



Royal Mail Wholesale

**Consultation proposing changes to the Access Letters
Contract D+2 Service Standard and Compensation Target /
Introduction of Access Reliability Targets and
Compensation Scheme for D+2, D+3 and D+5**

DECISION DOCUMENT

DATE ISSUED: 8 December 2025

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Background

On 21 August 2025 we published our consultation proposals in respect of two associated aspects of the Access Letters Contract (ALC):

- a. Changes to the Access D+2 Service Standard and Compensation Targets; and
- b. Introduction of Access reliability standards and compensation targets (for D+2, D+3 and D+5).

We thank you for your valued input into the consultation. We have reviewed the feedback carefully to inform our final decision, which is set out in this document.

In this document where we have referenced:

- a. "D+2" we are referring to the Access D+2 (Priority) service;
- b. "D+3" we are referring to the Access D+3 (Standard) service;
- c. "D+5" we are referring to the Access D+5 (Economy) service;
- d. "the Ofcom decision" we are referring to [Ofcom's decision on Universal Reform](#) published on 10 July 2025;
- e. "the workshop" we are referring to the Access customer workshop held on 16 September 2025.

Responses

We received responses to the consultation document from 9 Access customers across all customer segments – carrier, intermediary and direct. We also invited all customers to participate in a workshop on 16 September 2025, to which representatives from 15 Access contract holders attended.

We have carefully considered our proposals in light of all customer comments and this has significantly influenced the decisions on the proposals and how to progress with them.

Our decisions in consideration of your responses

1. Change the D+2 Service Standard to 92%

Summary of consultation proposal
To reflect the Ofcom decision, we proposed to revise the D+2 service standard from 95% to 92%, thereby maintaining the 2% gap to the revised Retail First Class target of 90%. The 2% difference between the Retail and Access service standard accounts for failures which may arise across Royal Mail's own upstream network.
Summary of customer responses
At the workshop, those attendees who contributed agreed with this proposal. In their written submissions: <ul style="list-style-type: none">➤ 8 customers agreed with this proposal;➤ 1 customer agreed with the logic for maintaining the 2% gap between the Retail First Class target and the Access service standard, but did not agree that the D+2 service standard should be lowered.
Our decision
In consideration of the customer feedback received we have decided to proceed with this proposal.

2. Change the D+2 Compensation Target to 89%

Summary of consultation proposal
To align with the proposed change of the D+2 service standard to 92%, we also proposed changing the D+2 compensation target from 92% to 89%, maintaining the prevailing 3% gap between our existing Access service standards and compensation targets.
Summary of customer responses
At the workshop, those attendees who contributed agreed with this proposal. In their written submissions, all 9 customers agreed with this proposal.
Our decision
In consideration of the customer feedback received we have decided to proceed with this proposal.

3. D+2 compensation rate

Summary of consultation proposal
We confirmed that we would maintain the current approach of having the same Band 1 and Band 2 rates apply to each of the D+2, D+3 and D+5 service standards. This approach means that the D+2 price increase that took effect on 28 July would apply equally to the compensation rates for all three service standards, with Band 1 rates increasing from 1.990p to 2.044p and Band 2 rates from 4.264p to 4.379p.
Summary of customer responses
At the workshop, those attendees who contributed fed back that the compensation rate for D+2 should be higher than the D+3 and D+5 compensation rates to reflect the significant difference in price between the services, and to reflect that the D+2 service is driven by a different customer need for a faster service. Customers also proposed having different rates for each service level. In their written submissions: <ul style="list-style-type: none">➤ 3 customers stated there should be a separate rate for the D+2 service which reflects the price and the service level;➤ 4 customers stated that the D+2 compensation rates should be similar to the difference between the D+2 and D+3 Access prices;➤ 5 customers stated there should be different compensation rates for each service level which are increased accordingly to reflect the respective Access price changes for that service;➤ 1 customer stated that any uplift to the D+2 rates should apply retrospectively from 28 July 2025 (i.e. when the USO reform decision took effect).
Our decision
In consideration of the customer feedback received we have decided to introduce separate compensation rates for the D+2 service in consideration of the price delta between that service and the D+3 service, and the customer need for a next day service. From 30 March 2026, the D+2 Band 1 compensation rate will increase from 1.990p to 3p and the D+2 Band 2 compensation rate from 4.264p to 6.6p. In respect of the customer requests to separate the rates for D+3 and D+5 we do not believe there is a material difference between the services that would warrant such a split. The difference in compensation rate would be nominal. Furthermore, the current methodology of increasing the rates to the weighted % tariff increase for each service could produce oddities whereby the nominal difference between D+3 and D+5 not only closes but, over time, the D+5 rate could feasibly become higher than the D+3 rate. Given these points and the absence of any obvious benefits from splitting the rates, the D+3 and D+5 Band 1 and Band 2 compensation rates will continue to share a consistent rate at 1.990p and 4.264p respectively.

