

No: 568/20

26<sup>th</sup> November 2020

**TO: ALL BRANCHES**

Dear Colleague

## **OFCOM'S REVIEW OF POSTAL USERS' NEEDS AND THE USO**

The purpose of this LTB is to update branches on a document and statement that was put out this morning by Ofcom, on its research assessing whether the USO meets the reasonable needs of users. Under the Postal Services Act any changes to the USO can only be made by the government following a vote in both Houses of Parliament and Ofcom's research is designed to inform decisions on this.

Ofcom does not make any specific recommendations to the government on changing the USO, but its statement highlights two key findings: firstly, that changing the USO from 6 to 5 days for letters would continue to meet the needs of 97% of postal users; and secondly, that such a change to the USO would "potentially allow Royal Mail to make net cost savings of around £125m-£225m per year." Clearly both statements it has highlighted will be used to make the case for a cut to the universal service, something we know certain shareholders in Royal Mail will be pushing for.

The union issued statements responding to Ofcom's announcement which are attached to this LTB. In these we set out the union's opposition to a cut to a 6 day postal service and highlighted that Ofcom's own research shows significant public support for this. We also highlighted how the postal service has been clearly shown to be essential during the pandemic; how the regulator and government should be looking to expand the USO with more parcels and other new services, in order to ensure it is sustainable; and called on the government to support rather than scale back an essential part of the UK's infrastructure.

While letter volumes have declined, in the statements we make clear that the union believes the role of the regulator and the government is to protect and enhance the universal service and reiterate our support for investment in new USO services and parcel automation to deliver greater efficiency. Ofcom's statement reflects out of date thinking that inevitably leads towards managed decline.

As branches will recall, in the Joint Statement between Royal Mail and the CWU in July, we agreed to develop "a joint strategy to maintain the USO as part of the social fabric of the UK, including exploring the potential for new USO products to support its long-term economic sustainability" and we are continuing to work on this as part of the current talks.

Alongside this, the union will be lobbying the Government and politicians to make clear that it must not move away from a 6 day postal service and mounting a public campaign to defend jobs and a vital public service for the whole of the country.

A copy of Ofcom's statement and a briefing note on Ofcom's report are attached to this LTB.

Enquiries on the contents of this LTB regarding the Government and Regulators position, should be addressed to the General Secretary's office [jdunn@cwu.org](mailto:jdunn@cwu.org), enquiries relating to the impact on Royal Mail and CWU members should be addressed to the DGS (P) Department [hford@cwu.org](mailto:hford@cwu.org).

Further updates on this work will be sent out to branches shortly.

Yours sincerely



Dave Ward  
**General Secretary**



Terry Pullinger  
**Deputy General Secretary (P)**

## CWU RESPONSE TO OFCOM STATEMENT ON UNIVERSAL SERVICE OBLIGATION

Responding to today's press release from OFCOM CWU General Secretary Dave Ward said 'At a time when postal services have never been more essential and we should be investing in our national infrastructure, we should be looking for ways to protect and enhance a six day universal postal service, not for reasons to cut it back.'

"While letter volumes have continued to decline, there is huge demand for affordable high quality parcel services that cover every part of the country and during the pandemic Royal Mail has handled over 90% of all Covid-19 testing kits. A 6 day universal service remains essential to the UK and we should be looking at building new products and services into it to support its long-term sustainability rather than managing its decline."

"It is ironic that this news from the regulator has come the day before Black Friday, one of the busiest posting days of the year, when no other person in the country is thinking about how to cut their postal services. It is essential that the government and MPs protect the country's infrastructure and do not move to scrap the universal service at the worst possible time."

"Ofcom's research shows that 40% of people would feel cut-off from society without a daily postal service and that 61% of people think it's important to maintain a 6-day service. The role of the regulator and the government should be to ensure this continues and the CWU will be fighting to defend a vital public service."

CWU Deputy General Secretary Terry Pullinger said "Once again Ofcom has produced a predictable conventional wisdom, but dated report, many countries have knee jerked towards reducing their USO and weakened the social inclusion and connectivity of their nations citizens. If this report was up to date it would reflect how the current pandemic has totally proven the worth of the 6-day USO which does not only deliver letters."

