Post monitoring report

Postal services in the financial year 2024-25

Report

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Overview

This report sets out significant data and trends in the postal sector for the 2024-25 financial year. It also considers users' experience of UK postal services and Royal Mail's financial and efficiency performance.

Ofcom's regulatory framework for post is underpinned by our duty to secure a universal postal service which meets the needs of users and is affordable, while also considering its financial sustainability and efficiency. We also consider the wider consumer protection measures in place which apply to all parcel operators. Our regulatory framework is supported by a monitoring programme, of which this annual report is an important part. Alongside this report we have published an interactive data set.

In the last financial year, we have continued to monitor the sector to better understand the changing needs of users, market dynamics and the financial sustainability and efficiency of the universal service, as well as any risks it faces. The focus of our monitoring has been on Royal Mail's performance and its impact on the UK postal sector.

What we have found in financial year (April to March) 2024-25

Parcels

Parcel volumes continue to rise after two years of decline as the sector adjusted post pandemic: Total measured parcel volumes increased by 7.1% to 4.2 billion items in 2024-25, compared with an increase of 8.5% in 2023-24. Total parcel volumes in 2024-25 were 4% higher than during the pandemic in 2020-21.

Domestic and international parcel volumes continue to increase year on year: Measured domestic parcels volumes increased by 5.8% year-on-year to 3.6 billion, compared to a 5.5% increase the previous year. International inbound volumes increased by 19.8% (compared with a 49.7% rise in 2023-24), likely driven by parcels coming into the UK from China.

Most people are satisfied with their parcel services, but there is room for improvement: On average, eight in 10 parcel recipients (78%) are satisfied with parcel firms, however 25% are dissatisfied with any aspect of the process when contacting a delivery company about an issue. Overall, levels of satisfaction when contacting operators have increased slightly since 2024 to 47%, representing a 2%-point increase.

Letters

The longer-term trend of declining letter volumes continues: The decline in volume has slowed, with addressed letters volumes reaching 6.5 billion in 2024-25, a year which included the 2024 General Election. This is a 2.0% decrease year-on-year, compared with a 9.0% fall in 2023-24.

Total addressed letters revenues have increased in real terms compared to 2023-24: Total addressed letter revenues for 2024-25 stood at £4.0bn, an increase of 4.9% in real terms year-on-year (compared to a 1.4% decrease in 2023-24). In nominal terms, this year-on-year increase in total addressed letter revenues was 7.4%.

Consumers report a drop in value for money for Royal Mail's First Class letters services as prices rise: Value for money ratings for Royal Mail's First-Class letters services have dropped as prices have gone up, most recently in April 2025. Thirty-nine per cent of consumers rated First Class letters services as good value for money, down from 44% in 2023-24 and from 47% in 2022-23.

Royal Mail: Quality of Service and financial performance

Royal Mail continued to fall below quality of service expectations in 2024-25: First Class was 77% against the target of 93%, up from 74.5% in 2023-24. Results for Second Class were also below target, at 92.5% against the target of 98.5%, a slight improvement from the reported result of 92.4% in the prior year. In October 2025, Ofcom fined Royal Mail £21 million for failing to meet its First and Second Class delivery targets in 2024-25.

Royal Mail reported a loss, although the loss was reduced considerably compared to the previous year: The profit (EBIT) margin for the Reported Business was -0.2% (2023-24: -6.3%) which is still significantly below the indicative 5% to 10% range for a commercial rate of return. The improvement was due to increased revenues across both parcels and letters, with parcel volumes increasing and price rises offsetting declines in letter volumes. However, during this period Royal Mail did not meet its quality of service targets or make sustainable progress towards its efficiency targets.

Looking forwards

The postal service remains important to many people across the UK, enabling communication through letters, cards, and packages, and supporting social cohesion. While this report primarily focuses on the financial year 2024-25, we have been continuing to monitor developments closely throughout this year and note in particular:

- **Royal Mail needs to successfully implement the USO reform changes:** We published our decision to reform the Universal Service Obligation (USO) on 10 July 2025. Our decisions allow changes to the delivery frequency of letters to a five-day, alternate-day model for Second Class, while continuing First Class and parcels six days a week. Royal Mail has not yet implemented the changes beyond the existing pilot sites, pending agreement with the Communication Workers Union (CWU). While the changes we have made are not sufficient alone, they are an important contribution to securing the ongoing provision of a universal postal service and their success will now depend on Royal Mail's ability to implement them operationally.
- **Royal Mail needs to deliver significant and continuous improvement in service quality and restore performance to the regulated targets:** We remain concerned that, in recent years, Royal Mail has failed to demonstrate credible progress in restoring service quality to a level that customers expect. Improved financial performance must not mean a reduction in service quality. To rebuild consumers' confidence in the service, Royal Mail must implement a plan which delivers significant and continuous improvement in performance, returning to a high-quality service that meets its adjusted USO targets. We will be monitoring its progress against these plans closely and holding it to account.
- **Royal Mail's financial performance depends on it being able to transform its business:** During the first half of the year (April to September 2025) Royal Mail reported limited revenue growth. Part of its transformation plan involves expanding its out-of-home footprint and there has been investment, by International Distribution Services (IDS), in Parcel Lockers, via its own Parcel

Locker Company and Collect+. However, there are ongoing risks in relation to its ability to realise cost savings by successfully implementing USO reform and reaching its target efficiency savings. Given these risks and uncertainties, we continue to have concerns about the longer-term sustainability of the universal service and are monitoring the situation closely.

We also published a Call for Input, Review of postal regulation – pricing and affordability, on 4 November 2025, inviting views on future approaches to stamp pricing, to ensure people have access to an affordable universal postal service. The closing date for comments is 5 December 2025.

Section 1 – Market data

This section covers developments in the postal services market in 2024-25 and presents market-wide volumes and revenues data across both parcels and letters.

Parcels market

Royal Mail remains the main provider of single piece parcel services serving the consumer to business/consumer ('C2X') segment of the market (especially in relation to services weighing up to 2kg). There is, however, consistent and maturing competition in this market with other operators (such as Evri, DHL, Yodel and DPD) offering a range of C2X services across weight steps. The C2X segment accounts for approximately 10% of total parcel volumes across operators.

The main focus of competition has continued to be in the larger business to consumer ('B2C') segment of the market, with these other operators and Royal Mail competing to meet online retailer and other e-commerce fulfilment demands.

We continue to monitor market consolidation, noting the announcements from Royal Mail and Evri relating to network consolidation or company mergers. Royal Mail has pursued simplification of operations, merging Parcelforce activities within the Royal Mail delivery network.[1] We have also observed the merger between Evri and DHL eCommerce Limited, with DHL Group taking a minority stake in the Evri operations.[2]

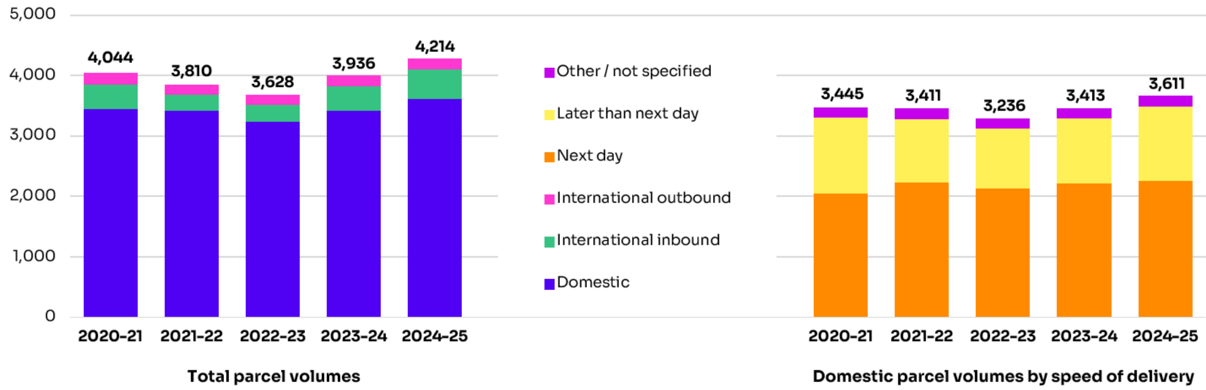
Parcel volumes

Total measured parcel volumes[3] increased by 7.1% to 4.2 billion items in 2024-25, compared with an increase of 8.5% in 2023-24. Total parcel volumes in 2024-25 were 4% higher than during the pandemic in 2020-21.

Measured domestic parcels volumes increased by 5.8% year-on-year to 3.6 billion, compared to a 5.5% increase the previous year. International inbound volumes increased by 19.8% (compared with a 49.7% rise in 2023-24), likely driven by parcels coming into the UK from China. International outbound volumes continued to decrease, declining by 1.7%. However, this was a smaller decrease compared to the 5.7% fall in 2023-24.

[1] Royal Mail Group Ltd, Parcelforce Worldwide & Royal Mail: Network merger takes effect from 11 August 2025.
[2] DHL Group, DHL eCommerce UK announce merger with Evri.
[3] Our estimate of market-wide parcel volumes is based on a definition that differs from Royal Mail's definition of parcels (which includes Royal Mail 24/48 large letters, some fulfilment letters and large letters) and is therefore not directly comparable to Royal Mail's parcel volumes reported in Section 3 on financial performance.

Figure 1.1: Total measured parcel volumes and domestic volumes by speed of delivery (millions)



Source: Ofcom / operator data. Note: Access mail volumes are included in domestic. Data for 2023-24 has been restated due to operator resubmissions. Data for 2021-22 onwards includes additional postal operators and so is not directly comparable to data for previous years.

In the domestic parcels market, next day delivery items accounted for 62.6% of total domestic volumes, down 2.5 percentage points year-on-year, while the share of later than next day services increased to 34.1% from 31.3%.