To reflect the revised framework above, we will amend Clause 13.2(d)(iv) of the ALC (which provides for the existing mechanism to change the compensation rates to reflect the weighted average Access price changes across all services), such that moving forward Royal Mail will have the ability to amend the D+2 compensation rates to reflect the respective weighted average Access price changes implemented for the D+2 service. In respect of the D+3 and D+5 compensation rates, these would continue to be adjusted in line with currently worded Clause 13.2(d)(iv), calculated on a weighted average basis to reflect any future D+3 and D+5 price changes across those services.

4. Reliability targets

Summary of consultation proposal

Corresponding with Ofcom's decision, in Access we proposed to introduce similar reliability targets for Access services set at: 99% of D+2 mail to arrive within four days; 99% of D+3 mail to arrive within five days; and 99% of D+5 mail to arrive within seven days.

Summary of customer responses

At the workshop those attendees who contributed agreed with the proposed D+2 and D+3 reliability targets. One attendee questioned whether the D+5 reliability target should be set higher at 99.5% given there are essentially six days from handover within which to deliver D+5 items.

In their written submissions seven customers agreed with the proposed D+2 and D+3 reliability targets at 99%. However they felt the D+5 reliability target should be 99.5% by D+7 given that the additional two days allowed to deliver any remaining D+5 mail, significantly increases the opportunity for a delivery point to be 'opened' by other items with higher delivery priority (e.g. D+2 or Retail 1st Class) within the overall seven days the item is with RM.

Our decision

In consideration of the customer feedback received we have decided to proceed with the consultation proposals, such that the Access reliability target will be set at 99% across all three service levels. As we emphasised in the consultation document these targets, much like the USO targets, are stretching but proportionate, balancing customer needs, affordability and achievability.

Whilst we understand customers' views that the D+5 reliability target should be higher than 99%, the primary reasons why a reliability target higher than 99% is unachievable for Royal Mail across all our Access service levels (i.e. D+2, D+3 and D+5) are due to factors such as: misdelivery, missorts, adverse weather, localised events and sick absence. These factors are difficult to control and eradicate completely. For misdelivery, Royal Mail loses control of the delivery speed once the mail item has been delivered to an incorrect address.

Furthermore, our statistical analysis demonstrates that the probability of achieving a 99.5% by D+7 reliability target, when the corresponding headline target is 97.5% by D+5, is around 1 in 5.

As part of USO reform, we are investing significantly to improve quality of service. To consistently achieve a higher than 99% reliability target would require significant additional investment. Even then, as per our statistical analysis, there would still be a risk we miss the targets.

5. Reliability compensation threshold and rate

Summary of consultation proposal

We proposed to introduce a compensation scheme which will entitle customers to compensation (additional to the compensation customers may be eligible for in respect of Royal Mail's failure to meet the core Access service standards) in the event we fail to meet the reliability targets.

The scheme would have its own compensation target of 96% maintaining the 3% gap which is uniform between our existing Access service standards and compensation targets. Failure to meet the reliability targets below the compensation target would attract a pence per item compensation rate of 1p.

Summary of customer responses

At the workshop those attendees who contributed disagreed with the proposals in this area. Customers argued that the compensation regime should drive behaviour, setting the compensation target too low would not incentivise Royal Mail operations to meet the reliability target and would lead to de-prioritisation of mail. Therefore, they felt that the compensation target should not be lower than 99%, especially for the D+5 service (customers felt that the D+5 reliability target should at least be set higher than the core D+5 service standard of 97.5%).

In their written submissions:

- 1 customer stated that the Ofcom research shows that the most important requirement from postal users is reliability and so Royal Mail should be required to hit the reliability target, and so compensation should apply for all failures below this level.
- 5 customers stated that with a 3% compensation allowance, for D+2, reliability compensation would start at only 1% higher than the current D+2 service standard (95%), and for D+5 reliability compensation would only start at below the D+5 service standard (97.5%). Compensation should be paid if Royal Mail does not hit the reliability target.
- 6 customers stated that the proposed reliability compensation rate of 1p per item should be higher, with 2 of those customers stating that higher rates would incentivise the Royal Mail operation prioritise items which have been subject to missed walks.

