

9th April 2025

CWU Response to Ofcom Consultation: Review of the universal postal service and other postal regulation

Introduction

1. The Communication Workers Union (CWU) is the largest union in the communications sector in the UK, representing approximately 165,000 members in the postal, telecoms, tech, financial services and related industries. We are the recognised trade union for approximately 110,000 non-managerial staff in Royal Mail. The following submission sets out the CWU's response to Ofcom's consultation on the universal postal service.¹
2. The CWU responded to Ofcom's Call for Input on the universal service last year, when we expressed our strong opposition to severely reducing the scope of the Universal Service Obligation (USO) and any reform which does not provide a platform for growth.² While we acknowledge that Ofcom has moved away from its most radical proposals, including a three or four day USO across all classes of mail, the CWU remains extremely concerned about the potential impact of any USO reform on postal jobs and services.
3. We are equally concerned about the severe pressure on our members from excessive workloads due to under-resourcing as a consequence of Royal Mail's cost cutting agenda. This situation is both unsustainable and unacceptable, and a solution must be swiftly implemented if Royal Mail is to alleviate the burden on our members, while attracting and retaining the workforce it needs to deliver a decent level of service for postal users.
4. We do not accept Ofcom's conclusion that it is unlikely it can do significantly more than it is proposing under the current regulatory framework to respond to the challenges facing the universal service.³ The CWU believes Ofcom could do much more to secure the universal service, including properly regulating parcel courier companies, curbing downstream access competition, allowing Royal Mail more scope to leverage the universal network for growth and properly enforcing quality of service standards. Ofcom has so far chosen not to pursue these solutions, despite calls from the CWU over many years.
5. We believe Ofcom should be reformed and its duties amended, with a new responsibility to promote long-term investment, innovation and universal service

¹ Consultation: Review of the universal postal service and other postal regulation, Ofcom, 30th January 2025, accessed at: [Consultation: Review of the universal postal service and other postal regulation - Ofcom](https://www.ofcom.org.uk/consultations-and-statements/category-1/the-future-of-the-universal-postal-service)<https://www.ofcom.org.uk/consultations-and-statements/category-1/the-future-of-the-universal-postal-service>

² [CWU Response to Ofcom Call for Input 3 4 24 final.docx](#)

³ Review of the universal postal service and other postal regulation, Ofcom, 30th January 2025, para 1.29

delivery as a priority over price competition, cost cutting and service reduction. We are also calling on the Government to introduce a new regulatory framework along these lines to help secure the future of the national postal service.

Background

6. Since Royal Mail was privatised in 2013, the price of a First Class stamp has risen by 183% to £1.70⁴ and over £2bn has been returned by the business to shareholders in dividends and buybacks. Meanwhile, overall jobs in Royal Mail have reduced by approximately 20,000,⁵ access bulk mail has grown to over 70% of letter volumes, up from 46% in 2011/12⁶, Royal Mail's parcels market share has fallen as competition has expanded rapidly⁷, letter volumes have fallen from 14.3 billion to 7 billion, USO quality of service targets have been missed by a significant margin for nearly half a decade⁸ and millions of people experienced letter delays last year.⁹
7. The challenges facing the national postal service are the legacy of a failed liberalisation and privatisation agenda that has seen International Distribution Services (IDS) deliberately prioritise non-USO commercial items at the expense of the USO, in pursuit of profit maximisation. Inflation busting stamp price increases have accelerated the pace of e-substitution and letter volume decline. Meanwhile, Ofcom has not only reacted too late as the universal service has drifted further into crisis, but it has actively encouraged the growth of competition that undermines the economics of the universal service, while failing to regulate low-cost parcel operators that undercut Royal Mail and unfairly capture growth that would help to sustain the USO. Ofcom has also refused to allow measures like tracking in the USO that would modernise the service and leverage the universal network for revenue growth.
8. As Ofcom notes, Royal Mail is running a programme which will involve pilots of its proposed new USO operating model, the 'optimised delivery model' in a mix of locations across the UK. The CWU has secured a Terms of Reference for this programme to ensure that the USO pilots demonstrate that the programme can achieve its overarching objectives, which are as follows:

⁴ The price of a First Class stamp was 60p in 2013, and is £1.70 from April 2025, see: [UK stamp price inflation since 1971 - The Price of a Stamp](#)

⁵ There were 149,940 UKPIL employees in 2013 and 130,031 Royal Mail employees in 2024 on a headcount basis according to Royal Mail and IDS plc annual reports (2013 and 2024), see [Annual reports](#)

⁶ Post Monitoring Report, financial year 2023-24, Ofcom, 28th October 2024, accessed at: <https://www.ofcom.org.uk/siteassets/resources/documents/postal-services/monitoring-reports/2023-2024/post-monitoring-report-2023-24.pdf?v=384016> and Annual Monitoring Update on the Postal Market 2014-15, Ofcom, 27th November 2015 (not available online).