This year, we have collected data related to out-of-home products – deliveries and/or collections of parcels at locations other than the recipient's home address, such as parcel lockers or convenience stores. Our analysis of the data received from parcel operators able to provide comparable data[4] found that out-of-home volumes accounted for 12% of total measured parcel volumes in 2024-25.

Parcel revenues

Measured parcel revenues decreased by 0.8% in real terms in 2024-25, to £13.2bn (see Figure 1.2 below). This decrease was lower than the 3.8% decline in 2023-24, while revenues were higher than the £12.9bn recorded in 2019-20, which reflects pre-pandemic levels. Both real and nominal figures can be found in the interactive data that accompanies this report.

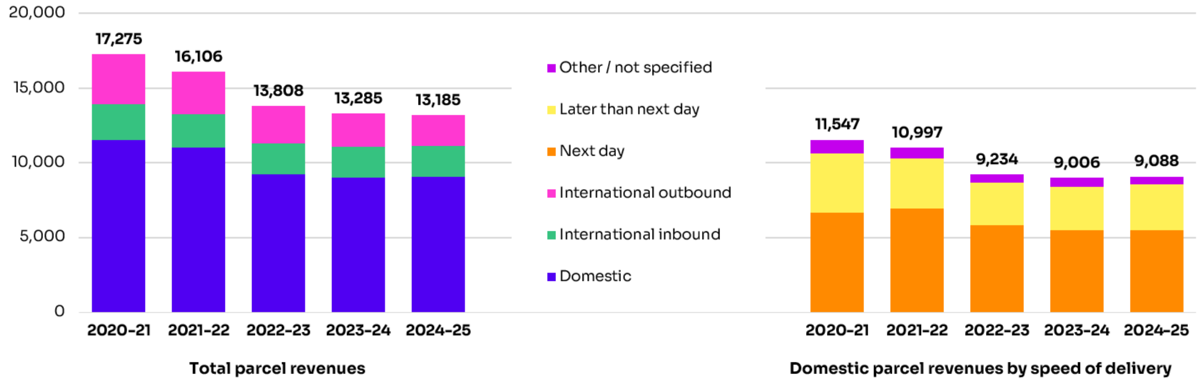
Real-term average unit revenue per parcel fell by 7.3% year-on-year, from £3.38 to £3.13. While average unit revenues will be impacted by any change in product mix, this suggests that, overall, parcel prices have not kept pace with inflation, with nominal revenues having seen a 1.6% rise.

Domestic parcel services generated £9.1bn in revenue in 2024-25, a year-on-year increase of 0.9% in real terms, driven by a 4.4% increase in revenues from later than next day items. Domestic parcel revenues accounted for 68.9% of total parcel revenues, an increase from 67.8% in 2023-24. Next day delivery items continue to make up most domestic parcel revenues at 60.2%, while the share of domestic parcel revenues from later than next day delivery items increased by 1.1 percentage points to 33.7%.

International inbound parcel revenues rose by 0.5% to £2.1bn, despite volumes increasing by 19.8% over the same period, and accounted for 15.6% of total parcel revenues. International outbound parcel revenues fell by 8.6% to £2.0bn in 2024-25, representing 15.5% of total revenues, down from 16.8% in 2023-24.

[4] Some operators were unable to provide comparable data and are therefore excluded from the analysis of out-of-home volumes; therefore, treat data as indicative only.

Figure 1.2: Total measured parcel revenues and domestic revenues by speed of delivery (£m, 2024-25 prices)



Source: Ofcom / operator data. Note: Access mail volumes are included in domestic. Data for 2023-24 has been restated due to operator resubmissions. Data for 2021-22 onwards includes additional postal operators and so is not directly comparable to data for previous years.

Letters market

Royal Mail's end-to-end[5] letter (and large letter)[6] services are made up of the single piece letter services that Royal Mail is required to offer under the USO as well as retail and access bulk mail.

Most letters sent today are 'bulk mail' (63%). 'Retail bulk mail' refers to services Royal Mail sells directly to larger customers such as banks, government departments, the NHS or local authorities. The 'access bulk mail' market involves a postal operator other than Royal Mail (for example UK Mail and Whistl) collecting mail from larger businesses and organisations and then inserting it into Royal Mail's network for delivery to the end-customer. This type of access competition enables other operators to offer postal services to their customers without setting up a 'last mile' delivery network, and to compete with Royal Mail in the offer of initial stages of processing post.[7]

To realise the benefits of USO reform, changes are also needed to the access obligations on Royal Mail to ensure it can operate the same alternate weekday delivery service for the vast majority of mail. Our decisions aim to enable this while continuing to support a competitive bulk mail market that meets the needs of large organisations and their customers.

Royal Mail has introduced a new access service to be delivered on alternate weekdays, which would deliver letters within three weekdays (D+3) after the day of collection from the sender. We are regulating this new service in the same way that we currently regulate existing access services. We are continuing to regulate the existing D+2 access service for priority bulk mail, at least while the market responds to reform. We have also removed Saturday delivery from D+5 access services.

[5] There remain some residual end-to-end services offered by operators other than Royal Mail, accounting for less than 1% of the market by volume.

[6] Letters can be up to 24cm long, 16.5cm wide and up to and including 0.5cm thick, with a maximum weight of 100g. Large letters can be up to 35.3cm long, 25cm wide and up to and including 2.5cm thick, with a maximum weight of 750g.

[7] Royal Mail also offers a similar access service for parcels on a commercial basis.

Letter volumes and revenues

As set out in Figure 1.3 below, overall letter volumes (including election mail) have continued to decrease, but this decline has slowed, with addressed letters volumes reaching 6.5 billion in 2024-25. This is a 2.0% decrease year-on-year compared with a 9.0% fall in 2023-24.

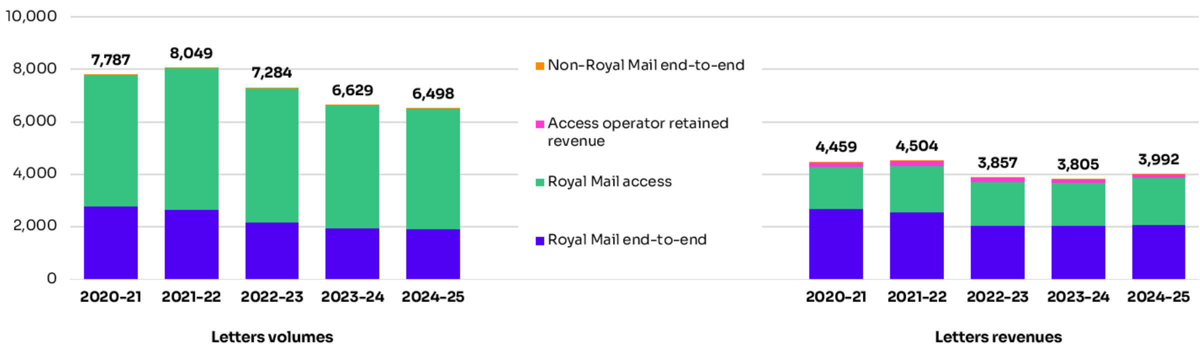
Access bulk mail again accounted for the majority (70.7%) of letters sent in 2024-25 (4.6 billion items), with its share of volumes unchanged from the previous year. However, access bulk mail volumes were down 2.0% year-on-year, as were Royal Mail end-to-end addressed letter volumes (which totalled 1.9 billion).

Total addressed letter revenues for 2024-25 stood at £4.0bn, an increase of 4.9% in real terms year-on-year (compared to a 1.4% decrease in 2023-24). In nominal terms, this year-on-year increase in total addressed letter revenues was 7.4%. Both real and nominal figures are included in the [interactive data] that accompanies this report.

Payments made to Royal Mail by access operators increased by 8.4% to £1.8bn in real terms, while reported revenues retained by access operators decreased by 1.5% year-on-year to £0.14bn (compared to a 10.7% decrease in 2023-24).

D+5 access volumes continued to increase as customers react to poor reliability on D+2 services and transfer to the lower cost, slower service. We acknowledge Royal Mail's strategy to migrate business mail volumes to slower speed services as it seeks to adopt alternate day delivery models while continuing to offer priority services, where needed. This strategy includes migration of D+2 volumes to the new D+3 Access products. For some mail users, this process may have incentivised wider considerations of take up, including switching to the slower D+5 Economy service.

Figure 1.3: Addressed letter volumes (millions) and revenues in real terms (£m, 2024-25 prices)[8]



Source: Ofcom / operator data. Royal Mail end-to-end is an Ofcom calculation and refers to Royal Mail total letters, excepting access. Data for 2023-24 access operator retained revenue has been restated due to operator resubmissions. Figures exclude international. Access volumes include a small volume of access parcels.

Pricing and affordability

We continue to monitor pricing trends across both the parcels and letters markets. Royal Mail's dominance in the letters market continues and competition relies on the range of access products and services provided by Royal Mail based on our regulatory framework. Meanwhile, Royal Mail faces significant competition in the parcels market, which has led us to remove safeguard caps in

[8] Addressed letter volumes and revenues in this section includes all end-to-end and access volumes (including election mail if applicable). This differs from the definition of addressed letters used in the analysis of the performance of Royal Mail's Reported Business in Section 3, which includes international mail but excludes election mail.

relation to parcels products offered by Royal Mail. That decision was taken in January 2024, leaving Royal Mail with some pricing flexibility throughout the financial year 2024-25. We have begun work looking at how the regulatory framework supports affordability of postal services. We have designed our latest pricing Call for Input (CFI) on the basis of Royal Mail's continued dominance of the letter market contrasted with the established competition it faces from other operators in the parcel sector. Given that the latter appears to be ensuring affordable prices for parcel consumers, our focus remains on letter markets where stakeholders have expressed concerns about the affordability of letter products as well as Royal Mail's poor financial and QoS performance in recent years. A number of stakeholders have suggested Royal Mail should be subject to further price controls including a linkage with QoS improvements. We will evaluate these proposals in the project, including considering how they would interact with our current enforcement framework.

