



## COVERSHEET

|                               |                                                                    |                             |                          |
|-------------------------------|--------------------------------------------------------------------|-----------------------------|--------------------------|
| <b>Minister</b>               | Hon Paul Goldsmith                                                 | <b>Portfolio</b>            | Media and Communications |
| <b>Title of Cabinet paper</b> | Postal Deed of Understanding changes for commercial sustainability | <b>Date to be published</b> | 22 October 2025          |

### List of documents that have been proactively released

| <b>Date</b>  | <b>Title</b>                                                                                  | <b>Author</b>                                       |
|--------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------|
| June 2025    | Postal Deed of Understanding changes for commercial sustainability                            | Office of the Minister for Media and Communications |
| 30 June 2025 | Postal Deed of Understanding: Changes for Commercial Sustainability<br>CBC-25-MIN-0034 Minute | Cabinet Office                                      |

### Information redacted

**YES / NO** (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

- Commercial Information
- Confidential Advice to Government

## Commercial In Confidence

Office of the Minister for Media and Communications

Cabinet Business Committee

## Postal Deed of Understanding changes for commercial sustainability

### Proposal

- 1 This paper seeks Cabinet agreement to make changes to the obligations on New Zealand Post Limited (**NZ Post**), as set out in the Postal Deed of Understanding (**the Deed**) between NZ Post and the Crown. These proposed changes follow public and Ministerial consultation.

### Relation to government priorities

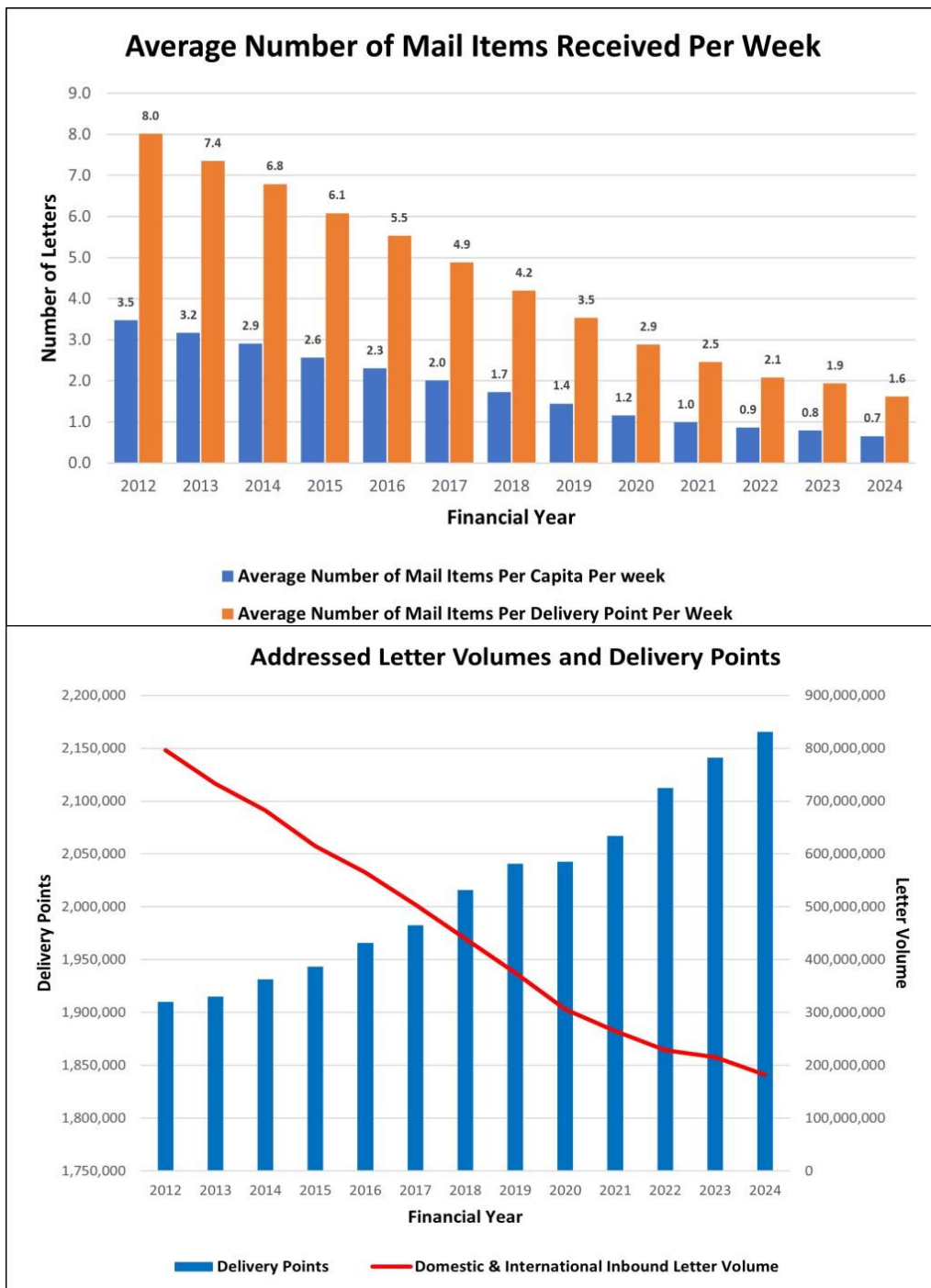
- 2 A priority for this Government is ensuring our economy supports growth and innovation. Updating the settings that underpin NZ Post's mail service will enable it to keep pace with the changing communication needs of New Zealanders.
- 3 These proposals will also contribute towards our priority of reducing Crown expenditure. The NZ Post Board has confirmed that the proposed Deed changes would allow NZ Post to run its mail service in a commercially viable manner, without needing to seek funding from Government for at least the next three years.

