



Rt Hon Liam Byrne MP
Chair of the Business and Trade Committee
House of Commons
London
SW1A 0AA

8th April 2025

Post Office Ltd
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Dear Liam,

As you will be aware, last year I announced a new five-year strategy, through which Post Office will deliver a “New Deal for Postmasters” by dramatically improving the remuneration they earn and the support they receive. As Post Office progresses with the delivery of that strategy, I wanted to write to you to provide an update on our Directly Managed Branches (DMBs), given your Committee’s role in holding Post Office to account as we reset the business to put postmasters at its heart.

The need for a “New Deal” is pressing. Despite the huge value they deliver, postmasters have seen their income squeezed as the cost of operating on UK high streets has significantly increased in recent years. We need to deliver a material increase in their income to fairly remunerate the role postmasters play, while safeguarding the Post Office network and the vital services it provides. It was against this backdrop that I announced our new strategy, which, subject to Government funding, provides a route to increase total annual postmaster remuneration by a quarter of a billion pounds by 2030.

To achieve this strategy, Post Office is delivering a range of revenue-increasing and cost-reducing initiatives. At the end of last year, I announced that Post Office’s 108 remaining Directly Managed Branches (DMBs) would be considered part of this process. Despite accounting for less than 1% of the total network, the DMBs generate a fully allocated loss (including central and support costs) of over £40 million each year against declining visits to these branches. Tackling the losses these branches incur is therefore a central means of increasing postmaster income.

For several months we have consulted with the unions (CWU and Unite) on a range of options – from retention to franchising of the DMBs – to tackle these losses, while engaging with other valued stakeholders, parliamentarians and postmaster representative groups. Having reviewed these options in detail, including with our postmaster Consultative Council, I am writing to inform you that Post Office has decided to move to a fully franchised network, subject to Government funding. We believe this is the only outcome that protects Post Office services while addressing the losses associated with the DMBs on a sustainable basis.

While I recognise that changes to Post Office’s network may be unsettling for some, by moving to a fully franchised network we will protect access to Post Office services for communities across the UK, providing greater convenience for our customers. This is the final step in a gradual process that began several decades ago; in fact, 99% of the Post Office network already operates on a franchise basis, typically offering longer opening hours and a wider retail offering compared to the DMB model.

In practice this means that, subject to Government funding, all of the DMB locations will be franchised with none closing. This means those communities with a DMB will retain a Post Office service either in the same location or near to the existing DMB. Importantly, we remain committed to meeting the current requirement to have a minimum of 11,500 branches across the UK and the six Access Criteria set by Government.

We intend to move quickly and franchise all DMBs by the autumn to bring clarity for staff and communities, while unlocking funds for postmaster remuneration increases. While we are announcing the overall strategic direction for the DMBs today, in the coming weeks we will continue to update communities and local stakeholders as we finalise the details for each location. We will continue to work with the unions to ensure that we treat our staff working in these branches with care and respect through this transition, consulting with them on proposed changes and supporting them in their choices.

I hope this update proves useful and I welcome the opportunity to discuss this and any specific queries you may have with you further in-person, should your diary permit it.

Yours sincerely,



Nigel Railton

Chairman,
Post Office Limited