⁷ Royal Mail's parcel market share fell from 28% in 2020 to 23% in 2022 by revenue, and fell from 33% in 2020 to 25% in 2022 by volume, according to Pitney Bowes Parcel Shipping Index 2022 and 2023, see [22-pbcs-04529-2021-global-parcel-shipping-index-ebook-web-002.pdf](#) and [23-mktc-03596-2023-global-parcel-shipping-index-ebook-web.pdf](#)

⁸ See IDS plc quality of service Reports, e.g. First Class performance was 76.2% in Q3 2024/25 vs 93% target: [Quarterly Quality of Service & Complaints Report](#), and was 76.8% in Q3 2021/22 vs 93% target: [Quarterly Quality of Service & Complaints Report](#)

⁹ [Draft Consumer work plan 2025/26](#), Citizens Advice, accessed on 18th March 2025

- **Maintain or improve quality of service on all products to achieve regulatory and commercial targets.**
 - **Ensure that individual workload and all tasks are achievable and fair in line with planned assumptions and that duty design changes ensure fatigue is taken into account.**
 - **Improve attendance patterns with fewer Saturdays to be worked in Delivery.**
 - **Improve culture, morale and confidence in the workplace.¹⁰**
 - **Ensure that no worker is detrimentally affected by these pilots.**
 - **Ensure that the pilots have a platform for growth, i.e. next-day/evening parcel delivery and innovations in other areas.**
9. It is important to emphasise that the CWU has not agreed to USO reform and any decision to support a reform of the USO will depend on the outcome of the USO pilots and whether they demonstrate that the overarching objectives set out above are genuinely achievable. There are 37 USO pilots taking place across the UK, and the only pilot sites to date are Newton Mearns, Cumbernauld, Ayr, and Girvan Mail Centres in Scotland, and Antrim and Ballymena Mail Centres in Northern Ireland. Other pilot sites will be phased in over the next few weeks until the middle of May. We expect that it will be several weeks at least, perhaps months, before we can begin to build a clear picture of how this system performs against the objectives, and the CWU reserves our final judgement on the USO reform proposals until that time. In addition, CWU agreement to any reform of the USO will be conditional on EP Group abiding by its commitments on pay, terms and conditions, in the event that EP Group becomes the owner of IDS.¹¹

CWU key messages

10. The CWU recognises that Royal Mail now operates in a permanently changed world of communications. The mix of letter decline and parcel growth presents a legitimate challenge to securing the future sustainability of the universal service obligation. However, **the challenges facing Royal Mail and the universal service have been created, in part, by the financial mismanagement of Royal Mail and the inability of Ofcom to properly regulate both Royal Mail and the sector at large.**
11. **The CWU does not support any predetermined target level of savings from implementing the proposed reforms, whether these targets are from Royal Mail or Ofcom.** Royal Mail has a track record of making assumptions on workload that have not materialised in practice. In addition, financial savings cannot be the sole driver of evaluating these reforms - workload achievability has to be the core factor by which the reforms are evaluated. These assumptions will be fully tested in the USO pilots that are currently being rolled out in 37 delivery offices across the UK. It will only be possible to take an informed view on the level of potential savings from the reforms once the pilots

¹⁰CWU Letter to Branches, LTB 398/24 – USO Pilots, 19th December 2024, accessed on 17th March 2025 at: [CWU: LTB 398/24 – USO Pilots](#)

¹¹[CWU: Rebuilding Royal Mail – Agreement Reached with EP Group](#), published 18th December 2024

are complete and properly evaluated to provide a detailed understanding of how the proposals will work. Ultimately, the level of savings can only be determined by whether workload is achievable and resourcing is stabilised.

12. **We strongly believe that Ofcom must not make any changes until the pilots have been completed and properly evaluated.** Ofcom must take the results of all the pilots into account, particularly as the optimised delivery model is expected to perform differently depending on location, due to the variations in delivery patterns across different geographies. For example, parcel volumes vary significantly between areas and topographical factors (especially in rural or hard-to-reach areas) can affect the number of delivery points, meaning that this new model cannot be effective if applied in the same way to each area.
13. However, the introduction of the optimised delivery model is currently based on a national 'method change' approach (meaning the method changes are to be applied unilaterally across all delivery units). **We strongly believe that this cannot work and any reforms must be adapted accordingly to different delivery units, considering the number and type of delivery points, geographical factors and opportunities for parcel growth in each area.**
14. **In addition, the CWU stresses that no USO reform will work at all unless Royal Mail changes their approach to managing the business at every level and fundamentally treating their staff in a better way.** Royal Mail have deliberately set out to attack workers' pay, terms and conditions, leading to a crisis in recruitment for one of the largest workforces in the UK. High turnover of new entrants in Royal Mail, largely due to the inferior pay, terms and conditions imposed in December 2022, has led to staff frequently leaving the business after just a few months which has caused significant delivery problems and made the job unattractive to applicants. In addition, longer-serving staff are facing a crisis of morale, due to undeliverable workloads and poor management practices. It is therefore clear that none of the severe issues with Royal Mail's quality of service will be resolved through postal regulatory reforms without first resolving the crisis in recruitment and management of the business.
15. **As such, we urge Ofcom to undertake extensive visits to pilot sites and talk directly to employees taking part in the pilots.** The CWU will also provide Ofcom with relevant feedback we receive from our members once this becomes available. Such a comprehensive assessment of the results of the USO pilots, involving frontline employees, will be essential in understanding whether Ofcom's USO proposals are likely to succeed in their objectives of improving quality of service and securing the future of the postal service.
16. Ofcom's focus on promoting price competition in access services and parcel delivery has undermined the economics and financial sustainability of the universal service. We believe **Ofcom's duties should be reformed with a new emphasis on creating the right conditions for investment and innovation in the universal service, tackling low-cost parcel competition that exploits workers and weakens the universal service, and lifting service and labour standards** for the benefit of all postal users.