We are also exploring calls from stakeholders to introduce more price regulation within access services.

Section 2 – User experience

This section summarises information gathered from consumer research on how consumers used and engaged with postal services, including our research data focusing specifically on parcel delivery services. We also set out our work to monitor our parcel consumer protection measures, as well as our ongoing work monitoring Royal Mail's QoS data on the complaints it receives.

Consumer experience of postal services

Introduction

This section outlines information gathered from quantitative research on how consumers and SMEs use and engage with postal services. We continue to conduct tracker surveys that provide data on experiences and attitudes of consumers and small and medium enterprises (SMEs) towards postal services. This section summarises information gathered across the latest survey period of July 2024 - June 2025. We also conduct a separate tracking survey looking specifically at consumers' experiences of receiving parcels - we discuss this separately later in this section.

We have published slide packs summarising each of our research data sets which include further detail on the methodology used.[9] The data is also available as part of our interactive report, which provides analysis by demographic group.

Residential consumers' experience of postal services

Last year we reported on declines in the stated importance of postal services and on increasing signs of user dissatisfaction. This year, the downward trend in importance has continued, while satisfaction levels remain stable.

Postal services remain a valued part of residential consumers' lives.

Around two thirds (62%) of consumers said post was important to them as a channel of communication with friends and family. This is lower than last year (64%) and continues a longer-term decline from 75% in 2021-22. Despite this decline, postal services remain important to the majority of consumers.

Fifty-three per cent of residential consumers said they only use post if there is no alternative, an increase compared to 2023-24 (50%). The proportion of users who report having sent at least one item of post (letters or parcels) in the last month (72%) has remained unchanged since last year.

Eight in ten (79%) consumers said there are things they will always need to send by post, a decline compared to last year (82%) but falling back in line with numbers seen in 2022-23 (79%).

Over half (56%) said they would feel cut off from society if they could not send or receive post, unchanged compared to 2023-24. Older people and those in remote rural areas were more likely to agree that they would feel cut off from society if they could not send or receive post. Agreement with this statement was similar between the nations and regions, with just the Northeast of England higher at 61%.

[9] Ofcom, Annual monitoring report on the postal market.

Consumers rate Royal Mail's First-Class services less favourably this year, though the majority remain satisfied overall with Royal Mail

The majority of consumers remained satisfied with Royal Mail overall (80%). Four in ten consumers (39%) said that they were satisfied with Royal Mail's cost of postage, in line with 2023-24 (39%).

In addition, 9% expressed overall dissatisfaction with Royal Mail, in line with 2023-24 but a proportion that has increased from 4% in 2021-22.

Value for money ratings for Royal Mail's First Class letters services have dropped as prices have gone up. Thirty-nine per cent of consumers rated First Class letters services as good value for money, down from 44% in 2023-24 and from 47% in 2022-23.

This decline in perceived value has been more pronounced amongst lower income consumers, as ratings of poor value for money rose among C2DE households (45%) and those receiving benefits (44%).

Two thirds (66%) of consumers reported that they now send fewer letters due to the cost of postage, an increase compared to 2023-24 (62%). Almost two in five (37%) said that they use Second Class stamps 'all or most of the time', and for these consumers cost was the most cited reason for their choice of postage (77%).

Delays are the most reported problem experienced

In the context of Royal Mail failing to meet delivery targets, over four in ten (44%) consumers reported experiencing a problem sending or receiving letters via Royal Mail this year, a figure in line with 2023-24. Most commonly, consumers cited delayed (24%) or mis-delivered mail (18%). Six in ten (60%) of those who made a complaint to Royal Mail about letter service were satisfied with the complaints handling process and 58% were satisfied with the time taken to find a resolution, up from 2023-24 (52%).

Across all forms of post, many consumers have a preference for environmentally sustainable operations

Overall, two in five (40%) consumers said that they have sent a parcel in the last month. Just over half (54%) said that they had used Royal Mail to send a packet or parcel in the last 12 months. Consumers made use of a range of other service providers to send parcels.

Sustainability plays a key role when choosing a provider for sending parcels but is generally less important than other factors.

Just under half of consumers (47%) agreed that they would prefer postal services to be delivered in an environmentally responsible way, even if it took longer for items to be delivered.

However, consumers were less willing to pay extra for post delivered in an environmentally sustainable way, with just over a third (35%) agreeing that they would prefer postal services to be delivered in an environmentally sustainable way even if they had to pay more.

The preference and willingness to pay for environmentally sustainable services was higher among younger people and ABC1 socio-economic groups.

SMEs' experience of postal services

Around three quarters of SMEs are satisfied with Royal Mail's quality of service

Overall, 77% of SMEs were satisfied with the QoS they received from Royal Mail, while overall satisfaction with other providers stood at 81%. Since last year, satisfaction with Royal Mail has been lower than the overall satisfaction level with other suppliers. Overall satisfaction with Royal Mail was higher among medium sized businesses (50-249 employees) at 92%.

Price is the area of lowest satisfaction with Royal Mail, with 46% reporting they were satisfied, consistent with last year. By comparison, just under three-quarters (71%) of SMEs reported they were satisfied with the price of postage from other postal operators.

Satisfaction with Royal Mail's delivery consistency and reliability stands at 75%, lower compared to other providers at 83%. The proportion of SMEs who agreed that UK postal services were good value for money has also remained stable at just under six in ten (57%), consistent with last year.

The most common problems experienced relate to price of postage

Two in five SMEs (40%) that use Royal Mail reported that they had experienced problems with their postal service in the last six months. A similar figure (36%) among users of other providers reported a problem in the last six months. The most frequently reported problems remained related to price of postage (18% among users of Royal Mail and 11% among users of other providers). Problems with Royal Mail's service were more likely to be reported by medium sized businesses (52%) and were less likely to be reported by SMEs in Scotland (23%).

The majority of SMEs say that environmentally sustainable parcel delivery services are important to them, but only a minority are willing to pay more, or accept delays, in exchange

Around six in ten of SMEs that use Royal Mail said that it was important to them that their parcel provider operates in an environmentally sustainable way (63%). However, only a quarter (26%) said they would be willing to pay more for a parcel provider that operates sustainably, and similarly 28% agreed they would accept longer delivery times for a more environmentally friendly service.

The proportion of SMEs who said they had moved their post to other communication methods in the last 12 months has declined, from 48% in 2023-24 to 39% in 2024-25, possibly suggesting many SMEs have already made the switch where feasible.

Consumer experience of receiving parcels

Introduction

Our 2022 Review of Postal Regulation found that, while the parcels market served most consumers well, some people struggled with making complaints to operators when things went wrong. We also found that disabled customers experienced higher rates of issues with deliveries. In response, we introduced new guidance on complaints handling[10] and new consumer protection conditions to help address these issues.[11]

We have undertaken a data collection exercise, targeted at larger parcel operators, to monitor the impact of these measures.[12] We have also engaged with a wide range of operators, including operators with a smaller market share, as part of this assessment.[13]

We have also used findings from our consumer survey, which tracks perceived QoS of parcel deliveries to residential addresses over time (our 'parcels tracker' survey), to support this monitoring exercise and to enable us to identify changes within the parcel market.[14]

Parcel tracker survey

Since 2023, we have conducted research into consumer experiences of parcel operator performance, including complaints and contact handling performance. This section summarises the latest findings and trends from that survey.[15]

Overall, the research found that existing trends remain stable with some points of positive improvement in operator performance. Consumers remain generally satisfied with parcel services (on average, delivery companies satisfy four in five (78%)[16] of their parcel recipients). However, during the same period, just over two-thirds of respondents (68%)[17] reported experiencing a delivery issue with any parcel operator in the past six months (such as a parcel not being delivered on time as expected, courier or transit issues, a lack of information or delivery option, or an issue relating to accessibility). Across the operators reported in the survey, there were no statistically significant changes in the reported level of delivery issues.

In a stable trend since 2023, the most common category of issue experienced by recipients remains 'courier or transit' issues, which includes damage to a parcel, the parcel being left in an inappropriate location, or the delivery person not knocking loudly enough or ringing the doorbell. Half (50%) of consumers reported issues in this category, which accounts for three of the five most reported issues.[18] Lack of information (including inconvenient options for delivery, incorrect or insufficient tracking information, and an inability to rearrange the delivery) was the least common complaint by recipients, with just over one in five customers (23%) reporting these issues. These options were also the least reported in 2024.

Overall, levels of satisfaction when contacting operators have increased slightly since 2024 to 47%, representing a 2%-point increase, while 25% of respondents are dissatisfied with any aspect of the process when contacting a delivery company about an issue. Taking each individual aspect of satisfaction with the contact experience, recipients reported the highest satisfaction with their issue being resolved (49%), followed by how the contract or complaint was handled (46%) and contacting the company to discuss an issue (45%).[19] Amazon retains the highest level of contact satisfaction

[10] Ofcom, Guidance for parcel operators on consumer complaints handling procedures.
[11] Ofcom, Consumer Protection Condition 5.
[12] Amazon, DHL, DPD, Evri, Parcelforce, Royal Mail and Yodel.
[13] FedEx and UPS.
[14] Ofcom, Measuring user experience of parcel delivery to residential addresses.
[15] This section refers to survey data taken from the Experience of Parcel Delivery Tracker – Annual Report 2025 and the underlying data tables.
[16] Ofcom Quality of Postal Services Tracker (Parcels) 2025 slide 11.
[17] Ofcom Quality of Postal Services Tracker (Parcels) 2025 slide 6.
[18] Ofcom Quality of Postal Services Tracker (Parcels) 2025 slide 7.
[19] Ofcom Quality of Postal Services Tracker (Parcels) 2025 Slides 15-17.

within the market, ranked jointly with FedEx in 2025. Evri remained at the lowest level of customer satisfaction of operators included within the survey.