"Ofcom make reference to the current USO being letters six days and parcel five days, and yet despite making a huge case for the need to be more efficient in delivering parcels, does not recommend moving USO parcels to six days. A move which would totally benefit the nation offering affordable guaranteed one price goes everywhere universal service six days a week, and if you are going there with parcels why would you not still deliver any available letters, surely that is efficient. The CWU would support that change, the CWU supports greater investment in parcel automation which would drive the efficiency they desire, the CWU support opening the delivery of commercial parcel offerings across the whole day from 7.00am to 19.00hrs and also seven days a week.'

"The Universal Postal Service Obligation is one of our greatest social inventions and has massively proved its worth again during this pandemic some 500 hundred years or more since it was first introduced. Whilst Ofcom enjoy loading the gun it would be unforgiveable for the Government to fire it, run that consultation again Ofcom and see the results you get from the public and businesses now having witnessed its true worth during 2020."

ENDS

# Delivering postal users' needs in a digital age

Royal Mail needs to become more efficient and modernise its parcel network  
New Ofcom research shines a light on changing attitudes to postal services  
Reducing letter deliveries to five days a week would still meet the needs of nearly all people and businesses  
But changing delivery requirements alone would not sustain the universal service in the long term

## Ofcom is calling on Royal Mail to modernise its network and become more efficient, in order to sustain the universal service and keep pace with postal users' changing needs.

The postal market has changed dramatically in recent years. The number of letters people send and receive has fallen by around 5% each year since 2015, as people increasingly rely on email and other online communications.

Growth in online shopping has seen overall parcel volumes increase at a rate of around 10% per year since 2015. And these trends seem to have accelerated during the coronavirus pandemic, with Royal Mail reporting a 31% increase in its UK parcel volumes between April and September this year.

While the pandemic has made 2020 a particularly challenging year for Royal Mail, the issues facing the company due to the changing market and consumer behaviour were apparent before the pandemic started to have an impact.

## Parcel delivery: Royal Mail must modernise and become more efficient

Ofcom's [annual monitoring report on the postal market](#) sets out data and trends within the postal sector, and examines Royal Mail's performance. In 2019/20, 2.8 billion parcels were sent and received in the UK – one billion more than in 2013 – in a market now worth over £10bn in revenues.

Our analysis of Royal Mail's efficiency shows that costs in the part of the business responsible for the universal service increased last year. The company failed to make efficiency gains or meet the targets it set itself for improving productivity.

Unless Royal Mail can modernise its network to adapt to parcel customers' changing needs, and operate more efficiently, the sustainability of the universal service could be at risk in the longer term.

## Letter delivery: does the universal service reflect users' needs?

Under legislation, the universal postal service requires Royal Mail to deliver letters six days a week (Monday to Saturday) and parcels five days a week (Monday to Friday) to every address in the UK, at a uniform price.

With the market continuing to change rapidly, Ofcom has carried out a comprehensive [review of the needs of postal users across the UK](#), to see if the delivery requirements Royal Mail has to meet still reflect what people and businesses need today.[1]

We have asked people and businesses how they feel about a range of hypothetical changes to the universal service, to find out what would meet their needs. Any changes to the universal service's minimum requirements could only be made by Government and Parliament, but the findings give an insight into how people's attitudes to postal services have evolved.[2]

Our research found that the current six-day-a-week letter delivery requirement meets the needs of 98% of residential users and 97% of small and medium businesses (SMEs) in the UK. Reducing this to five days a week, but leaving all other elements of the service unchanged, would still meet the needs of 97% of residential and SME users.[3]

This suggests that reducing the letter deliveries requirement to five days a week would reflect postal users' reasonable needs. It would potentially allow Royal Mail to make net cost savings of around £125m–£225m per year.

However, Royal Mail continues to face significant financial challenges and this saving alone would not be sufficient in itself to ensure the longer-term sustainability of the universal service.

**Lindsey Fussell, Ofcom's Networks and Communications Group Director, said:** "Our research suggests that people's needs would still be met if letter deliveries were reduced from six days a week to five.

"It would ultimately be for Parliament to decide whether this change is needed. However, Royal Mail must still modernise and become more efficient, to keep pace with customers' changing needs."

## Next steps

We have researched whether the minimum requirements of the universal service reflect the reasonable needs of postal users. It would be for the UK Government to determine whether any changes are needed to these minimum requirements and to bring any proposals before Parliament.

Separately, we are reviewing the future regulatory framework for post. This will consider issues affecting the broader postal sector, as people's reliance on parcels continues to grow. For example, we will look at continuing the requirements for Royal Mail to provide wholesale access to its network, and whether extra consumer protections are required in the parcels market. We will consult on these issues next year and conclude this review in 2022.

**End**

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