17. **As the CWU said in our response to Ofcom’s CFI last year, we are also in favour of an industry fund** whereby postal operators that meet a defined set of criteria (such as a particular turnover threshold) are subject to an industry levy to help support the financial sustainability of the universal postal service. Operators such as Amazon and DHL rely on the universal network to deliver items to hard to reach areas, so it is in their interests to support the USO financially and we therefore consider an industry fund to be a reasonable and logical solution to the need for a USO subsidy.
18. **Ofcom’s user needs research demonstrates that the postal service remains vital to people and businesses across the UK, and that millions of users would be adversely affected by cuts to USO services.** Ofcom has concluded that the current universal service goes beyond what people reasonably need from post today, but in fact the evidence demonstrates that vulnerable users – who make up a large and growing number of people - rely heavily on the postal service for essential correspondence. The importance of the postal service to so many users means that the infrastructure must be protected and the reforms must still represent a comprehensive service for both everyday consumers and vulnerable groups, as well as creating opportunities for growth in new areas.
19. **We cannot overstate the importance of a stable long-term solution to secure the future of the universal postal service, and we believe this must be based on leveraging the universal postal network for growth.** It will serve no one's interests if Royal Mail continues the path of managed universal service decline and Ofcom returns with further USO reduction proposals in the short to medium-term.
20. **Modern day challenges such as digital and financial exclusion, an aging population, rising mental ill-health, loneliness, isolation and climate change all present new opportunities for the postal service to diversify and grow.** Royal Mail should develop a range of innovative commercial, government, and social services to help secure its financial sustainability. This could include local to local delivery services, tailored services to the NHS and the greeting card industry and a service to check on the welfare of elderly and vulnerable people, as well as building on other commercial opportunities. The CWU is also seeking to secure a free national postal redirection service for victims of domestic abuse, which we believe could attract government funding.
21. **The significance of the postal USO to the UK economy and society is such that the Government should be the ultimate decision makers of any reform.** The Government’s ‘golden share’ in Royal Mail under its legally binding agreement with EP Group further supports this case.¹² The Prime Minister reportedly told a recent Cabinet meeting that the Government must take more responsibility for decisions rather than outsourcing them to regulators, and we believe the future of the postal USO is of sufficient importance to justify this approach.¹³

¹² [Royal Mail remains based in UK in deal to bolster key services - GOV.UK](#), published on 16th December 2024

¹³ Government must stop ‘outsourcing’ decisions, Warrington Guardian, 11th March 2025, accessed at: [Government must stop ‘outsourcing’ decisions to regulators, PM tells Cabinet | Warrington Guardian](#)

22. **The CWU rejects Ofcom’s suggestion that its latest proposals could be implemented through changes to regulation without the need for Parliamentary approval under the Postal Services Act.** Section 31 of the Act¹⁴ sets out the requirement for one delivery of letters every Monday to Saturday, stipulating that the service must be affordable. We believe that Ofcom’s proposal for alternate day Second Class letter delivery and no price cap on First Class letters is incompatible with these two corresponding requirements under the Act. As we set out in our submission, there is strong evidence that First Class stamp prices are not affordable for many users.

CWU’s response to Ofcom’s questions

Question 2.1: Do you agree with the provisional conclusions set out in our Equality Impact Assessment? Please state your reasons and provide evidence to support your view.