Respondents to the survey continued the previous year's trend with almost four out of five (78%) wanting to see at least one improvement from one operator. There were some statistically significant differences in areas where customers requested improvements across operators. These included 'more / better tracking information' for Royal Mail, 'parcels not going missing' for Evri, 'an increase in the number of options for delivery times' for UPS, and 'more time to answer the door' and 'delivery driver reading and following instructions' for Amazon. The improvements most requested by recipients were stable compared to 2024, with more or better tracking information remaining the most requested improvement.[20]

Survey respondents who identified as disabled or having an impacting condition remain more likely to have encountered any delivery issues in the last 6 months (73%) than those without such conditions (65%), and to have experienced issues across all categories. Among customers with a disability or impacting condition, there is no statistically significant change in any contact category from the previous year's reporting levels.[21] However, some operators continue to report that they are unable to monitor complaints about accessibility separately to complaints from the customer base as a whole.

We recognise that operators have continued working to improve the accessibility of their delivery services and their complaints processes. Disabled consumers and those with limiting conditions were, on average, 4%-points less likely to be satisfied with their experience of operator complaint handling (44%), compared to the average satisfaction rate of 48% for those without a disability or limiting condition, and were 3%-points more likely to be dissatisfied (27%) compared to an average dissatisfaction rate of 24%.[22]

Engagement with parcel operators

We continue to engage with parcel operators, including smaller operators, to understand how they have developed their systems and processes following the introduction of our consumer protection measures in 2022. We collect complaints data from the largest operators to support our monitoring. We expect operators to engage promptly and fully with regulatory monitoring of their services and will continue to monitor this engagement closely.

Key findings from our engagement with operators included the following:

- Some operators indicated that they have introduced key performance indicators for their drivers to track whether parcels have been delivered within the timeframe which has been communicated to the recipient. We welcome these developments and note that that this may align with the statistically significant drop in the number of consumers reporting complaints of parcels not being delivered on time as expected.

- Some operators indicated that levels of customer satisfaction and provisions for customers with additional needs represent increasingly significant opportunities for competitive differentiation. However, some operators also indicated that driver training, and adherence to company policy when fulfilling requests from recipients, remained areas for improvement.

[20] Ofcom Quality of Postal Services Tracker (Parcels) 2025 slide 21.
[21] Ofcom Quality of Postal Services Tracker (Parcels) 2025 slide 24.
[22] Ofcom Quality of Postal Services Tracker (Parcels) 2025 slide 26.

- A small number of operators did not differentiate between general contacts and customer complaints, while a larger proportion were unable to differentiate contacts from recipients with additional needs to inform assessment of the effectiveness of these interventions. We consider that granular assessment of customer complaints data represents best practice and will continue to monitor how operators use the data which they collect.

Overall findings from our parcels monitoring

We welcome progress on implementation of the policy outcomes from our 2022 Review of Postal Regulation by parcel operators. While parcel operator customer satisfaction remains generally high, operators must continue to maintain current trends of improvement across the sector and to deliver a better service for everyone, including disabled customers and customers with additional access requirements.

We expect parcel operators to keep their policies and processes under review and to prioritise continuous and consistent improvement across the sector. This includes continuing to ensure that services for customers with additional needs are robust and align with best practice in accessibility, including accessible communications. This also includes continuing to monitor and improve delivery driver behaviour where necessary. We also consider that it is good practice to be able to undertake granular assessment of customer complaints, including the ability to analyse separate accessibility-related complaints, to drive targeted improvements.

We will continue to monitor developments in this area, and across the parcels market more generally, and will act in line with our enforcement duties if we consider it appropriate to do so.

Royal Mail's service performance

Quality of service

In July 2025, we announced a revised set of quality targets for Royal Mail, based on an assessment of what postal users need and the financial sustainability of the universal service. These targets come into effect on 1 April 2026.

Until then the current QoS targets that cover its performance against expected speed of delivery, collection activities, delivery route completions, as well as performance in 118 UK postcodes, remain in place. Royal Mail is required to report its performance publicly against these targets on a quarterly and annual basis, and we formally assess its annual results.

In recent years, Royal Mail's performance against these targets has been poor, which has caused significant and public disruption to users of Royal Mail services across the UK. We have found the company in breach of its regulatory obligations for three consecutive years, fining it £5.6m in November 2023, £10.5m in December 2024 and £21 million in October 2025 because of these failures.

2024-25 delivery performance

In June 2025, Royal Mail published its annual results for 2024-25. This showed that it had failed to meet all of its targets except for its target for the percentage of items deemed delivered correctly.[23] Results were significantly below target for First Class (76.5% against a target of 93%), although this

[23] Royal Mail, 2025. *Designated Universal Service Provider Condition 1.10 Annual Adjusted Quality of Service Report 2024/25.* Subsequent references are to this report.

continues to follow a trend of small improvements year-on-year from the reported First Class service performance in 2023-24 (74.5%) and 2022-23 (73.7%). Results for Second Class were also below target (92.2% against the target of 98.5%), a marginal decrease from the reported performance of 92.4% against the same target in 2023-24.

In light of these results, on 23 May 2025, we opened an investigation to determine whether there are reasonable grounds for believing that Royal Mail has failed to comply with its obligations, taking into account the steps Royal Mail has taken to improve its performance since the conclusion of our previous investigation in 2023-24 and any impact these steps have had on QoS.[24] As a result, in October 2025 we fined Royal Mail £21 million for its failure to meet these targets.[25]

Urgent improvement required

Following the previous penalties for poor performance, we are disappointed that Royal mail's recovery plans have to date been ineffective and failed to restore QoS levels to customer expectations. We remain concerned that Royal Mail's most recent QoS results (Quarter 1 and Quarter 2 results for the financial year 2025-26) continue to fall well short of the regulated targets and have shown limited, or no, improvement. Service quality needs to be a priority for Royal Mail.

We have set out our expectations that Royal Mail needs to produce and publish a credible plan which delivers clear evidence of sustained improvement. Otherwise, we are likely to continue to see financial penalties as both necessary and appropriate.

Complaints and compensation

As part of our monitoring programme, we also review the complaints and compensation data that Royal Mail is required to publish.[26]

Royal Mail's complaint volumes fell in 2024-25 to 2.47m (down from 2.55m in 2023-24), representing a 3% decrease. This was the largest reduction in numbers of complaints in the last 10 years, and only the second time since 2014-15 that complaints numbers have fallen (complaints fell by 1.2% in 2021/22). 'Loss' remains the most common complaint category with 1.12m complaints, a 10.1% decrease from 2023-24, and accounting for 45% of all complaints. Other complaint categories increased appreciably — 'Mis-Delivery' increased by 35.6%; 'P739 Failure' by 33.6%; and 'Delivery Procedure Errors' by 21.4%.

Royal Mail is required to provide compensation to customers on a fair and reasonable basis where service has not met expectations. The total compensation paid by Royal Mail in 2024-25 decreased significantly by 13.7% to £27.25 million (down from £31.57 million in 2023-24). Less compensation was paid for every reported category of complaint other than 'Delay' and 'Unconfirmed loss/delay'. Where compensation was given, the average payment per complaint was £26.67, a decrease of £1.68 from the previous year. Adjusted for CPI inflation, this average compensation payment was 9.2% lower than immediately pre-pandemic.[27]

Compensation fell disproportionately relative to the fall in complaint numbers. In four complaint categories, complaint numbers increased but overall compensation paid decreased. While we do not

[24] Ofcom, 2025. Announcement of investigation into Royal Mail's quality of service performance for Financial Year 2024-25.
[25] Ofcom, Ofcom fines Royal Mail £21m for missing its 2024/25 delivery targets.
[26] Royal Mail, 2025. *Annual Report – Complaints and Compensation*. Subsequent references are to this publication.
[27] Bank of England, 2025. *Inflation Calculator*.

investigate specific complaints, the information gathered from complaints and escalated issues, via Members of Parliament or otherwise, form evidence to support our work and we engage regularly with Royal Mail to see how network and service issues are being addressed. We will continue to monitor Royal Mail's reported complaints and compensation data.

The most recent report published by the Postal Redress Service (POSTRS) – the alternative dispute resolution scheme that Royal Mail belongs to – shows that it received 527 disputes in 2024-25 that were within its scope.[28] This was a decrease of 10.4% from last year (in 2023-24, POSTRS received 588 in-scope disputes).

Other universal service performance

This section provides an update on our monitoring of Royal Mail which looks at various other areas of its performance. We are continuing to monitor the implementation and impact of developments in these areas as part of our wider monitoring programme.

Exceptions

In exceptional circumstances, we recognise that Royal Mail can depart from its USO obligations. These include delivery and access point (typically post boxes or Post Offices) exceptions where there is an immediate risk to the health and safety of postal staff, the location is not sufficiently secure and/or there are access difficulties. Where Royal Mail decides that such exceptional circumstances apply for a sustained period, it must carry out a review every 12 months. Consumers can challenge any such 'exceptional circumstance' determination by Royal Mail. In 2024-25:

- **Delivery:** a total of 5,087 delivery points were reported by Royal Mail to be subject to exceptional circumstances.[29] There are around 32 million delivery points in the UK, so excepted delivery points represent a very small proportion of the total footprint;[30]
- **Access points:** Royal Mail reported 377 collection points where exceptional circumstances were present for 12 months or more.[31] There are around 113,000 post boxes and approximately 11,800 Post Offices across the UK, so the number subject to exceptions represents a very small proportion of the total number of access points.[32]

Redirections

Royal Mail is required to provide a redirection service, whereby personal and business customers can apply for their mail to be automatically redirected to their new address when they move home or premises.[33] As part of this service, it offers a concessionary rate scheme that allows discounts for residential customers in receipt of certain benefits.