### Background

- 4 The Deed is an agreement between NZ Post and the Crown. Under the Deed, NZ Post must maintain a nationwide mail service that meets certain minimum requirements.
- 5 New Zealand is a member of the Universal Postal Union (**the UPU**), where NZ Post is our representative. Under the UPU, New Zealand has obligations to provide a universal postal service but has discretion about how those obligations are met. The Deed, along with the Postal Services Act 1998, provides for New Zealand to meet its obligations for a universal postal service.
- 6 The Deed sets obligations on NZ Post regarding the minimum number of delivery days, delivery points and number of retail stores providing NZ Post mail services. It also requires NZ Post to provide access to its network for competitors and restricts NZ Post from charging a rural delivery fee for mail. I note that courier packages are not subject to the Deed.
- 7 The Deed was last reviewed in 2013 and was set to be reviewed in 2018. In 2018, NZ Post was focused on responding to mail decline by streamlining mail processing, increasing consumer and bulk mail pricing, and making changes to its retail store network. Officials from the Ministry of Business, Innovation and Employment (**MBIE**) therefore recommended that the Deed Review be postponed until NZ Post

and MBIE were in a position to consider potential wider-scale change proposals. The Deed Review was postponed to 2021.

- 8 In 2020, NZ Post made a claim under the State-Owned Enterprises Act for non-commercial services. Funding of \$130 million was provided to NZ Post to maintain its Deed obligations and limit mail price increases over a period of three years. In 2021, the NZ Post Board outlined its plan to move to commercial sustainability by increasing its prices. The Board's plan was endorsed by the Government and in 2022, the Deed Review was further postponed to 2024.
- 9 New Zealanders' use of the mail network has steadily declined, as evidenced below.



- 10 Mail decline in New Zealand is consistent with international trends. For example:
- 10.1 **Australia:** In 2024, the Australian Government reviewed its Community Service Obligations – Australia’s equivalent to the Deed. Ordinary letters are now delivered every second day rather than every day to 98 per cent of locations and delivery timeframes have been extended. There will also be changes to the way priority mail is handled and how geographic areas are classified. Australia Post is also proposing price increases for mail services.
  - 10.2 **Canada:** In January 2025, the Canadian Government offered Canada Post a loan of just over \$1 billion through the 2025/2026 fiscal year to maintain solvency and meet its service obligations. Canada Post’s volumes have declined from 9.7 billion items in 2012 to 6.5 billion in 2023. Canada Post currently provides five-day delivery but has noted significant changes are needed to modernise its operating model while preserving the postal service.
  - 10.3 **United Kingdom:** Ofcom (the communications sector regulator) has reviewed Royal Mail’s delivery requirements as it has struggled to meet its six-day delivery service obligation, citing rising costs. Letter volumes have almost halved since 2011, while the number of addresses has increased by several million. Ofcom is proposing to reduce the delivery frequency of Second Class (i.e. less-urgent, lower cost) mail to alternate weekdays and adjust mail delivery targets to reflect that on balance, people value reliability over speed of delivery.