23. We do not agree with Ofcom’s view that its proposals are likely to have limited adverse impacts on specific protected characteristics such as age and disability, or on other groups such as vulnerable people or different socio-economic groups.
24. On the contrary, we see the adverse impacts on such groups as being significant and far-reaching. One important reason for this is that vulnerable groups identified by Ofcom as being more reliant on postal services are substantial in size and set to grow in future, as the CWU said in our response to Ofcom’s CFI last year.¹⁵ The Financial Conduct Authority found that in February 2020 46% of UK adults (24.1 million people) had characteristics of vulnerability. By October 2020, this had increased to 53% due to the pandemic and its effects.¹⁶
25. It is also important to take into account that the vulnerable groups identified by Ofcom as being more reliant on postal services often do not have access to an alternative channel of communication. Coupled with this, they are more likely to rely on postal services for vital and time critical correspondence, such as medical appointment letters and court procedures.
26. We note Ofcom’s finding that certain groups are more likely to use letters for medical testing and sampling, but we disagree with the view that most postal medical testing would not be adversely affected beyond those sent Second Class between Wednesday and Saturday which Ofcom states “*could arrive one day later than now*”.¹⁷ As we explain further under question 5.1, the proposed alternate weekday model could in fact result in some Second Class letters being delivered two days later than now due to being delayed until D+4 in cases where they could not be accelerated to D+2. It is a serious concern

¹⁴ [Postal Services Act 2011](#)

¹⁵ [CWU Response to Ofcom Call for Input 3 4 24 final.docx](#), CWU, 3rd April 2024, paras 30-33

¹⁶ [FG21/1: Guidance for firms on the fair treatment of vulnerable customers](#), Financial Conduct Authority, February 2021

¹⁷ [Consultation: Review of the universal postal service and other postal regulation](#), Ofcom, January 2025, p.181

that Ofcom has not accounted for or acknowledged this in its equality impact assessment.

27. Ofcom should also have acknowledged that cancer patients fall into the groups who rely on the post for medical testing and sampling, that cancer is considered a disability under the Equality Act from the point of diagnosis and for the rest of that person's life including where there is no evidence of disease,¹⁸ and that cancer patients are also more likely to be on a low income and therefore unable to meet the higher costs of a faster postal service. In addition, the number of people affected by cancer is substantial. There were more than three million people living with cancer in the UK in 2024, rising to 3.5 million by 2025 according to Macmillan Cancer Support.¹⁹
28. We note that some of Ofcom's own statements appear to contradict its overall conclusion that adverse impacts on vulnerable people will be limited. For example, Ofcom finds that some senders of time sensitive letters may need to switch to more expensive alternatives to meet their needs and that this could be particularly impactful for financially vulnerable people. Ofcom also finds that if statutory deadlines for such things as benefit claims were missed due to slower delivery, this could be particularly detrimental to people who are digitally excluded or financially vulnerable.
29. We agree that action is essential to protect the universal postal service for all postal users, including vulnerable users. However, as we explain elsewhere in our submission, we believe the service should be protected and secured primarily through growth and investment, rather than through service cuts.

Question 2.2: *Do you agree with our assessment under the Welsh Language Standards? Please state your reasons and provide evidence to support your view.*

30. We are concerned that Ofcom does not appear to have presented any evidence for its assessment that the proposals being consulted on will treat Welsh language no less favourably than English language, or that they will have no adverse effects.
31. We are also concerned that Ofcom has reached this conclusion without any reference to its user needs survey finding that people in Wales are most likely to indicate negative impacts of the proposed service reductions.²⁰ We would argue that this finding is relevant and should have been drawn out in this context.
32. We note that older Welsh speakers are more likely to use Welsh in written communications²¹, and that older people report a greater reliance on postal services. This suggests there could potentially be an adverse effect on the Welsh language if the

¹⁸ [Did you know that cancer is classed as a disability under the Equality Act? – Civil Service](#), and [The Disability Discrimination Act, Equality Act and cancer | Cancer Research UK](#), accessed on 14th March 2025

¹⁹ [PowerPoint Presentation](#), Macmillan Cancer Support Statistics Fact Sheet, updated April 2024, accessed on 14th March 2025

²⁰ [Post User Needs Research report](#), Ofcom, BMG Research, January 2025, see in particular slide 48.

²¹ [Welsh speakers email, text and social media mostly in English, survey finds - BBC News](#)

reduction in delivery frequency for Second Class letters and changes to quality of service requirements result in a lower level of written correspondence in Welsh.

33. Ofcom should present some analysis to support its conclusions in this area, setting out for example the number of Welsh speakers by demographic, the proportion without internet access and living in a rural or remote location. This would provide an evidence based, properly informed assessment as to whether the proposals will have a disproportionate adverse impact on the Welsh language.

Question 3.1: *Do you agree that we have identified the reasonable needs of post users? Please provide reasons and evidence for your views.*

34. No, we do not believe that Ofcom has identified the reasonable needs of post users. More specifically, we are not convinced of Ofcom's conclusion that the current universal service goes beyond what people reasonably need from post today. We also have some significant concerns about apparent weaknesses and limitations of Ofcom's user needs research which could undermine the validity of its findings.