Royal Mail reported on the performance of the concessionary scheme in September 2025, and stated that applications to the scheme had increased to 9,211 between April 2024 and March 2025, up from 6,762 applications the previous year.[34] Royal Mail reports ongoing partnerships with third parties, such as the Department of Work and Pensions and Citizens Advice, are likely to further promote the Concessions Redirection service going forward.

[28] CEDR, 2025. *POSTRS Annual Report July 2024 – June 2025*.
[29] Royal Mail, 2024. USO Delivery Exceptions.
[30] Royal Mail, 2025. Annual Report – Access Point Density.
[31] Royal Mail, 2025. USO Collections Exceptions.
[32] Royal Mail, 2025. Annual Report – Access Point Density; Post Office Ltd, 2024. Network Report.
[33] Ofcom Designated USP Conditions
[34] International Distribution Services, Royal Mail Group Ltd ESG Data Pack 2024-25 (updated September 2025)

Section 3 – Royal Mail financial performance and efficiency

This section summarises the results of our monitoring of Royal Mail's financial performance and efficiency improvements for the period 2024-25, including comparisons with previous years. We also set out our summary of Royal Mail's compliance with the margin squeeze tests.

Financial performance

As we have a duty to have regard to the need for the provision of the universal service to be financially sustainable, we monitor both the financial performance of Royal Mail's Reported Business[35] and certain financial health metrics relating to the wider group[36] (International Distribution Services plc – 'the Group')[37], such as cashflow and cash headroom. Royal Mail's financial statements are reported using whole weeks. The previous year, 2023-24, included an additional week and was 53 weeks long. For section 3, where possible, 2023-24 results have been adjusted to 52-weeks. This allows for equivalent comparison year-on-year.

Reported Business volumes and revenues

Royal Mail's performance in 2024-25 improved year on year due to parcel volume growth and price increases across its products.

Parcels

In 2024-25, total parcel revenue increased by 8% against 2023-24, primarily driven by a 7% rise in volume. However, compared to 2020-21, parcel volumes and revenues have decreased by 22% and 14% respectively. In 2021-22, parcel volumes decreased due to normalisation after Covid-19 accelerated volumes during 2020-21.[38] Parcel volumes dropped further in 2022-23 due to impacts from industrial action. Royal Mail has, since then, started to win back parcel volumes but has not yet reached pre-industrial action levels.

[35] The Reported Business is part of Royal Mail's UK business that compromises the network that provides the universal service. It excludes activities and products of Parcelforce International and Royal Mail Estates Ltd. The services within the Reported Business include all universal service products (based on the universal service obligation, USO) and other 'non-USO' products which use the universal service network (for example, retail bulk mail and access).

[36] On 29 May 2024, an agreement was reached with EP UK Bidco Limited (Bidco), a newly established company indirectly owned by EP Group and J&T Capital Partners, for the acquisition of the entire ordinary share capital of IDS, through a takeover offer. The offer became unconditional on 30 April 2025, and IDS's shares were delisted from the London Stock Exchange on 2 June 2025. Although EP Group is now the ultimate parent, as this report relates to 2024-25, our focus remains on IDS as the wider group parent, as the takeover was completed post the financial year end.

[37] International Distribution Services (IDS) plc (formerly Royal Mail plc) is made up of Royal Mail Group Ltd, which contains the Reported Business and ParcelForce Worldwide (PFW), as well as a number of other entities, including GLS. The Reported Business and PFW are reported in the annual report as part of Royal Mail UK.

[38] Covid-19 led to particularly high parcel volumes in 2020-21 due to increased e-commerce orders and delivery of test kits. From 2021-22, volumes decreased mainly because of eased Covid-19 lockdown restrictions, non-essential retail re-opened and test kits were withdrawn on 1st April 2022.

Within total parcels, domestic parcel volumes increased by 4%, driven by wins in e-commerce and marketplace customers through strong commercial product propositions, as well as a shift of consumer volumes towards domestic parcels.[39] Domestic parcel revenues increased by 7%, primarily due to volume growth. However, the shift of consumer volumes toward domestic account parcels slowed overall parcel revenue growth, as domestic account parcels have a lower average unit revenue[40] compared to consumer parcels.

International parcel volumes increased by 23%, due to strong import parcel volumes[41] which offset the decrease in export parcels.[42] However, the increase in import volumes, together with higher export prices, that partly offset lower export volumes, resulted in international revenues rising by 10% compared to the prior year.

Letters

Total letter revenues increased by 8% compared to 2023-24, despite a minimal decline in total letter volumes (see Table 3.1 below). The growth in revenue was partially due to the 2024 General Election which led to revenue of £94m.[43] Excluding revenue generated from General Election, total letter revenue increased by 5% compared to 2023-24.[44] This was due to increased prices across letter products.

Royal Mail's total letter volumes decreased by 0.4% which includes the volumes associated with the General Election. Addressed letter volumes, excluding elections, declined by 4%, but revenue increased by 6% due to the price increases mentioned above.[45] Despite increased prices, business letter volumes were broadly flat compared to 2023-24, resulting in business letter revenue growth.[46] However, the decline in addressed letter volumes reflects the continuing structural decline of letters. Since 2020-21, addressed letter volumes declined by 18% which is equivalent to an average annual decline of 4%.

Table 3.1: Reported Business volume changes

Volumes	Current Year on Year Change 2024-25 vs 2023-24*	Previous Year on Year Change 2023-24* vs 2022-23	5 Year movement 2024-25 vs 2020-21
Domestic Parcels	4.0%	4.3%	-22.3%
International Parcels	23.3%	24.8%	-17.9%
Total Parcels	6.6%	6.6%	-21.6%
Addressed Letters	-4.4%	-9.1%	-18%

[39] IDS PLC, 2024-25. Annual Report 2024-25, Page 33.
[40] Average unit revenue is a metric used to measure the revenue generated per unit.
[41] IDS PLC, 2024-25. Annual Report 2024-25, Page 33.
[42] On 29 August 2025, US customs removed the $800 deminimus threshold, meaning all parcels sent from the UK to the US will be subject to duties, taxes and fees. This will lead to increased costs for consumers, potentially risking some export revenue for Royal Mail in 2025-26.
[43] IDS PLC, 2024-25. Annual Report 2024-25, Page 33
[44] IDS PLC, 2024-25. Annual Report 2024-25, Page 33.
[45] IDS PLC, 2024-25. Annual Report 2024-25, Page 33.
[46] IDS PLC, 2024-25. Annual Report 2024-25, Page 33.

Volumes	Current Year on Year Change 2024-25 vs 2023-24*	Previous Year on Year Change 2023-24* vs 2022-23	5 Year movement 2024-25 vs 2020-21
Total Letters	-0.4%	-8.4%	-9.4%

Source: Information gathered as part of our Regulatory Reporting requirements.

**52-week adjusted figures.*

Table 3.2: Reported Business revenue changes (in nominal terms)

Revenues	Current Year on Year Change 2024-25 vs 2023-24*	Previous Year on Year Change 2023-24* vs 2022-23	5 Year movement 2024-25 vs 2020-21
Domestic Parcels	7.0%	4.2%	-11.7%
International Parcels	10.1%	7.2%	-22.1%
Total Parcels	7.6%	4.7%	-13.7%
Addressed Letters	6.4%	4.7%	10.5%
Total Letters	7.8%	4.4%	12.1%

Source: Information gathered as part of our Regulatory Reporting requirements.

**52-week adjusted figures.*

Reported Business EBIT margin

The profit margin, or the rate of return, made by the Reported Business, and its trend over time, is one of the indicators we monitor when considering the long-term sustainability of the universal postal service.[47] Specifically, we consider EBIT (the earnings before interest and tax) margin, calculated to include transformation costs and with pension costs restated on a cash basis.[48] We refer to this metric as the *'financeability EBIT margin'*.[49]

In 2024-25, the Reported Business was close to achieving breakeven; the EBIT margin was -0.2%, compared to -6% in both 2023-24 and 2022-23.[50] Figure 3.1 shows that, since 2016-17, the Reported Business's EBIT margin has remained below the lower bound of 5-10%, which is the range we use as a first order indicator of a commercial rate of return for the Reported Business.

[47] In our 2022 Review of Postal Regulation, we decided to retain the use of EBIT margin to assess the commercial rate of return earned by the universal service. See paragraphs 3.14 – 3.15.

[48] The pension charge to cash difference adjustment is largely due to a £70m refund in relation to a refund from the Royal Mail Pension Plan pension escrow (£130m in 2023-24) and a £4m debit for the difference between the IAS 19 income statement pension charge rate between the Defined Benefit Cash Balance Section (DBCBS) and the Defined Benefit Lump Sum (DBLS) section of the RMCPP (2023-24: £1m).

[49] In our 2014 Review of End-to-End Competition Statement (p.15), we said it was appropriate to adjust Royal Mail's Reported Business EBIT margin to restate pension costs on a cash basis (i.e. the rate the contributions are actually paid at), rather than the rate calculated using the accounting standards. We considered that this methodology takes account of the true cost of pensions, and we refer to this EBIT margin measure as the 'financeability EBIT margin'.

[50] Associated EBIT's 2024-25 -£18m, 2023-24 -£458m and 2022-23 -£438m.

Figure 3.1: Reported Business EBIT breakdown

	2014-15	2015-16	2016-17	2017-18	2018-19*	2019-20	2020-21	2021-22	2022-23	2023-24*	2024-25
Financeability Margin	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
EBIT Margin	5.6%	5.0%	4.6%	4.4%	1.6%	0.4%	2.7%	3.6%	-6.3%	-6.3%	-0.2%

Source: Royal Mail Regulatory Financial Statements, unaudited submissions from Royal Mail and Ofcom analysis.

**52-week adjusted figures.*

Figure 3.2 below breaks down the change in EBIT from 2023-24 to 2024-25. It shows that the improvement in EBIT was driven largely by revenues, which increased by c.£557m as discussed above).

