government has agreed that, for a period of 5 years, New Zealand Post will continue to be the sole designated postal administration for New Zealand for the purposes of acting as a representative of New Zealand at the Universal Postal Union and the Asian Pacific Postal Union and shall have the sole right to issue postage stamps on which the words "New Zealand", or any abbreviation of those words appear, except where those words appear as part of the name of the postal operator by which the stamp is issued; and those words form part of the name under which the postal operator is registered as a company; and that company name of the postal operator appears in full on the stamp, with the words "New Zealand" appearing in the same typeface and point size as the company name.
- (E) The Government and New Zealand Post have agreed that the deed entered into by the Government and New Zealand Post dated 6 April 1993, and extended by further deeds dated 11 March 1994, 14 March 1995, 28 March 1996 and 18 March 1997 shall be terminated with effect from the date that this deed comes into force.

BY THIS DEED:

1 This deed shall come into effect on the date that this deed is executed by both parties. In the event that the Postal Services Bill, as reported back to the House of Representatives in December 1997 is amended by the House in such a way as to impose additional social obligations on New Zealand Post, this deed shall be of no effect, and the parties will negotiate a further deed.

2 The Government shall review the terms of this deed three years after the deed comes into effect.

Statutory Protection

3 The parties acknowledge that this deed has been entered into on the basis that New Zealand Post shall continue to be the sole designated postal administration for New Zealand for the purposes of acting as a representative of New Zealand at the Universal Postal Union and the Asian Pacific Postal Union.

Frequency of Deliveries

4 New Zealand Post shall provide:

- (a) six day per week deliveries to more than 95 percent of delivery points;
- (b) five or six day per week deliveries to more than 99.88 percent of delivery points; and
- (c) one to four day per week deliveries to the remainder of delivery points.

PROVIDED THAT in any case where a person elects to have the frequency of that person's delivery service reduced, that person shall be regarded as continuing to receive the same frequency of service as before that election for the purposes of this clause.

5 New Zealand Post shall not increase the proportion of delivery points comprising counter services or community mail boxes beyond 1.5 percent of total delivery points PROVIDED THAT in any case where a person elects to take counter or community mail box service, that person shall be regarded as continuing to receive the rural delivery service for the purposes of this clause.

- 6 New Zealand Post shall maintain at least the total number of delivery points recorded in the table provided by New Zealand Post entitled "Frequency of Service" and comprising the Schedule to this deed.
- 7 New Zealand Post may only reduce the frequency of service provided to any delivery point at the commencement of this deed if:
- (i) shifts in population (including density and numbers) or changes in the conditions of access to any delivery point enable it to do so in accordance with its rules regulating provision of delivery services which applied at the commencement of this deed; or
 - (ii) a reduced delivery frequency is agreed by the majority of addressees in any particular area; or
 - (iii) a person who is, or has previously been, receiving any postal service, elects to discontinue that mode of delivery or fails or refuses to comply with the published conditions for provision of that service; or
 - (iv) another postal operator provides a service no less than that required under this deed, at no greater price, and that operator will accept mail from New Zealand Post for delivery in that area.
- 8 New Zealand Post shall not be liable for any failure to meet the obligations recorded in clauses 4, 5, 6, and 7 of this deed where such failure is the result of circumstances outside its control. Such circumstances shall include, but not be restricted to fire, flood, earthquake, accident, civil disturbances, war, strikes or labour problems or delays in transportation, or Acts of God.
- 9 Nothing in clauses 4, 5, 6 and 7 is intended to preclude New Zealand Post from introducing new ways of providing delivery services that meet the social obligations set out in this deed.
- Service Charges**
- 10 New Zealand Post shall not increase the price of the service described at the date of execution hereof as the post, medium letter above \$0.45 for a period of three years following execution of this deed.
- 11 New Zealand Post shall not re-introduce the Rural Delivery Fee.

- 12 Nothing in clause 11 precludes New Zealand Post from introducing alternative forms of charging for other services.

New Zealand Post Network

- 13 New Zealand Post shall maintain a network of at least 880 postal outlets and post centres, excluding stamp retailers.

- 14 New Zealand Post shall, within the network referred to in clause 13 of this deed, maintain at least 240 postal outlets, PROVIDED THAT New Zealand Post may reduce the number of postal outlets below 240 by converting postal outlets to post centres at the rate of up to 8 postal outlets for every \$2 million per annum reduction in service contract revenues after the date of execution of this deed.

- 15 For the purposes of clauses 13 and 14 of this deed:

"Post centre" means an outlet that offers over the counter postal services to the public, including, but not limited to, the purchase of stamps and the postage of postal articles, pursuant to an agreement with New Zealand Post.

"Postal outlet" means an outlet that offers the services offered by a post centre, plus agency and/or other services.

"Service contract revenues" means all revenues received by New Zealand Post from contracts for the performance of agency services.

- 16 Postal outlets or post centres may be operated by New Zealand Post or by a person other than New Zealand Post under an agreement with New Zealand Post.

Access

- 17 New Zealand Post shall provide access to its postal network to other postal operators on terms and conditions that are no less favourable than those offered to customers in the same circumstances, where the postal operator concerned is able to meet the requirements of the particular service offer. This clause does not preclude New Zealand Post from negotiating particular arrangements with individual customers or postal operators. The terms of access will also be subject to any relevant provisions contained in the Commerce Act or any other relevant legislation.

Enforcement

- 18 If the Minister receives an allegation that New Zealand Post is failing to comply with the terms of this deed the Minister may refer the allegation to New Zealand Post. New Zealand

Post shall consult with the Minister on the accuracy of the allegation and any corrective action required.

- 19 This deed records an arrangement between New Zealand Post and the Government. It does not create any right or obligation enforceable at the suit of any other person.

Review

- 20 If the Government decides to remove New Zealand Post's exclusive designation as postal administration for the purposes of acting as a representative of New Zealand at the Universal Postal Union and the Asian Pacific Postal Union, the Minister will inform New Zealand Post as soon as possible after the Government makes its decision, and will review the provisions of this deed in consultation with New Zealand Post.

- 21 New Zealand Post may request the Minister to amend the provisions of this deed during its term. The Minister shall consider any such request and, following consultation with the Minister for State-Owned Enterprises, may amend the deed, but shall not be bound to make any amendment requested by New Zealand Post.

- 22 This deed shall continue to apply and New Zealand Post shall continue to perform its obligations under this deed during the course of any such review.

Termination of the Previous Deed

- 23 The Government and New Zealand Post hereby agree that the deed entered into by the Government and New Zealand Post dated 6 April 1993, and extended by further deeds dated 11 March 1994, 14 March 1995, 28 March 1996 and 18 March 1997 will terminate with effect from the date that this deed comes into force.

- 24 In the event that this Deed is of no effect because either:
- (a) The Postal Services Bill is not passed; or
 - (b) The Postal Services Bill as reported back to the House of Representatives in December 1997 is amended in such a way as to impose additional social obligations on New Zealand Post

the parties agree that the previous deed will be deemed not to have been terminated under clause 23 of this deed.

SCHEDULE

	Delivery Points	Frequency of Service		
		6 day	5 day	1-4 day
Residential	1,088,617	1,086,499	2,117	1
Business	51,673	39,654	12,011	8
Private Box				
- Farmers	6,451	5,175	1,276	0
- Business and Individuals	168,752	142,609	25,808	335
Counter and Community Mail Boxes	18,387	11,132	6,960	295
Rural	130,058	118,359	11,140	559
TOTAL	1,463,938	1,403,428	59,312	1,198