Vulnerable users are significantly adversely affected and they are substantial in number

35. It is difficult to agree with Ofcom's conclusion that the current universal service goes beyond what people reasonably need from post today when the concerns raised by vulnerable users are so significant and far reaching. For example, Ofcom found that 15% of those who said that they receive medical test results by letter said that a Second Class letter that would take a day longer to deliver would not meet their needs, and twelve per cent of recipients said the same in relation to healthcare appointment letters. Furthermore, 4% of residential users said their needs would no longer be met in relation to at least one type of letter. All of this translates into a substantial number of postal users, as we have noted in our response under question 2.1.
36. As we also said in our CFI submission last year, vulnerable groups who will be adversely impacted by the changes include people of older age (12.6 million) and with mobility problems (7.5 million). Further, Ofcom does not acknowledge that there are substantial numbers who rely on postal services because they do not have access to the internet at home (3.9 million) or because they lack the digital skills to receive important information electronically (10.2 million).²²

The need for reliability as a priority has not been weighed in the current context

37. We agree with Ofcom's conclusion that people need a service that is reliable, and we accept Ofcom's findings that reliability is considered a priority over speed and frequency by the majority of users. However, it is important to reflect that users have been asked what they want from a postal service at a time when expectations of reliability are extremely low and Royal Mail has missed its quality of service targets for the last five years. Ofcom does not account for this reality in its report and does not acknowledge that this will have the effect of reducing user expectations and responses to the survey

²² [CWU Response to Ofcom Call for Input 3 4 24 final.docx](#), CWU, 3rd April 2024, paras 30-33

questions. This means that respondents may have placed less emphasis on the importance of speed and frequency in the current context than they would do in circumstances when postal delivery is reliable.

Ofcom's findings on affordability are questionable and First Class stamp prices are increasingly unaffordable for many

38. We agree with Ofcom's finding that people need a service that is affordable and have a strong preference for a 'one price goes anywhere' service. However, we do not agree with Ofcom's conclusion that First Class services are currently affordable for most users or that the First Class price of letters is 'not unaffordable'.

39. Ofcom has acknowledged concerns about the affordability of First Class letters and its own research shows that cost considerations are resulting in users sending less post or using a lower-cost product.²³ Since Ofcom's last detailed assessment of the affordability of First Class stamps in April 2023²⁴, the price of a First Class stamp has risen four times from £1.10 and is now 55% higher at £1.70 from April 2025. At 5p or just 3%, the April 2025 price rise is relatively low, which is perhaps deliberate given the timing of Ofcom's review but there is every chance Royal Mail will compensate for this by raising prices again in October. The rapid and substantial rise in stamp prices will have had a significant impact on affordability since Ofcom's last detailed assessment in 2023. We believe Ofcom must bring its planned work on affordability forward now rather than waiting until the second phase of its work on USO reform.²⁵ The CWU is also concerned that the rapid increases in the price of a First Class stamp, alongside ongoing quality of service failures, is the primary factor in accelerating letter decline, as the service becomes more unaffordable for customers and businesses.

40. Even when based on historical data when prices were much lower, Ofcom's conclusion that First Class stamp prices are 'not unaffordable' because of infrequency of use and the option of a lower priced service is tenuous to say the least.²⁶ The affordability of First Class stamps should be based on the price of a First Class stamp, not the choice of a cheaper option, in the same way that a first class train fare does not become more affordable because of the availability of a second class train fare.

41. Citizens Advice has found that one in three people said they would struggle to afford a book of eight First Class stamps, now costing £13.60, while 16% would struggle to afford a single First Class stamp.²⁷ Citizens Advice found in 2022 that 1 in 4 people have cut back on sending post to be able to afford essentials like food or heating. This is a four-

²³ [Consultation: Review of the universal postal service and other postal regulation](#), Ofcom, January 2025, see para 3.105 and para 5.49

²⁴ [Residential Postal Affordability Research](#), Jigsaw qualitative research report, June 2023 (Data gathered in April 2023 soon after First Class stamp prices rose to £1.10).

²⁵ [Consultation: Review of the universal postal service and other postal regulation](#), Ofcom, January 2025, see para 5.49

²⁶ [Consultation: Review of the universal postal service and other postal regulation](#), Ofcom, January 2025, see para 5.47

²⁷ [More than two thirds of people think 1st class stamp price increases are unfair, says Citizens Advice - Citizens Advice](#)

fold increase in five years. They said that post should be universal and affordable, but that this is not the case.²⁸

42. The weaknesses in the case around the affordability of First Class stamps raises serious questions about whether Ofcom's proposals can legitimately be taken forward through regulatory change as proposed. Second Class services are affordable for most but will only be delivered every other day, whilst First Class services will be delivered every day but the evidence suggests they are unaffordable for many. Given the Postal Services Act 2011 makes clear that the USO provider must deliver letters six days a week and this must be affordable, we believe this proposal must be endorsed by the Government and Parliament if it is to be taken forward.