This increase was partly offset by costs (excluding transformation) which increased by c.£104m. Royal Mail stated that the people costs' increase was primarily driven by the 2% pay award for frontline staff.[51] This was partly offset by lower costs associated with sick absence and seasonal variation. In 2024-25 there was a £70m release of pension escrow, which reduced total people costs and was used to subsidise the additional pension costs across all staff.[52]

The underlying rise in non-people costs was due to higher vehicle maintenance and hire costs, which was partially offset by lower conveyancing costs from lower international terminal dues.[53] Increase in transformation costs was due to Royal Mail's continuous investment in its transformation programmes.[54] As discussed above, revenue increased due to volume growth and price rises.

As discussed in section 2, Royal Mail did not achieve their QoS targets in 2024-25. As set out in our 2025 Statement on the Review of the universal postal service and other postal regulation, Royal Mail provided some high-level indicative figures of the additional cost required to reach the First Class targets that were applicable in 2024-25. These estimates suggest that, if Royal Mail had achieved their First Class targets, then their costs would be £200m-£290m higher.[55] We continue to be concerned about Royal Mail's quality performance and consider that improved financial performance should not come at a cost to quality.

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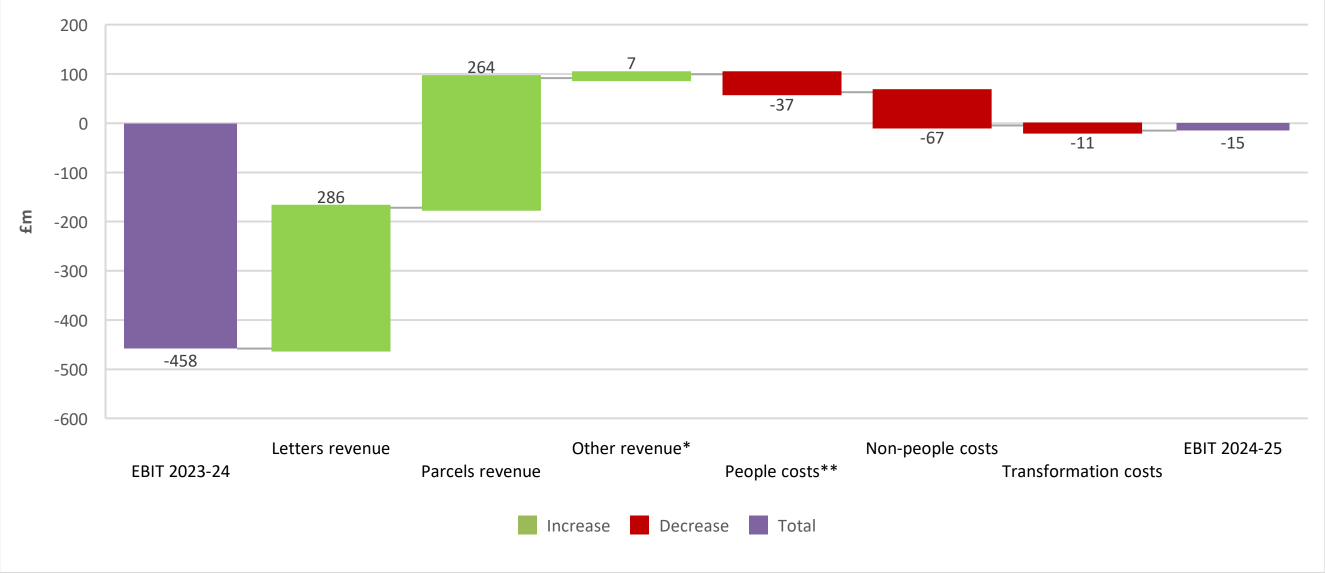
[51] The pay award agreed as part of the Business Recovery, Transformation and Growth Agreement between Royal Mail and the CWU was 2% whereas the Average Earnings index was 4.7%, See page 5.
[52] IDS PLC, 2024-25. IDS Annual Report 2024-25, Page 33. In 2023-24 there was a £130m release of pension escrow.
[53] IDS PLC, 2024-25. IDS Annual Report 2024-25, Page 34.
[54] IDS PLC, 2024-25. IDS Annual Report 2024-25, Page 34; Transformation projects include increasing parcel automation, removing half of the business' domestic flights, optimising processing to increase capacity at parcel hubs, delivering the business' Net Zero ambitions and strengthening Royal Mail's position as the UK's greenest parcel delivery company.
[55] Ofcom. Review of the universal postal service and other postal regulation, 10 July 2025. Page 130, paragraph 6.40.

Figure 3.2: Reported Business EBIT breakdown – 52-week adjusted



Source: Royal Mail Regulatory Financial Statements, unaudited submissions from Royal Mail and Ofcom analysis.

**Other revenue includes revenues relating to unaddressed advertising mail, philatelic, other non-volume related items and inter-company charges.*
***People costs include the costs associated with the delivery of election mail.*

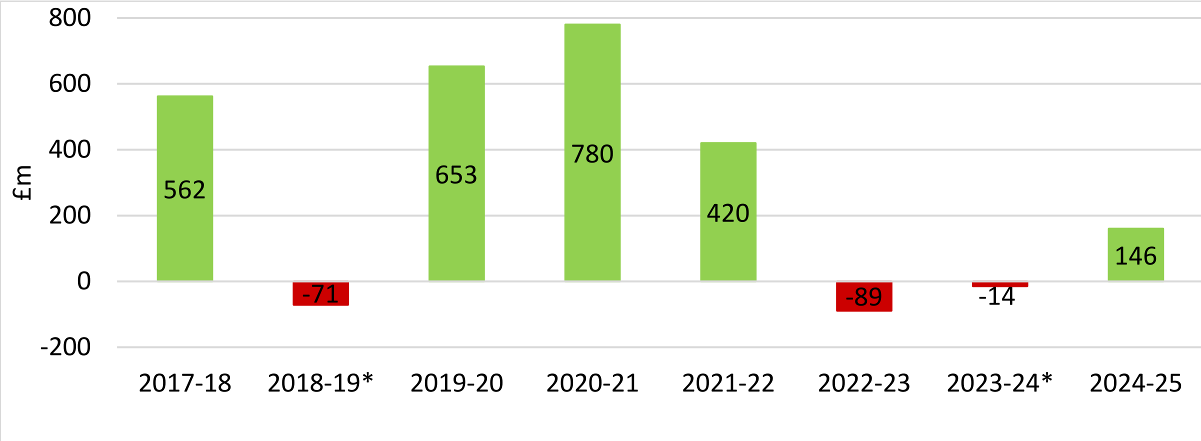
Cash flow and cash headroom

Royal Mail is part of the IDS Group, but our monitoring focuses on Royal Mail's financial position, as the company subject to the relevant regulatory obligations. However, as in the previous years we also consider some financial health indicators that relate to IDS, as this is the entity which manages the cash and financing for the Group.[56]

Cash flow is an important component in ensuring the financial sustainability of the universal service. In 2024-25, the Group reported a positive free cash flow of £146m, up from -£14m in 2023-24 (see figure 3.3 below).[57] The free cash inflow was due to Royal Mail's improved trading performance.

[56] We note that it is conceivable that, while the Reported Business might make a commercial rate of return, the rest of the Relevant Group might not perform well. This has the potential to pose a threat to the financial sustainability of the provision of the universal service if the liquidity or funding of the Relevant Group was compromised.
[57] IDS PLC, 2024-25. IDS Annual Report 2024-25, Page 37. -£14m for 2023-24 is the unadjusted 53-week figure.

Figure 3.3: The Group's free cash flow (in nominal terms)[58]



Source: International Distributions Services PLC annual accounts[59]

**53-week year (unadjusted)*

Royal Mail continues to report a net trading cash outflow for the third consecutive year. However, the net outflow decreased from -£371m in 2023-24 to -£92m in 2024-25 (see Figure 3.4 below).

The improvement in net cash outflow was driven by a reduction in operating loss and improved trading working capital movements. This improvement included a release of £70m from pension escrow improving its cash position.[60]

However, this was offset by higher capital expenditure and net finance costs. Higher capital expenditure largely reflects the company's continued transformation initiatives,[61] including increased automation, optimised processing to increase capacity at parcel hubs and the introduction of later start times for frontline staff.[62]

IDS also commented on the current and planned mitigations in the event of Royal Mail's poor trading performance. Measures include the delivery of the transformation plan (as explained above) and effective implementation of efficiency programmes, raising capital through asset-backed funding arrangements and exploring alternative means of raising capital.[63]

We also note that in 2024-25, Royal Mail disposed of property in a sale and leaseback arrangement with IDS.[64] Although this did not impact the in-year trading cash flow set out below, it did support the overall Royal Mail cash position at the year end.

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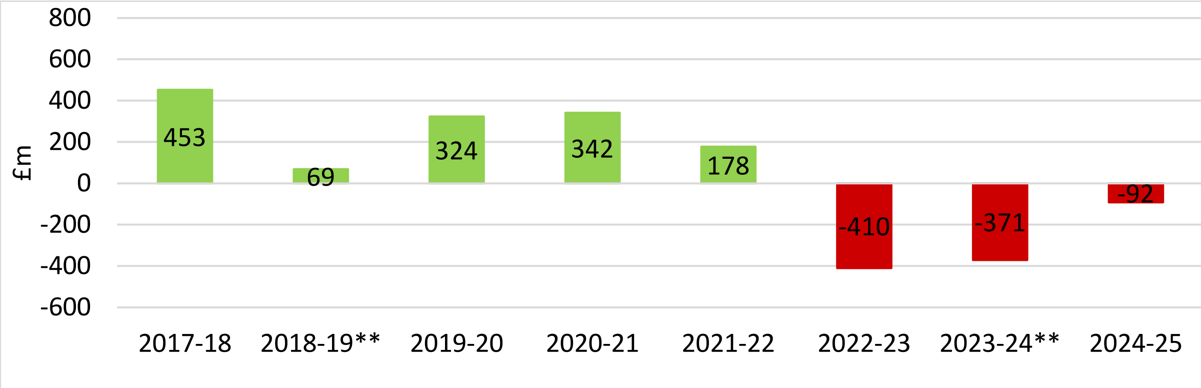
[58] "Free cash flow (FCF) is calculated as statutory (reported) net cash flow before financing activities, adjusted to include finance costs paid and exclude net cash from the purchase/sale of financial asset investments and GLS client cash movements. FCF represents the cash that the Group generates after spending the money required to maintain or expand its asset base", IDS Annual Report 2024-25, page 167.
[59] E.g., see IDS Annual Report 2024-25, page 37.
[60] IDS PLC, 2024-25. Annual Report 2024-25, Page 33.
[61] IDS PLC, 2024-25. Annual Report 2024-25, Page 36.
[62] IDS PLC, 2024-25, Annual Report 2024-25, Page 2.
[63] IDS PLC, 2024-25. Annual Report 2024-25, Page 30.
[64] Royal Mail response to information request 01895290 dated 19 September 2024 question 8.