Our decision

Reliability compensation threshold

In consideration of the customer feedback received we have decided to set the reliability compensation target at 98%, higher than our consultation proposal of 96%. Note from section 7 (Implementation) below that we are taking a flightpath approach such that in Quarters 1 and 2 of 2026/27 the reliability compensation target will be 97.5%, and from Quarter 3 onwards the reliability compensation target will increase to and remain at 98%.

Reliability compensation threshold

We have decided to proceed with our proposal to set the reliability compensation rate at 1p per item across all three service levels. We will also build into the ALC a mechanism, similar to existing Clause 13.2(d)(iv), which allows for a change to the reliability compensation rate, on a weighted average basis, to reflect Access price changes. For the avoidance of doubt, the reliability compensation rate will be a flat rate applied across all three service levels.

Our statistical analysis demonstrates a strong correlation between meeting the core service standard and the reliability performance, meaning we can confidently say that if Royal Mail does not meet the reliability targets, we will have already paid compensation, at the higher Band 2 compensation rates prescribed, to customers for its failure to meet the core service standard. On this basis the reliability compensation, at 1 pence per item, is additional compensation on top of the headline compensation for failure to meet reliability targets, thereby holding Royal Mail to account.

It is important to reiterate that Royal Mail's primary focus is on improving quality of service, with additional

investment planned as part of the USO reform plan solely to improve quality of service – and meeting the reliability targets fall within this.

6. Exclusions

Summary of consultation proposal

We proposed that the following types of D+2 mailing items shall be excluded from the D+2 service standard and compensation calculation:

- a. Mailing items which do not bear the D+2 “1” Class Identifier;
- b. Mailing items which do not bear the D+2 “1” Class Identifier on the bag, tray label or York Card;
- c. Mailing items declared as D+3 items but which bear the D+2 “1” Class Identifier; and
- d. D+2 Manual Items and/or D+2 Mailmark Large Letters presented in the same York containing D+3 Mailing Items, D+5 Mailing Items and/or D+2 Mailmark Letters.

Summary of customer responses

At the workshop those attendees who contributed did not provide any objections to this proposal.

In their written submissions:

- 1 customer agreed with the proposal.
- 6 customers agreed it is reasonable for the additional exclusions to apply to D+2 items only. 5 of those customers stated however that any items which are excluded from the D+2 service standard, reliability and compensation calculations should be included for the D+3 service standard, reliability target and compensation calculations.
- 3 customers stated Royal Mail must show it has alerted customers to any instances of these errors being made and worked with the customer to correct them for future D+2 mailings.

Our decision

In consideration of the customer feedback received we have decided to proceed with the consultation proposal. For the avoidance of doubt, the exclusions will only be applicable to the calculation of the D+2 service standard and compensation calculations.

Regarding customers’ suggestion that any items which are excluded from the D+2 service standard, should be included in the calculation of the D+3 service standard, this is impractical and could have the adverse effect of falsifying the D+3 service standard, which is in neither party’s interests. For example, there could be a scenario where the customer has omitted to include the correct D+2 class identifier in the Mailmark barcode but has included the physical D+2 class identifier on the items. In this instance, as per customers’ suggestion, those items should be included in the D+3 service standard by virtue of the fact they are non-compliant (due to not including the correct barcode class identifier) however at a delivery level those items are likely to receive a D+2 service, which falsely adjusts the D+3 service standard measure.

Customers will be notified of any D+2 non-compliances in line with our current business as usual process for notifying non-compliances.

7. Implementation

Summary of consultation proposal

To account for the transition period following Ofcom’s decision, during which Royal Mail will be transforming its existing network into our new alternate day delivery model for non-First Class/ Priority letters, we proposed alignment with Ofcom’s decision such that any changes to the Access quality and compensation

regime take effect from 30 March 2026, with the exception of the reliability target compensation scheme which we proposed shall take effect from 30 March 2027.

Summary of customer responses

At the workshop those attendees who contributed disagreed with the reliability target compensation scheme coming into effect from 30 March 2027. If Ofcom are holding Royal Mail to account in respect of the USO quality targets from April 2026, then Royal Mail Wholesale should align.

In their written submissions 9 customers re-emphasised the position taken by customers at the workshop.