Some of Ofcom's evidence is contradictory

43. As we said in our response to Ofcom's Call for Inputs last year, we believe that some of Ofcom's user needs evidence is contradictory. For example, Jigsaw's 2020 research predicted that a three day delivery frequency would be acceptable to 85.4% of people, but Ofcom also says that it has consistently found that the majority of users consider five day a week deliveries to be important.²⁹

Question 3.2: Do you agree that the market is meeting the reasonable needs of post users? Please provide reasons and evidence for your views.

44. No. It is clear from the delivery failures that we have seen in recent years that, although the current USO specification is sufficient, the market is not meeting the reasonable needs of users. As the postal consumer watchdog Citizens Advice reported in its recent annual work plan, Royal Mail has failed to meet its quality of service obligations for nearly half a decade. Citizens Advice's third annual Parcels League Table found that consumers face poor service across the board. They reported a significant impact on consumers from these problems, and have called for postal services to be better focused on improving consumer outcomes.³⁰

Question 5.1: Do you agree with our proposals and impact assessment on changes to the delivery frequency of Second Class letters so that those items would be delivered every other day from Monday to Friday, and would not have to be collected, processed or delivered on Saturdays? Please provide reasons and evidence in support of your views.

The CWU reserves judgement on the proposals pending the USO pilots

45. As we have said above, the CWU reserves our judgement on the relative merits of the proposals regarding the delivery frequency of Second Class letters until we have seen and properly assessed the results of the USO pilots.

²⁸ [Is post too expensive?. Why Ofcom should look at the cost of... | by Charlotte Rennie | We are Citizens Advice](#)

²⁹ Ofcom consultation, January 2025, see paras 3.63 and 3.66

³⁰ [Draft Consumer work plan 2025/26](#), Citizens Advice, accessed on 18th March 2025

The CWU is deeply concerned about the overall reform package threatening thousands of jobs

46. Naturally, the CWU has a major concern about the impact of USO reform on our members' jobs, particularly if decisions are made on a national method-change average rather than assessing the performance of any changes in local areas. We note that Ofcom has estimated potential net cost savings of £250m to £425m for 2025-26 from its overall package of reform, including the alternate weekday delivery model for Second Class letters. Royal Mail has estimated net cost savings up to £300m for its proposals, including the alternate weekday delivery model. However, these estimates cannot be accurate as they are pre-determined savings targets, rather than a more exact prediction based on the implementation of any changes across many areas of the country with different delivery specifications and therefore, different staffing needs.
47. The CWU is committed to ensuring that there are no compulsory redundancies in Royal Mail, as has been the case for its entire history. We strongly assert that any overall job reductions must be based on whether workload is achievable, quality is met and the resourcing model is robust. If this is achieved then any further job reductions should only come from significantly reducing reliance on agency staff, natural wastage and voluntary redundancies.

We believe there are weaknesses with the impact assessment which potentially invalidates the results

48. Ofcom's proposals to change the delivery frequency of Second Class letters would remove delivery on a Saturday, and Saturday would no longer be included as a working day for the purpose of calculating routing times. This means that while the delivery speed target nominally remains at D+3 under the proposals, in practical terms this would be the equivalent of D+4 under the current system for any Second Class letter items posted on Wednesday to Saturday. These items could arrive a day later than now and would still meet the specified routing time for delivery within three working days of posting. As Ofcom also notes, it is likely that *'where letters could not be delivered on D+2 to requisite delivery points, they would be delayed until D+4, and would therefore be delivered late'*.³¹ It is important to note that D+4 under the proposal is the equivalent of D+5 for Second Class letters currently posted on Wednesday to Saturday i.e. two days later than at present. Royal Mail has informed us that any Second Class letters due to arrive on a day with no delivery opportunity will be accelerated to D+2, but we are not convinced this ambition is realistic at a time when the business is failing to hit the Second Class quality of service targets. Therefore, we believe the proposals are likely to slow delivery speed to four or five days for some mail, compared with three days under the current framework. Ofcom's postal user needs assessment concludes that users are willing to accept slower delivery speeds for non-priority letters³²
49. In light of the above, we are concerned that the BMG technical report on Ofcom's post user needs research indicates that respondents were only informed that they could expect Second Class post to arrive a day later than it would now under the alternate

³¹ Ofcom consultation document, January 2025, para 6.64, p.108

³² Review of the universal postal service and other postal regulation, Ofcom, 30th January 2025, para 3.92

weekday delivery model.³³ Equally, the BMG user needs research only appears to assess the impact of Second Class letters arriving one day later than they would now, with no reference to user responses regarding letters arriving two days later. It does not appear from any of the BMG documentation that respondents were told that Second Class post could arrive two days later than it would now in cases where processing cannot be accelerated, due to letters being delivered every other weekday over a two-week period and depending on when the letter was posted. We believe this is potentially misleading and may have seriously affected user responses about the perceived level of impact of the changes on them.

