



1 December 2021

Royal Mail Wholesale

185 Farringdon Road
London
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ROYAL MAIL QUALITY OF SERVICE 2021/22

Dear Customer,

I am writing to update you on the position regarding Wholesale Quality of Service performance for the 2021/2022 financial year, to explain a little about what we are doing to mitigate the impact of the challenges we face, and our view of the contractual position as it stands today.

Everyone at Royal Mail is acutely aware that quality is not where we all want it to be, despite encouraging progress at the start of the financial year. Our operational teams are working hard to try and improve the outcomes for customers, and I would like to share a summary of the situation below.

The challenges which we are facing

As the country started to adapt to an evolving Covid position, we encountered a number of headwinds in our Quarter 2 (Jul-Sep 2021) and beyond which are having an effect on our operations. As well as the ongoing pandemic, we are also facing new external challenges beyond our reasonable control which can correctly be classified as Disruptive Events under both the Access Letters Contracts and the Wholesale Parcels Contracts. These events, including the ongoing pandemic, are impacting the amount of mail we can deliver on any given day and, as a result, our ability to deliver Wholesale Mailing Items on D+2. I have explained the more pertinent issues we currently face below but this is not an exhaustive list and we refer you to our previous communications, upon which we continue to rely:

- **Staff Recruitment and Retention** – The state of the UK labour market and the net number of job vacancies increasing across the country has and continues to have an impact upon our ability to fully meet our recruitment objectives and to retain staff. The ONS's labour market overview of the UK in November 2021¹ recognises this change in the labour market that we are experiencing. It states that "*The number of job vacancies in August to October 2021 continued to rise to a new record of 1,172,000, an increase of 388,000 from the pre-coronavirus pandemic January to March 2020 level*". We understand that some of our customers have also had their operations impacted by a lack of resource and will hopefully recognise the challenge. The improvement in the broader job market has had a knock-on effect on our staff retention, as people have more choices on where, when and how they work. Front line deliveries can be a more physically demanding role compared to many roles, and our staff continued to work throughout the lockdowns without furlough. As the economy opens up, and there are more job opportunities, delivery jobs may not suit some people.
- **Staff Absence Levels** – We are being impacted by high levels of sick absence, which remains significantly higher than the pre-Covid rate, with increases in both short and long-term absences. The average rate of absence amongst our operational and professional driving staff in the period July to October 2021 was one and a half times the pre-covid average (measured from January to December 2019). The higher

levels of absence are partially directly Covid related (both staff contracting Covid directly and associated self-isolation).

- **Social Distancing Requirements** – Though we were able to reintroduce shared vans (from 19 July 2021 in England, 10 August 2021 in Wales, 9 August 2021 in Scotland and early October 2021 in Northern Ireland) and broadly remove social distancing measures from our internal operations from 11 October 2021, other Health and Safety measures remain in place. Covid controls are reviewed regularly, such as in the case of a local outbreak, and appropriate measures put in place.

What we are doing to mitigate the impact of the challenges we face

As we approach our busiest time of the year, we have engaged with and listened to the concerns of our Wholesale customers and we are working hard to optimise performance in the run up to Christmas and beyond. As we have mentioned previously, we have applied appropriate interventions to manage the situation we are facing at any point in time, with additional support being given to the hardest hit areas. Recently these key interventions include:

- Additional Yorks and Trays are being injected into the pipeline, and our team in DSACC monitor this daily, to maintain the 1-4-1 swaps to ensure you have the agreed amount of materials and handling equipment, indeed we have oversupplied some customers on Yorks this year.
- We have simplified and improved our recruitment processes to enable us to get new staff members in faster, are recruiting an additional 20,000 seasonal staff to deal with the increased volumes and are confident that the terms we offer staff remain competitive in the challenging labour market.
- We continue to work with our customers (both Retail and Wholesale), to ensure that we plan our resource according to the workload forecast. This applies to both Letters and Parcels (where we have contractual terms in place with our larger Retail customers). With consumer letters and parcels we have no such ability to control entry to the network and are targeting key Post Office outlets with more frequent collections to help minimise the risk of bottlenecks in Mail Centre processing. We are also providing targeted support to local delivery offices affected by resourcing issues to address their challenges and restore our service to the high standard our customers would normally receive.
- As part of the Pathway to Change agreement with CWU and our increased focus to improve efficiency and quality, all Delivery Offices and Mail Centres are undergoing revision activity. This will enable an even better balancing of resource to workload. Additionally, we are reducing the administrative demands on our Delivery Office Managers to enable them to spend even more time with their teams to drive up quality, amongst other things.

Update on the impact of Disruptive Events pursuant to the Access Letters Contracts and the Wholesale Parcels Contracts

We have previously written to notify you that our ability to comply with our obligations under the Access Letters Contracts and the Wholesale Parcels Contracts has been impacted by Disruptive Events, including the various aspects of the Covid 19 pandemic, which have had a continuous impact since early 2020.

As we move into a period where Ofcom has notified the market that the emergency period declared pursuant to section 33 of the Postal Services Act 2011 has now ended, we thought it was right that we update you on where we are contractually.

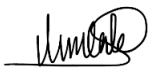
Many of you are asking about how our contractual performance will change and/or be impacted by external factors for the remainder of this Service Standard Period, i.e. from the end of the emergency period until 31 March 2022. At this time neither you nor we can be certain how things will pan out as regards the pandemic, or other factors (including those set out above) which may impact upon our performance in the coming months.

In an update on 11 August 2021ⁱ regarding Royal Mail delivery changes and the end of the regulatory emergency period, Ofcom stated that “*Our approach to compliance monitoring will continue to be pragmatic and proportionate, taking account of any relevant matters beyond Royal Mail’s control that impact on its performance, including any continuing impacts of the pandemic.*”

At present our delivery performance (i.e. our ability to deliver Mailing Items by D+2) and therefore quality of service continues to be impacted by a number of factors outside of our reasonable control. As a result, we remain of the view that at the time of writing, for the purposes of the Access Letters Contracts and the Wholesale Parcels Contracts, all Mailing Items continue to be impacted by Disruptive Events. As set out earlier in this letter, the Disruptive Events include not only those notified to you previously, but also some new issues explained above.

We will continue to seek to mitigate the impact of all these factors, which are beyond our control, and to optimise the service that we provide to you and will update you further in due course.

Yours sincerely,



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ⁱ www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#main-points

ⁱⁱ www.ofcom.org.uk/about-ofcom/policies-and-guidelines/coronavirus-information/royal-mail-delivery-changes