Figure 3.4: Royal Mail in-year trading cash flow on pre-IFRS 16 basis*



Source: International Distributions Services PLC annual accounts, page 31.

**IFRS 16 is the International Financial Reporting Standards which is the accounting standard for leases. The cash outflows include lease payments.*

***53-week year (unadjusted)*

Following EP Group's acquisition and the resulting change in control, the £925m IDS revolving credit facility (RCF) was cancelled and replaced with a new £425m IDS facility. Together with the £500m RCF, which is part of Bidco's acquisition facilities, the overall level of liquidity available under the RCFs will remain unchanged.[65]

Efficiency performance

In discharging our duties in relation to post, we monitor the efficiency of the Reported Business. The Postal Services Act 2011 requires us to have a regard to the need for the provision of a universal postal service to be financially sustainable, and for it to become efficient within a reasonable period, and then remain efficient at all subsequent times.

In our 2022 Review of Postal Regulation, we strengthened our monitoring regime in relation to efficiency by requiring Royal Mail to publish its expectations for improvements in efficiency (by reference to PVEO) and productivity (based on Weighted Items per Gross Hours) for the next five-year period and annually publish progress against them.

Royal Mail published this information for the first time on 30 June 2023,[66] outlining that:

Its PVEO[67] efficiency expectation is that efficiency savings of £690m or 9% will be achieved by 2027-28; and
Its WIPGH productivity expectation is that the expected operational efficiency improvement of its frontline staff will be 25% by 2027-28.[68]

[65] IDS PLC, 2024-25. Annual Report 2024-25, Page 30.
[66] IDS PLC, 30 June 2023. Five-year cumulative expectation for PVEO and productivity.
[67] PVEO (or Price, Volume, Efficiencies and Other Changes) analysis takes account of the following changes to identify the effects of efficiency improvements: 1) input price inflation; 2) changes in volumes; 3) one-off changes (non-recurring other items). Royal Mail report this metric post transformation costs.
[68] Weighted Items per Gross Hours (WIPGH). We note that when reporting against this target Royal Mail calculate Workload based on the assumptions underpin the five-year productivity expectations. Where we present Royal Mail's progress towards this target below, they are based on this calculation.

Table 3.3: Cumulative performance in efficiency and productivity to 2024-25

Indicator	Cumulative performance to 2024-25[69]	Target Cumulative Performance to 2024-25
Price, Volume, Efficiency and Other (PVEO) analysis	£240m or 3%	£146m or 2%
Productivity – Weighted Items per Gross Hours (WIPGH)	5.1%	20%

Source: Unaudited submissions from Royal Mail as part of our regulatory reporting requirements.

Below we consider Royal Mail's progress against these indicators as well as the change in real costs.

Indicators of Royal Mail's efficiency performance

As in previous years, we have considered a range of high-level indicators for efficiency, including the overall change in real costs, a break-down of the causes of cost movements in the year between PVEO, changes in frontline gross hours in delivery and processing (which captures changes in paid hours) and Royal Mail's own productivity metric (WIPGH) which measures efficiency by capturing the ratio of outputs to inputs.

Table 3.4: Indicators of the Reported Business' efficiency performance

Indicator	Performance in 2024/25
Total change in real costs	Real costs (excluding transformation costs) **decreased by 2.4%** to **£6.2bn**.[70]
Price, Volume, Efficiency and Other (PVEO) analysis	Royal Mail reported efficiencies of **£69m (0.9%).** [71] However, we note that if this is adjusted for last year's pension escrow credits then the efficiencies achieved would have been **£206m (2.6%).** We discuss this further below.
Frontline gross hours in delivery, processing and logistics	Total gross hours across delivery, processing and logistics **decreased by 1.6%.**[72] However, we note that if prior year's gross hours across delivery and processing are adjusted for the difference in the number of working weeks, then the average gross hours across delivery, processing and logistics **increased by 0.2%**. We discuss this further below.

[69] IDS PLC, 2 July 2025, Annual cumulative WIPGH and PVEO performance. The 2023-24 WIPGH and PVEO performance was published in 2024, Annual cumulative WIPGH and PVEO performance.
[70] People costs are indexed against Average Earnings Index (AEI), while non-people costs and transformation costs are indexed against Consumer Pricing Index (CPI) to derive real costs for the financial year 2024-25.
[71] IDS PLC, 2 July 2025, Annual cumulative WIPGH and PVEO performance.
[72] This figure excludes gross hours from RDCs and Other, such as central administration staff.

Indicator	Performance in 2024/25
Productivity – Weighted Items per Gross Hours (WIPGH)	Royal Mail reported that WIPGH **increased by 0.6%.** However, we note that if the calculation is done using the change in average gross hours, then WIPGH would be -1.3%.

Total change in real costs

Real costs (excluding transformation costs)[73] decreased by 2.4% to £6.2bn (Table 3.4 above). The reduction is primarily driven by people cost savings, partially offset by higher non-people costs. People cost savings were mainly due to the 2% pay increase for frontline staff being below inflation, lower costs associated with sick absence and benefits of seasonal variation.[74] These savings were partly offset by additional costs associated with the general election.[75] Non-people costs increased due to higher volumes and aging vehicle fleet, which led to higher maintenance and hire costs.[76] However, those were offset by reduced conveyancing costs from lower international terminal dues.[77] Over the past five years, real costs have decreased by an average of 3.1% per year.

PVEO Analysis

Royal Mail's PVEO analysis indicates an efficiency improvement of £69m, or 0.9% for 2024-25. The efficiencies achieved stem from people cost savings. As mentioned above, the pay increase awarded to frontline staff for 2024-25 was below the rate of inflation. In 2025/26, however, a pay increase of 4.2% was agreed between Royal Mail and The Communication Workers Union (CWU), significantly higher than the 2% increase awarded last year.

Our own analysis suggests that Royal Mail achieved £206m, or 2.6%, in efficiency gains. The difference between our estimate and Royal Mail's is due to adjusting last year's total costs to account for the pension escrow release. Last year we removed a one-off credit relating to a release of funds held in escrow by the Trustees of Royal Mail Pension Plan ('RMPP'). This credit was used to fund the £500 one-off payment to UK employees under the Business Recovery, Transformation and Growth Agreement.[78] Since the credit originated from payments made to the escrow account in prior years, we believed that it should have been excluded from the analysis as it does not represent an efficiency saving. Therefore, to ensure consistency with last year's methodology, in our analysis, we adjusted the total costs for the prior year, 2023-24, to remove this credit, which we had treated as a one-off in last year's analysis.[79]

In both Royal Mail's and our estimate, the cumulative PVEO is 3.2%.

[73] Real cost reduction provides a high-level simplified view of efficiency as costs change due to volume and one-off costs are not adjusted for this metric.
[74] IDS PLC, 2024-25. Annual Report 2024-25, Page 33.
[75] IDS PLC, 2024-25. Annual Report 2024-25, Page 32.
[76] IDS PLC, 2024-25. Annual Report 2024-25, Page 34.
[77] IDS PLC, 2024-25. Annual Report 2024-25, Page 34.
[78] IDS PLC, 2023-24. Annual Report 2023-24, Page 189.
[79] We also adjusted Royal Mail's calculation by reclassifying the costs related to the general election as a 'volume related change' rather than a 'one off' although note that this has no impact on the PVEO efficiency estimate.

Compared to Royal Mail's five-year PVEO target of 9%,[80] the cumulative efficiencies in both scenarios have exceeded expectations and are ahead of the long-term target set. Royal Mail's expected to have made 2% cumulative efficiencies over the first two years of the target period.

According to Royal Mail, they continue to deploy changes to improve efficiency. These include reducing reliance on air transportation, introducing later start times at several delivery offices to improve network connectivity, and bringing new terms and conditions for new joiners, which were subject to negotiation during the year, along with revised attendance and sick pay arrangements.[81]

WIPGH Productivity

In 2024-25, Royal Mail reported a productivity increase of 0.6%.

In our last report, we noted that Royal Mail had calculated its reported productivity (WIPGH) using the change in average workload per working days in 2022-23 and 2023-24, and the change in total gross hours for those years (not average gross hours). The rationale for this approach is that while the workload depends on the number of working days in the year, Royal Mail reports the hours of all frontline employees on a weekly basis. As last year was a 53-week year, the gross hours figure used in productivity calculations should be an average per working week, because the number of working weeks were 53 and not 52. We noted that this approach should have also been applied in 2024-25 as the calculation compares a 53-week year with a 52-week year. If we applied this approach, the WIPGH productivity decrease would be -1.3%. These adjustments affect only the productivity (WIPGH) estimated in 2023-24 and 2024-25 and how the results are split between these two years. The adjustments would not change the total productivity (WIPGH) which will be achieved over the next 5 years.