50. The table below illustrates how if posting a Second Class letter on a Thursday prior to delivery in Week 1, the letter will be scheduled to arrive with a recipient on Road B the following Tuesday. However, if posting the same letter on a Thursday in Week 2, and in cases where it is not possible to expedite the processing of the letter so that it is ready for delivery on D+2 (i.e. Monday), the letter will not arrive with the recipient on Road B until the Wednesday due to no scheduled delivery on Tuesday that week. The delivery in Week 2 would therefore arrive two days later than it would under the current USO specification.

Table 1: Proposed Second Class Alternate Weekday Model illustrative example

	Day of posting	Current due delivery day	Future due delivery day	NB: Orange highlight signifies scheduled delivery day	
				Alternate day delivery Road A	Alternate day delivery Road B
Week 1	Monday	Thursday	Thursday	Monday	Monday
	Tuesday	Friday	Friday	Tuesday	Tuesday ✓
	Wednesday	Saturday	Monday	Wednesday	Wednesday
Letter posted:	Thursday	Monday	Thursday ✓	Thursday	Thursday
	Friday	Tuesday	Wednesday	Friday	Friday
	Saturday	Wednesday	Thursday	Saturday	Saturday
	Sunday	Thursday	Thursday	Sunday	Sunday
Week 2	Monday	Thursday	Thursday	Monday	Monday ✓
	Tuesday	Friday	Friday	Tuesday	Tuesday ✗
	Wednesday	Saturday	Monday	Wednesday	Wednesday ✓
Letter posted:	Thursday	Monday	Monday if accelerated	Thursday	Thursday

³³ [Ofcom Post User Needs survey research 2024 - Technical Report – prepared by BMG Research](#)

	Day of posting	Current due delivery day	Future due delivery day	NB: Orange highlight signifies scheduled delivery day	
				Alternate day delivery Road A	Alternate day delivery Road B
			to D+2 ✓		
			Tuesday ✗		
			Wednesday (D+4) if not accelerated to D+2 ✓		
	Friday	Tuesday	Wednesday	Friday	Friday
	Saturday	Wednesday	Thursday	Saturday	Saturday
	Sunday	Thursday	Thursday	Sunday	Sunday

Source: CWU

Questions on USO quality of service targets

Question 6.1: Do you agree with our proposal to set the First Class national D+1 performance target to 90%? Please provide reasons and evidence for your view.

Question 6.2: Do you agree with our proposal to set the First Class PCA D+1 performance target to be 3% lower than the national target (i.e. for the PCA target to be 87% to align with our proposed 90% national target)? Please provide reasons and evidence for your view.

Question 6.3: Do you agree with our proposal to introduce a new First Class ‘tail of mail’ target of 99.5% at D+3? Please provide reasons and evidence for your view.

Question 6.4: Do you agree with our proposal to set the Second Class D+3 performance target to 95%? Please provide reasons and evidence for your view.

Question 6.5: Do you agree with our proposal to introduce a new Second Class ‘tail of mail’ target of 99.5% at D+5? Please provide reasons and evidence for your view.

51. The CWU reserves judgement on the proposed USO quality of service targets pending the results of the USO pilots.

52. The ability to meet quality of service targets is extremely important to the CWU and our members who take pride in delivering a reliable service to customers. Royal Mail's failure to meet performance targets is in part the consequence of deliberate under resourcing to reduce costs, which creates unmanageable workloads and places considerable pressure on the workforce. That is why, as stated earlier in this submission, one of our agreed overarching objectives of the USO pilots is to maintain or improve quality of service on all products to achieve regulatory and commercial targets.
53. As Ofcom notes, Royal Mail's performance since 2020/21 has fallen far below target levels, with less than 75% of First Class mail delivered on time in three of the past four years, against a target of 93%.³⁴ This is completely unacceptable and must be swiftly resolved.
54. We recognise that the higher the targets are set, the more resource is required and that the cost of improving performance increases significantly at higher levels of performance. For example, Royal Mail has estimated that £20-30m investment is necessary to improve from 77% to 82.5%, a further £60-80m p.a. to improve to 90%, and a further £120-180m p.a. to improve from 90% to 93%. Given that quality of service for First Class post is currently around 76%, clearly a significant amount of investment is needed to improve performance to current target levels of 93%.³⁵
55. We note Ofcom's findings that a high level of quality of service is important to postal users, and that users want improvements to quality of service and Royal Mail's accountability to provide reliability.³⁶ We also note the finding that a 90% target for First and Second Class mail would meet 97% of residential users' needs, 1 percentage point down from the 98% of user needs met by the current target.
56. We acknowledge that Ofcom has assessed alternative options for the First Class D+1 target, including 90%, 85% and 80%, but has proposed the higher of these on the basis that a 90% target could support a better balance of consumer outcomes on price and confidence in delivery whilst maintaining a very high target. We also acknowledge that Ofcom has proposed new First and Second Class 'tail of mail' targets in support of reliability, and that many other comparable countries already have such targets in place in order to limit the extent of delays.