### The need for Deed changes to sustain the mail service

- 11 The cost to NZ Post of delivering each letter has increased, in part because the fixed network costs to meet Deed obligations are being spread over a declining number of letters. Confidential advice to Government

- 12 Commercial Information

### Proposed changes to the Deed

- 13 As part of the 2024 Deed Review, MBIE released a discussion document titled *Moving towards a financially sustainable mail service*. The document sought feedback on proposed changes, aiming to provide NZ Post with more operational flexibility and the ability to respond quickly when mail volumes hit critical tipping points.
- 14 I am now proposing to take forward the Deed changes that were canvassed during consultation. I am also proposing to incorporate some additional protections, to limit the initial impact of potential changes to NZ Post services on rural communities.

- 15 The Deed changes I am seeking to proceed with are:
- 15.1 Reducing the minimum mail delivery frequency per week to two days in urban areas and three days in rural areas (it is currently at three days and five days respectively);
  - 15.2 Reducing the minimum mail delivery frequency per week to two days for PO Box and Private Bag delivery points (it is currently at five days);
  - 15.3 Reducing the minimum required number of postal outlets from 880 to 500, with a glide-path (provided for in two steps at two-year intervals) down to 400 outlets in the coming years;
  - 15.4 Providing for NZ Post to reclassify areas as rural or urban at its discretion, with reference to an objective external source such as Statistics New Zealand data (rural areas are currently defined as those areas that were rural in 2013);
  - 15.5 Specifically allowing NZ Post to meet its requirement to extend its mail network by delivering to communal delivery points (such as cluster and community boxes or counter services), or individual letter boxes, at its discretion for new delivery points;
  - 15.6 Allowing NZ Post to convert pre-existing delivery points into communal points at a rate of up to five per cent per annum, with reasonable notice (including engagement with affected persons as explained in further detail below);
  - 15.7 Removing the three per cent cap on total delivery points that may be comprised of communal points;
  - 15.8 Setting out that the next Deed Review will commence three years from the date of the revised Deed, with provision for an earlier review to be triggered if mail volumes fall below 120 million mail items in a year.
- 16 As noted above, I believe there is a need to put some additional measures in place to limit the impact of potential service changes arising under a revised Deed on those who rely on mail, particularly in rural communities. Feedback from Ministerial colleagues has also informed my proposals in this area. Therefore, I am proposing the Deed sets out that:
- 16.1 NZ Post will not initiate the closure of any postal outlets serving rural areas in the first year following the signing of the revised Deed, except in circumstances beyond its control (such as an agent providing postal services going out of business).
  - 16.2 NZ Post will be required to engage with affected rural communities of any intention to close rural outlets and provide reasonable time to receive and consider feedback. While NZ Post has ultimate discretion over its retail network (except as in 16.1 above), this measure will provide an opportunity for feedback to be considered and will require NZ Post to both communicate its final decision and the key factors that were considered in reaching it.

- 16.3 Mail delivery days at the revised minimum delivery frequencies must be non-contiguous (meaning they cannot all be consecutive days), ensuring a more even spread of mail delivery across the week.
- 16.4 Reasonable notice will be required in relation to converting pre-existing delivery points to communal delivery points. NZ Post will need to provide sufficient time for affected parties to submit feedback that NZ Post will consider prior to making decisions on converting delivery points.
- 17 I am also proposing that the Deed retain the requirement that NZ Post provide access to its postal network to other postal operators. Following consultation with stakeholders, I consider this requirement is still necessary to ensure competition.
- 18 The Deed will also retain the requirement for at least 240 outlets to have personal assistance available to consumers (i.e. staffed points of presence, such as NZ Post stores or agents providing postal services). However, I am proposing the minimum required number of staffed outlets decreases overtime to 120, in two-yearly steps, as the overall minimum number of outlets decreases. In practice, I understand all postal outlets are currently staffed, but the Deed provides scope for NZ Post to utilise technology (such as self-service kiosks), should it be viable to do so.

### Changes allow NZ Post to be commercially sustainable

- 19 The NZ Post Board has confirmed that the proposed Deed changes would allow NZ Post to run its mail service in a commercially viable manner, without needing to seek funding from the Government for at least the next three years.