IDS explained that their reported increased productivity during the year was due to Royal Mail deploying changes to its network window, as agreed with CWU under the Business Recovery, Growth and Transformation agreement. These changes include later start times in delivery offices, enabling the removal of half of domestic flights and the transport of more mail by road.[82] Other factors underpinning the productivity increase include enhanced automation, reduced sickness absence rates, transfer of larger-sized parcels through Parcelforce and use of digital tools.[83]

Compared to the five-year productivity target of 25% set by Royal Mail,[84] as shown in Table 3.4, the progress achieved in the first two years of the five-year projection have fallen short of expectations and do not align with the long-term target set. Based on the five-year cumulative productivity projection, Royal Mail's cumulative productivity improvement over the first two-years should have reached 20%.

According to IDS, when setting the 2023 Business plan, it was expected that the delivery productivity gap would be closed by 2024-25. This required significant productivity improvements across both 2023-24 and 2024-25. However, these anticipated improvements have not materialised in either year.

Royal Mail did implement network window changes during the first quarter of 2024-25.[85] However, due to the General Election taking place in July 2024, rather than in the third quarter as originally

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[80] IDS PLC, Five year cumulative expectation for PVEO and productivity.
[81] IDS PLC, 2 July 2025, Annual cumulative WIPGH and PVEO performance.
[82] IDS PLC, 2024-25. Annual Report 2024-25, Page 2.
[83] IDS PLC, 2024-25. Annual Report 2024-25, Page 2.
[84] IDS PLC, 30 June 2023, Five year cumulative expectation for PVEO and productivity.
[85] IDS PLC, 2 July 2025, Annual cumulative WIPGH and PVEO performance.

anticipated, Royal Mail needed to increase its resource. Given that the Royal Mail's resourcing levels are lower earlier in the year they need to rely upon variable resource to meet the additional workload required to deliver election mail. This was less efficient and led to higher levels of overtime.

Progress was also affected by the time needed to start planning for the potential USO reform.[86]

Royal Mail is uncertain whether it can close the productivity gap and meet its 25% productivity target by 2027-28, as not all delivery offices across the UK can achieve the national standard of 196 WIPGH.[87]

Conclusion

While the efficiency progress made in 2024-25 towards Royal Mail's five-year PVEO target is considerable, the productivity results suggest that the efficiencies achieved are not a result of operational improvements and are therefore related to factors beyond productivity, such as a below-inflation pay award. This indicates that the efficiencies achieved are not a result of sustainable operational improvements.

Royal Mail's compliance with the margin squeeze control in 2024-25

Due to Royal Mail's monopoly position in final mile letter delivery services, we have pricing regulation on Royal Mail's access services. These services are used by other operators to access Royal Mail's network for final delivery of the letters they have collected and sorted. We impose an ex-ante margin squeeze test on D+2 and D+5 access. This is to prevent Royal Mail from charging such prices for its bulk retail services and such prices to access operators for equivalent access to its network that would not allow for a commercial profit margin to be made by access operators.[88] This is to help ensure pricing remains at a level that allows efficient access operators to compete effectively.

This control is implemented via a basket control ('basket test') and price point control ('contract test'):

a) the basket test requires Royal Mail to have a reasonable expectation that, at the time of setting new prices, the total upstream revenues of all services in the basket will be equal to or greater than the total upstream costs of those services (such costs being based on Royal Mail's upstream FAC);[89] and
b) the contract test requires Royal Mail to have a reasonable expectation that, at the time of setting new prices (including the time of offering prices for each new individual

[86] IDS PLC, 2 July 2025, Annual cumulative WIPGH and PVEO performance.
[87] IDS PLC, 2 July 2025, Annual cumulative WIPGH and PVEO performance.
[88] We note that from July 2025, due to the USO reforms we have updated our access regulation to include D+2, D+3 and D+5. All the relevant retail products for these services are now part of our margin squeeze test. Given this report related to 2024/25 we will only report on the margin squeeze test that applied to the relevant retail products for D+2 and D+3 access at that time.
[89] Fully Allocated Costs (FAC) refers to the directly incurred costs in providing the service(s) in question, plus some allocation of costs which are shared across multiple services. This cost allocation is done in such a way as to ensure that all costs of the business are allocated to the services the firm produces.

contract), the total upstream revenues of the relevant services in the contract are equal to or greater than 50% of the total upstream costs of those services.[90]

Royal Mail must send Ofcom information regarding the margin squeeze control on a yearly and quarterly basis. This includes ex-ante forecasts, ex-post actual results and contracts. We review the information provided by Royal Mail in accordance with USPA6[91] to assess at a high level whether the information shows any compliance concerns. This includes both the basket test and the contract test. Where appropriate we may do further analysis and/or ask Royal Mail further questions.[92] In particular, we do additional checks on unusual and unexpected changes, gaps and anomalies.

In our 2025 Statement for the Review of the universal postal service and other postal regulation, we confirmed our proposal to include a statement about Royal Mail's compliance with the margin squeeze control within our annual Post Monitoring Report.[93]

Our high level assessment does not give rise to any compliance concerns in relation to the basket test and the contract test in 2024-25.

Basket test

In 2024-25, the actual results led to a lower than forecast, but still positive margin, across the basket. This means that the total upstream revenues of all services in the basket (both letters and large letters) was greater than the total upstream costs of those services. The difference between the forecast and actuals was 8.6%, this was primarily due to variable, and lower than expected Average Unit Revenue for some product types, and higher unit costs related to both collection and distribution.

Contract test

In 2024-25 all Royal Mail bespoke contracts were set at a price which led to the upstream revenues being greater than 50% of the upstream costs.

[90] It should be noted that if products are offered at rate card prices, they are not included in the contract test, however the volumes are included in the basket test.
[91] USP Access Condition. Last updated: 28 July 2025
[92] Ofcom, Consultation: Review of the universal postal service and other postal regulation, 30 January 2025, Page 138.
[93] Ofcom, Statement: Review of the universal postal service and other postal regulation, 10 July 2025. Page 190.

Section 4 – USO reform implementation

This section covers Ofcom's proposed USO reform changes and provides an update on how these are currently being implemented, and communicated, by Royal Mail.

USO reform changes

In our 2025 Universal Service statement, we confirmed changes to Royal Mail's delivery targets and regulation of the delivery of Second Class and access letters. This took effect on 28 July 2025.

From this date, we removed the requirement on Royal Mail to deliver Second Class letters six days per week and allow it to deliver such letters on alternate weekdays (Monday to Friday).

These changes reflect the fact that postal users no longer need two six-day-a-week services to meet their reasonable needs and is intended to support the financial sustainability of the universal service. We consider the changes necessary to support the continued provision of a universal postal service, which, in turn, will benefit consumers, businesses and the wider economy. A financially sustainable universal service that allows services to be delivered more efficiently will support economic growth.

Royal Mail estimates that implementing the necessary changes across its network will take approximately 18-24 months.

In February 2025, Royal Mail told us of its plans to run a pilot programme of its proposed operating model (i.e. alternate weekday delivery of all non-priority mail) in a mix of locations in the UK. This was in anticipation of significant and complex operational changes associated with the potential regulatory reforms proposed by Ofcom. Royal Mail said that early adoption of pilots would enable it to implement any changes as soon as possible after the decisions taken in Ofcom's statement.

We have been monitoring these pilot schemes closely, with Royal Mail providing regular updates about how the operational changes have been embedded at individual delivery offices, the impacts on QoS at these locations and what learnings from the pilots will be taken forward as part of preparations for national deployment of USO reform.

Royal Mail noted in its response to Ofcom's consultation its belief that its supply chain was ready for the proposed changes, the impact of immediate implementation on the market would be small, and any delay could have a severe impact on its ability to implement the new optimised delivery model.[94] In recognition of the urgent need for reform, Ofcom's implementation date was set to provide Royal Mail with the opportunity to begin the process of implementation quickly and secure some of the cost savings in 2025-26. It also provided a window for stakeholders to adjust to the changes, without causing too great a delay.

However, Royal Mail has not moved to full deployment of the USO changes on a national level. Royal Mail are waiting to reach an agreement with the CWU first. We understand that negotiations remain ongoing, and have been taking place for several months, but that the two parties are yet to agree terms.

[94] Ofcom, Statement: Review of the universal postal service and other postal regulation, July 2025. Page 224.

As a result, Royal Mail has decided not to proceed with rolling out its new optimised delivery model beyond the 35 pilot sites. We understand that some mail centres and delivery offices have been upgrading systems in preparation for implementation, but there is currently no confirmed timeframe for when Royal Mail's new optimised delivery model will be rolled out nationwide.

It is for Royal Mail to decide when and how to implement changes to its operations to secure the benefits of the USO reforms. Ofcom does not have a role in negotiations between Royal Mail and the CWU, but we are watching the situation closely. Once implementation of Royal Mail's new operational model begins, we will monitor the roll out to understand the impact of the changes on consumer experience and the company's financial position.

Communicating changes to postal services

We have been informed that the delay has created some confusion for Royal Mail customers, especially access operators and large customers.

This demonstrates why it is vital that Royal Mail clearly and effectively communicates with users of the universal service so that postal user needs, and the challenges of meeting them, are properly understood by all. We expect a customer-centric approach to implementation, seeking to establish greater confidence in the service.

To support this objective, in our statement on postal USO reform we asked Royal Mail to put in place a stakeholder engagement forum to support positive engagement with key industry stakeholders, to ensure those stakeholders are informed on progress with implementation and have an opportunity to feed in their experience.

We said we expected that membership would be drawn from statutory consumer bodies and industry groups to ensure it includes a wide range of interests across the UK. The first meeting of this forum, which Ofcom attended as an observer, was held on Thursday 27 November 2025. We expect that these forums will take place quarterly, for a minimum of two years.

As part of our monitoring role, we will also continue to work with all key stakeholders including industry, trade unions, consumer bodies and the Government, as well as engaging with Royal Mail, its parent company, International Distributions Services Plc, and its new owner, EP Group.