Our decision

In consideration of the customer feedback received we have decided that all the changes set out in this decision document, including the introduction of the reliability compensation scheme, shall take effect from 30 March 2026 (aligning to the USO quality measurement period and the ALC Service Standard Period), subject to Access customers agreeing to a shorter contract notice period (see “Contract Changes & Next Steps” section below).

However, we believe it would be unreasonable to dismiss the magnitude of the transformation which USO reform entails, and the additional risk placed on Royal Mail as a result of the Access reliability targets being introduced into the ALC. In acknowledgement of this, we have decided to adopt a short flightpath to implementing the 98% reliability compensation target, such that in Quarters 1 and 2 of 2026/27 the reliability compensation target will be 97.5%, and from Quarter 3 onwards the reliability compensation target will increase to and remain at 98%.

8. Compensation cap

Summary of consultation proposal

We did not make a proposal to change the existing compensation cap.

Summary of customer responses

At the workshop those attendees who contributed felt the existing compensation cap should be increased to account for there now being three service levels in scope, as opposed to the previous two. The cap is intended to limit Royal Mail’s liability to recompense, but even where quality of service remains poor and Access prices increase, Royal Mail’s limited liability is imposed on customers.

One attendee’s position was that Royal Mail has got nowhere near reaching the existing compensation cap to date, so what is the issue with increasing it?

In their written submissions customers fed back as follows:

- 1 customer stated that the cap needs revising to reflect the comments received at the workshop.
- 1 customer stated that the cap should be increased to recognise that Retail 1st Class volume may be migrating to D+2 leading to additional DSA volume which could exhaust the eligible volume which fits within the current cap.
- 1 customer stated that there must be a mechanism to increase the cap to protect from organic erosion due to future price increases. There should be a linkage between the compensation cap and the level of the prices charged.
- 4 customers stated that there needs to be:
 - a one-off adjustment to the cap to reflect price increases since January 2023; and
 - a new change mechanism for the cap to be adjusted in the future when Access prices are increased (just as there already is for the per item compensation rate).
- 1 customer stated:
 - Access prices have increased and mail volumes have reduced meaning that for the same level

- of failure the likelihood of the compensation cap being reached over time is increasing;
- if the compensation cap were to be reached this would further undermine any business case for RM to improve quality;
- the convergence towards the current compensation cap is likely to be accelerated if D+2 volumes attract a higher compensation payment;
- recognise remains a reasonable gap between current payments and the current cap, and there is limited understanding of likely D+2 service usage but initial market feedback is that this will be limited but probably incremental to existing access volumes.
- current compensation cap should be rebased for the increase in Access prices since introduction which should leave enough headroom to include D+2 quality of service compensation within the current scheme if the cap was then increased annually in line with Royal Mail Access price increases.

Our decision

We stand by our position not to change the existing compensation cap.

As raised by a customer at the workshop, Royal Mail has not got anywhere near reaching the compensation cap since the inception of the existing compensation framework in May 2023, and therefore we do not see it as necessary to change the existing cap level.

The business focus is on improving quality across all of our products, including USO products (for which there are regulated quality of service targets) with significant financial investment being made to facilitate this. The cap was introduced to mitigate Royal Mail's financial risk exposure whilst also giving customers access to automatic compensation payment without having to provide evidence of loss (a requirement which existed within the ALC prior to May 2023). Increasing the cap would constitute a material shift in Royal Mail's financial risk exposure, and we believe customers' interests can be reasonably protected, without changing the current compensation cap or introducing a change mechanism, through other changes we have outlined in this decision document, including the introduction of a compensation scheme for failure to meet reliability targets.

Contract Changes & Next Steps

To reflect the above changes we will be amending the ALC under Clause 13.2(a) providing Access customers with 190 days' notice. We acknowledge that this will take the effective date of the changes past the intended date of 30 March 2026 (alignment with the USO quality measurement period and the ALC Service Standard Period). Therefore so that the changes can take effect from this date we will be seeking customers' consent to agreeing a shorter notice period.

Before we issue a formal change notice we are sharing the [draft](#) contract amendments with customers for their review.

Please provide any comments you may have by 22 December by completing the attached [proforma](#) and emailing it to ravi.chauhan@royalmail.com.

Upon receipt of any comments we will carry out a further review, and wherever necessary, will seek to engage with customers directly to ensure a full understanding of their comments.

Following completion of our review, we will make any appropriate final changes and issue a formal contract change notice, with an aim to do this by close of January 2026.