20 Commercial Information

### Summary of feedback received through consultation

- 21 MBIE received over 1,600 public submissions on the Deed review, including around 1,200 templated letters sent to my office from rural New Zealanders. MBIE officials also met with several key stakeholders including Rural Women, Grey Power, The Rural Delivery Contractors Association, E tū, the Postal Workers Union, Print New Zealand and DX Mail.
- 22 Submitters expressed concerns that the proposed reduction in the minimum number of postal outlets would lead to a loss of service in rural areas, and the proposed reduction in minimum delivery frequency would disproportionately impact rural businesses that rely on five-day delivery. In response to this, I am proposing that delivery days must be non-contiguous (i.e. not all on consecutive days) to ensure a more even spread of mail across the week. While submissions indicated a strong emotional attachment to the mail service, submitters' actual usage of the mail service aligned with data on mail

usage from NZ Post, indicating that the reduced minimum delivery frequencies are appropriately set and would meet current users' mail needs.

- 23 Submitters, notably urban submitters, expressed concern about the proposal to allow NZ Post to convert up to five per cent of individual delivery points per year to cluster boxes or community collection points. Submitters were concerned about theft, accessibility and privacy regarding receiving their mail at cluster points, particularly for the elderly or those who are disabled (including those with mobility impairments).
- 24 In response to this, the Deed will clarify that NZ Post must provide notice in relation to proposals to convert pre-existing delivery points to communal delivery points – providing sufficient time for affected parties to submit feedback for NZ Post to consider prior to converting delivery points. NZ Post has also noted that it does not currently have intentions to implement a wholesale change away from individual mailbox delivery.
- 25 Many submitters anticipated reduced parcel delivery following Deed changes. Parcels are not covered by the Deed. NZ Post has outlined that parcel delivery is a commercial business and that changing the minimum mail service obligations in the Deed would not necessarily result in a change to its parcel delivery service Commercial Information

## Implementation

- 26 Following Cabinet approval, MBIE officials will work with NZ Post to revise the Deed. Deed changes will be announced following Cabinet approval. NZ Post will also take a central role in leading communications about Deed changes. Confidential advice to Government
- 27 Once a revised Deed is in place, MBIE will continue to engage with NZ Post to monitor how mail volumes are tracking. The Treasury will continue to provide advice on the performance of NZ Post to shareholding Ministers. The Treasury provides regular performance reports to highlight priority areas across financial and non-financial dimensions, as well as actions and levers to improve performance. The Treasury will continue actively engaging with NZ Post to understand changes it anticipates making once Deed revisions have been agreed and approved.

Confidential advice to Government

### **Cost-of-living Implications**

- 31 No cost-of-living implications would arise from making the proposed changes to the Deed.

### **Financial Implications**

- 32 No financial implications for the Crown would arise from approving the proposed Deed changes.

### **Legislative Implications**

- 33 No legislative implications would arise from agreement to the proposed Deed changes.

### **Impact Analysis**

#### **Regulatory Impact Statement**

- 34 The Regulatory Impact Analysis requirements do not apply because the proposals do not involve changes to primary or secondary legislation.

#### **Climate Implications of Policy Assessment**

- 35 Consultation with the Climate Implications of Policy Assessment team is not required for this proposal, as it is not expected to result in any significant, direct emissions impacts.

### **Population Implications**

- 36 Operational decisions that NZ Post may make following Deed changes could impact specific groups for whom the mail service is important. NZ Post's data, alongside information gained from consultation, shows that rural and older New Zealanders, as well as disabled New Zealanders, often rely more on mail and are more sensitive to potential changes in the service. As noted above, I have sought to introduce additional protections into the Deed in response to feedback received from public consultation, while still allowing for Deed changes to support NZ Post's commercial sustainability.



## Human Rights

- 37 There are no human rights implications arising from the proposals in this Cabinet paper.

## Use of External Resources

- 38 No external resources, such as contractors or consultants, were engaged in the preparation of the proposals in this Cabinet paper.

## Consultation

- 39 Officials from the Treasury, Ministry for Regulation, Ministry for Primary Industries, Ministry of Social Development (including the Office for Seniors), Department of Internal Affairs, Ministry of Health, Ministry of Disabled People, Ministry of Justice, NZ Police, Department of Corrections, Te Puni Kōkiri and Ministry for Culture and Heritage have been consulted on the final Deed proposals. MBIE has also worked through the Ministry for Primary Industries' rural proofing framework. The Department of the Prime Minister and Cabinet has been informed. NZ Post has been consulted during the development of these proposals.
- 40 MBIE also completed a high-level scan of government agency use and reliance on the mail service, including any legislative requirements driving mail use. Agencies canvassed included the Ministries of Social Development, Health, Justice, NZ Police, Department of Corrections, Inland Revenue Department, NZ Transport Agency and Immigration NZ.
- 41 While many agencies utilise mail to communicate with the public, legislative requirements typically allow for other forms of communications (including courier and personal service) and/or digital communications. The agencies consulted did not raise significant concerns about the proposed Deed changes. Some noted the changes may have flow on implications for agencies that use NZ Post as their mail provider (noting that several agencies use DX Mail). The Ministries of Health and Social Development noted that a reduced mail service may mean they need to work through how to mitigate any flow on impacts and increase their focus on digital options.
- 42 The Deed requires the Minister for Media and Communications to consider changes to the Deed following a review, in consultation with the Minister for State Owned Enterprises with responsibility for NZ Post. I have consulted with the Minister for State Owned Enterprises on the proposals and received correspondence confirming his support.

