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Dear Calum,

Thank you for your letter to Keith Williams dated 22th July 2024. Mr Williams has asked me to reply on his behalf.

I appreciate you setting out the view of your members and want to reiterate the importance of Post Office Limited and postmasters to Royal Mail. I am keen to continue the engagement with you and other stakeholders, as we have done since first making the case for reform of the Universal Service.

You reference media coverage regarding the prospective new owner of Royal Mail and the future of the Universal Service. To clarify, the Board of International Distribution Services (IDS) has worked hard to secure a number of legally binding undertakings and other contractual commitments as part of the process. These are designed to protect the Universal Service, Royal Mail's long-term financial stability and Royal Mail's broader role in the country. As part of this, EP group has stated it supports the proposed reforms to the Universal Service set out by Royal Mail in April this year. This was formalised in the Group's offer document and the clarification to bid document, issued on 18th July 2024.

Royal Mail's proposal for change to the Universal Service, as supported by EP Group, would maintain the one-price-goes-anywhere service to all parts of the UK, as well as six-days-a-week (Monday to Saturday) delivery for First Class letters. It would see all non-First Class letter deliveries, including Second Class, delivered every other weekday, and they will still arrive within three working days as now. This maintains the choice customers have between First and Second class delivery – something we hear is important to both consumers and businesses. It would also include the introduction of new, additional reliability targets for First and Second Class services.

Our proposal is the result of extensive consultation, listening to a wide range of consumers, businesses and stakeholders, including yourselves, over a number of years. It is designed to ensure that we can continue to meet the needs of our customers, as well as the communities we serve across the UK.

The reality is that letter volumes have dropped from 20 billion to 6.7 billion a year, meaning maintaining the Universal Service in its current form is unsustainable. In five years' time, letter volumes are predicted to drop to four billion while parcels continue to grow. As volumes decline, the number of UK addresses has grown by four million since 2004/5, increasing the cost of delivering each letter. You will have seen this shift yourself and, I believe, we are in agreement on the need to protect the postal sector and secure our joint future.

Royal Mail made an operating loss of £348 million in the 2023-24 financial year. This is significantly worsened by the fact that, unlike almost all postal services in Europe, we provide a six-day letter delivery service under the Universal Service. Our modest request for a change to the current requirements will help us to transform

and modernise the service, whilst retaining the high levels of service our customers expect at a reasonable price. Change is urgently needed to sustain the future of our postal service – for Royal Mail, Post Office, postmasters and others. Almost every other postal authority in Europe has already made significant adjustments to their USO. Reform of the USO in the UK is now very overdue.

While I recognise that the remuneration of postmasters is your priority here, it should also be noted that postmaster remuneration is set by the Post Office and therefore Royal Mail cannot give a guarantee or assurance on how this will change in future.

We are keen to continue engagement with Post Office, NFSP and other stakeholders to ensure that we meet the needs of our customers, as well as the communities we serve across the UK. With this in mind, I would welcome a meeting with you to discuss this further.

Best wishes,

Anna Malley

Cc. Justin Madders MP, Postal Affairs Minister