



Post Office Limited
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London
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Rt Hon Greg Clark MP
Secretary of State
Department for Business, Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

25th July 2016

Dear Secretary of State,

I wanted to write to congratulate you on your appointment as Secretary of State for Business, Energy & Industrial Strategy. You may recall we met previously on Post Office business, during the Network Change programme, and I look forward to working with you again over the months ahead.

You arrive in your new post at a key period in the development of the Post Office. We are transforming at pace in order to become a commercially sustainable business, reducing our dependence on taxpayer subsidy while safeguarding the essential role we play in communities across the UK.

Since separation from the Royal Mail in 2012 we have made significant strides in modernising our network – hosting our branches in successful retail businesses which deliver a better experience for customers on a more financially secure basis. Our 2015-16 Report and Accounts (which will be published shortly) will show our pre-subsidy losses reducing to £24m – a huge improvement from the £116m loss we were making just three years earlier. In the next 24 months we are on track to make a pre-subsidy profit (on an EBITDA basis) for the first time in 15 years. This has enabled the Government to reduce our network subsidy payment, from £210m in 2012/13 to £70m next year and was achieved whilst we maintained over 11,500 branches and continued to meet our network access criteria (93 per cent of the entire UK population within 1 mile of a Post Office, 99% within 3 miles); [and, we opened 20 new branches last year]. The network of Post Office branches is now at its most stable for 25 years.



Despite this significant progress, we continue to face structural challenges in our core markets as a result of rapidly changing consumer trends. We are therefore developing a new strategy to 2020/21 designed to strengthen our market position, improve our digital capabilities and radically reduce our operating costs. While this will require investment to execute, it provides an historic opportunity to complete the commercial turnaround of the Post Office and put the network on a self-sustaining footing.

I would welcome the opportunity to discuss this strategy with you. It would also be useful to discuss whether you have any particular policy priorities for the Post Office (beyond safeguarding the network) and how we can respond to these as part of our commercial strategy in order to secure a positive future.

Yours sincerely,

A rectangular box with a dashed border containing the letters "GRO" in a large, bold, black, sans-serif font, representing the signature of Paula Vennells.

Paula Vennells
Chief Executive