## Communications

- 43 Deed changes will be announced following Cabinet approval. As noted above, NZ Post will also take a central role in leading communications about Deed changes.

## Proactive Release

- 44 This Cabinet paper will be proactively released within 30 business days of Cabinet's agreement on the MBIE website, subject to redactions as appropriate. In a situation where the revised Deed has not been drafted and signed in this timeframe, proactive release will occur following the revised Deed being finalised.

## Recommendations

The Minister for Media and Communications recommends that the Committee:

- 1 **note** that NZ Post and the Crown are parties to the Deed of Understanding, which sets out minimum requirements that NZ Post must meet relating to its mail service;
- 2 **note** that the Ministry of Business, Innovation and Employment (MBIE) conducted the 2024 Deed of Understanding Review and a six-week public consultation on proposed Deed changes;
- 3 **agree** to reduce the minimum mail delivery frequency per week in the Deed to three days in rural areas, and two days in urban areas;
- 4 **agree** to reduce the minimum mail delivery frequency per week to two days for PO Boxes and Private Bag delivery points;
- 5 **agree** that mail delivery days at the minimum delivery frequencies set out above must be non-contiguous (i.e. they cannot all be consecutive days);
- 6 **agree** to reduce the minimum required number of postal outlets from 880 to 500, with a glide-path (provided for in two steps at two-year intervals) down to 400 outlets;
- 7 **agree** to provide a mechanism for NZ Post to update its classification of areas as rural or urban at its discretion, with reference to an objective source;
- 8 **agree** that the Deed will specify that NZ Post will not initiate the closure of any postal outlets in rural areas in the first year following the signing of the revised Deed, except in circumstances beyond its control (such as an agent going out of business);
- 9 **agree** that the Deed will require NZ Post to engage with affected communities on proposed rural postal outlet closures, providing reasonable time to receive and consider public feedback prior to confirming and communicating its final decision, and the key factors that were considered in reaching its decision;
- 10 **agree** that the Deed will retain the requirement for at least 240 postal outlets to have personal assistance available to consumers in the form of 'staffed' retail points of presence, reducing this minimum requirement over time to 120 in two-yearly steps as the minimum total number of required outlets decreases;
- 11 **agree** that the Deed will provide for NZ Post to meet its requirement to extend its network in the form of delivering to communal delivery points, or individual letter boxes, at its discretion for new delivery points;

- 12 **agree** that the Deed will allow NZ Post to convert pre-existing delivery points into communal points at a rate of up to five per cent per annum, with reasonable notice to affected parties – providing sufficient time for affected parties to submit feedback for NZ Post to consider prior to converting delivery points;
- 13 **agree** to remove the three per cent cap on total delivery points that may be comprised of communal delivery points;
- 14 **note** that the Deed requirement for NZ Post to provide access to its postal network to other postal operators will be retained;
- 15 **agree** that the next Deed Review will commence three years from the date of the revised Deed;
- 16 **agree** to include a provision in the Deed for an earlier review to be triggered if annual mail volumes fall below 120 million mail items in a year;
- 17 **note** that the NZ Post Board has confirmed that the proposed Deed changes would allow NZ Post to run its mail service in a commercially viable manner without needing to seek further Government funding for at least the next three years;
- 18 **note** that Deed changes will be announced following Cabinet approval and that NZ Post will also take a central role in leading communications about Deed changes;
- 19 **note** that a revised Deed will subsequently be drafted and signed by the Minister for Media and Communications and NZ Post;
- 20 **agree** that MBIE will proactively release this Cabinet paper on its website, subject to any redactions consistent with the Official Information Act 1982, within 30 business days, or as appropriate following the completion of the drafting of the revised Deed.

Authorised for lodgement

Hon Paul Goldsmith

Minister for Media and Communications