Quality of service targets must be properly enforced if they are to be meaningful

57. If any quality of service targets are to be meaningful, they must be properly enforced. One of the main reasons for Royal Mail's quality of service failures in recent years has been Ofcom's inability to enforce the regulations effectively.
58. It is no use imposing tokenistic fines on Royal Mail each year that cost the business significantly less than maintaining the level of resource needed to meet the quality of

³⁴ Ofcom consultation, 30th January 2025, para 6.11

³⁵ See IDS plc quality of service Reports, Q3 2024/25: [Quarterly Quality of Service & Complaints Report](#)

³⁶ Ofcom consultation, 30th January 2025, para 6.26

service targets. We strongly believe that bonuses and additional earnings opportunities for senior management should be linked to quality of service performance and directly regulated by Ofcom, as part of their duty as the universal postal service provider and restrictions should be utilised if Royal Mail continues failing to its QoS targets.

59. In addition, it must be acknowledged that the issues in delivering quality of service can also be significantly linked to the inferior pay, terms and conditions offered to new starters in Royal Mail (who joined after December 2022) and the subsequent recruitment crisis it has created within the company. The inferior pay and conditions means the job of a postal worker, a physically demanding job, is less attractive to new entrants and Royal Mail is struggling to attract people to the company. The CWU has received reports of serious staffing shortages and staff retention issues in offices around the country, which has led to the existing staff not being able to deliver products within the required timeframe. The proposed quality of service targets will not be achieved unless this is resolved.
60. We urge Ofcom to urgently consider how it can change its approach to enforcement, as this is pivotal to ensuring that the universal postal service works for users and can be relied on. This should involve adopting measures that have worked in other sectors of the economy, including restrictions on additional earnings opportunities for senior management as referenced above.

Questions on changes to the access condition

Question 7.1: Do you agree with our proposal to regulate D+3 access services, subject to a margin squeeze control and the other protections outlined above? Please provide reasons and evidence for your views.

Question 7.2: Do you agree with our proposal to change the specification of D+5 access services to remove Saturday as a delivery day? Please provide reasons and evidence for your views.

Question 7.3: Do you agree with our proposals to maintain a margin squeeze control on D+2 access services, where the relevant retail services are Royal Mail's First Class retail bulk services? Please provide reasons and evidence for your views.

Question 7.4: Do you agree with our proposals for pricing transparency and amending how access services are defined? Please provide reasons and evidence for your views.

61. As with Ofcom's other proposals, the CWU reserves judgement on the proposed changes to the access condition pending the results of the USO pilots.
62. However, we accept that if Royal Mail is to realise the benefits from any reform of the USO, and assuming access volumes remain the same, Ofcom will also need to amend the access obligations on Royal Mail to ensure it can operate the same alternate weekday delivery model for the vast majority of mail.

63. Access bulk mail now represents over 70% of letter volumes, having risen from 46% in 2011/12.³⁷ Ofcom's focus on promoting artificial downstream access competition is one of the major factors that threatens the financial sustainability of the postal USO. This is because it allows competitors to hive off revenues and profits from the USO network which Royal Mail is required to maintain, thereby undermining the economics of the universal service.
64. The regulatory regime adopted by Postcomm under the Postal Services Act 2000 resulted in the UK being the only country in the EU that mandated access and guaranteed a margin for competitors to the Universal Service Provider. No EU country has experienced anywhere near the same degree of mandated and price-controlled access as the UK, and in no EU country is more than c.25% of upstream letters volumes accounted for by access competitors.
65. Ofcom concludes that it is unlikely it can do significantly more than it is proposing under the current regulatory framework to respond to the challenges facing the universal service.³⁸ We strongly disagree with this position, and we assert that Ofcom could alleviate the pressure on the financial sustainability of the USO substantially by introducing measures to curb the level of access competition in the UK postal market.
66. As we have also outlined briefly above and more expansively in our previous regulatory submissions over the years, Ofcom could also take action on a range of other measures to help sustain the postal USO. These include regulating low cost parcel operators and allowing Royal Mail more scope to leverage the universal network for growth.³⁹

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³⁷ Post Monitoring Report, financial year 2023-24, Ofcom, 28th October 2024, accessed at: <https://www.ofcom.org.uk/siteassets/resources/documents/postal-services/monitoring-reports/2023-2024/post-monitoring-report-2023-24.pdf?v=384016> and Annual Monitoring Update on the Postal Market 2014-15, Ofcom, 27th November 2015 (not available online).

³⁸ Review of the universal postal service and other postal regulation, Ofcom, 30th January 2025, para 1.29

³⁹ See for example CWU response to Ofcom CFI, paras 64 to 67 and paras 114 – 118, 2nd April 2024, available at: [CWU Response to Ofcom Call for Input 3 4 24 final.docx](#)

9th April 2025