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Rt Hon Sajid Javid MP
Secretary of State
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

11th May 2015

Dear Secretary of State

I'm writing to congratulate you on your appointment as Secretary of State for Business, Innovation and Skills. I look forward to meeting you soon and to working with you and your Ministerial colleagues over the months ahead.

This is an exciting time for the Post Office. We are at a critical point in our path towards commercial sustainability. Our strategy, agreed with the 2010-15 administration, is to tackle the underlying economic challenges facing the branch network while safeguarding the essential role we play in communities. For example, we provide vital access to cash and banking services in communities where other banks have closed. The prize is a modern, more accessible Post Office, successful in commercial markets while retaining a strong social purpose, which is less dependent on taxpayer subsidy.

We have made significant strides in modernising our network of over 11,500 branches – combining with successful retail businesses while delivering a better experience for customers. Over 4000 branches have been transformed, providing more modern facilities and an extra 120,000 opening hours per week. This transformation continues at a rate of 40 branches each week.

We are also reducing central costs through a more streamlined operating model with significant reduction in staff numbers and other cost savings.

Most importantly, in the face of structural declines in traditional sources of revenue, such as mails (especially letters), government services and bill payments, we are re-establishing revenue growth. In particular we are:

- establishing the Post Office as a major challenger brand in financial services
- positioned to benefit from the growth of the parcels market from the rise of online shopping

- supporting the Government's shift to "digital by default" as one of the approved providers of identity services.

Our transformation programme is already delivering results. We have hit our P&L target in each of the three years since separation from the Royal Mail, halving our losses and putting the business on track to break even within this new Government. This sustained improvement in profitability is enabling Government to reduce our network subsidy payment rapidly: from £210m in 2012/13 to £70m in 2017/18. This has been achieved while maintaining over 11,500 branches and continuing 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), avoiding the closures that were required in previous restructuring programmes.

While we have made significant progress, there is more to be done over the next three years to complete the job. We look forward to your early support for the steps we need to take to complete the modernisation of our network and the turnaround of our business.

In return we can provide a valuable national infrastructure – one which supports social and economic inclusion, plays a key role supporting small businesses, provides access to banking services in communities where other banks have closed, access to government services online and, for those unable to embrace the digital world - offers face to face support. In short, we can offer commercial choice to customers across a range of markets whilst remaining a cornerstone for communities in rural and deprived areas. By doing so effectively, we also reduce our dependency on subsidy.

I would welcome an early opportunity to meet to discuss how we can work together to complete this turnaround.

Yours sincerely

The logo consists of the letters "GRO" in a bold, black, sans-serif font, enclosed within a dashed rectangular border.

Paula Vennells
Chief Executive, Post Office Ltd

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