

No. 398/24

Dear Colleagues,

## USO Pilots

As reported at the national briefing we have been in discussions with Royal Mail over piloting their preferred USO reform model.

The pilot will take place from February 2025 in 37 units across the UK. 34 of these units were selected by Divisional Representatives and 3 by Royal Mail.

The pilots will test the method change assumptions linked to the USO change.

Royal Mail's preferred USO change titled 'the Optimised Delivery Model' is based on the following:

- 1<sup>st</sup> Class and parcels will be delivered to every address Monday to Saturday.
- Non priority (DSA, 2<sup>nd</sup> class) will be delivered to an address every other day Monday to Friday.

The key principles state that the pilots must:

- Maintain or improve quality
- Must deliver fair and manageable workload and address fatigue.
- Must improve attendance patterns with fewer Saturday attendances.
- Will improve culture, morale and confidence in the workplace.

We have now secured both a Terms of Reference for the pilots and an agreed statement on moving forward some issues.

Within the statement we have now agreed that circa 11,000 part timers will from 1<sup>st</sup> January 2025 have the ability to increase their contracted hours, including up to full time, on the legacy terms and conditions. This commitment is ongoing and applies to any further increase in part time contracted hours.

We have also ensured that no surplus employees will be moved from the pilot sites and scheduled attendance will be maintained.

We have also improved the attendance procedure. Stats show that only 2.2% of the 33 charged individuals who are issued an AR1 appeal and that when they do 52% are successful. There is only 5.5% of the 6467 individuals who are issued an AR2 that appeal. Yet out of 358 individuals who appeal 208 win their appeal.

The issuing of an AR1 or AR2 are not done at Welcome Back meetings. The manager at the Welcome Back meetings decides whether an absence counts towards an AR warning but the AR warnings are generated centrally. Evidence shows 19% of absences are discounted.

We have therefore made the following improvements.

1. All managers will be reminded that they have the full authority to discount absences counting towards AR warnings.
2. That we will highlight to employees that they have the right to appeal an AR1.
3. That they will get an automatic appeal at AR2.

We will then look to address some further issues and achieve an agreed attendance procedure.

We will report further developments on the USO pilots in due course.

Yours sincerely,

Martin Walsh  
**Deputy General Secretary (Postal)**

Andy Furey  
**Assistant Secretary**

Davie Robertson  
**Assistant Secretary**

Tony Bouch  
**Assistant Secretary**

Bobby Weatherall  
**Acting Assistant Secretary**



## Universal Service Obligation (USO Reform) – Pilot Terms of Reference

### Introduction

Royal Mail (**RM**) and the Communication Workers Union (**CWU**) recognise the need for urgent USO reform and are jointly committed to ensuring that the USO reform is good for all employees, the business and our customers. In addition, it will provide the opportunity to:

- 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.

Underpinning the terms of reference is a joint desire to ensure that the introduction of the USO reform provides the opportunity to jointly design, test and review the operational solutions ahead of full deployment and ensure there is a complete reset on future ways of working and improved industrial relations based on the above principles. A move to a new, national operating model is subject to Ofcom's consultation and decision on USO reform. It can only be deployed beyond the agreed pilot units when Ofcom has changed the regulations.

### The Reason for USO Reform

Royal Mail and CWU recognise that urgent USO reform is necessary to create a sustainable future for both our employees and the business through a platform for growth and improved quality of service. USO reform will enable us to begin to address the unique challenges that the business faces including:

- The expected continuation of the decline in letter volume from circa 20 billion in 2004/5 to 7 billion currently – a 65% reduction
- The changing nature of traffic mix and the growth in parcels which adds additional operational pressure and therefore a requirement to change the ways of working

### The Pilots

- The pilots will include a number of changes to current operational workplans, layouts and processes which will deliver a more reliable, efficient and more financially sustainable USO.
- **1st class items and all parcels will continue to be delivered every day Monday to Saturday.**
- An optimised delivery model, which is used by many other countries, will be deployed for Non 1<sup>st</sup> class letter items which means these **items will be delivered every other weekday, Monday to Friday.**
- The optimised model is designed to achieve four critical objectives:
  - Retain a next-day, one price goes anywhere, universal service
  - Create a platform for sustainable growth for the business
  - To improve attendance patterns and methods in Delivery
  - To increase operational efficiency for non-1st class letter products by changing the speed and days of delivery.



## **Ways of Working**

This document outlines the way in which both parties will work together to identify, plan and deploy in jointly selected pilot units.

- A National Steering Group, National Functional working groups for Delivery, Processing, Local Distribution, MPUs, Collections and Regional Joint Working groups have been agreed. These groups will align on the key areas to ensure the pilots are successful in meeting the objectives of USO reform.
- There are 37 jointly agreed Delivery Offices and 13 Mail Centres (as listed in Appendix A) where pilots will take place. These pilots will conclude in line with any formal decision made by Ofcom as a result of the change in regulation conditions (expected summer 25) and lead to a National Agreement.
- We will work closely with employees in all locations, to test and provide feedback on new methods, workplans and resourcing arrangements.
- The measures of success for the pilots will include the following criteria:
  - Quality of service on all products will be maintained or improved
  - Resourcing will be robust and reliable to support the agreed Q of S and key performance metrics
  - Workload on all routes/walks is manageable in line with planned assumptions
  - Average weekly attendances and frequency of Saturday attendances are reduced.

This criterion will be further developed by the joint national functional working groups.

## **Summary**

Both parties have agreed that there will be joint briefing of all the affected Mail Centres and Delivery Offices in January 2025 to present the proposed changes and launch the planned pilot activity.

Throughout the coming months the parties have agreed to jointly work on what the revised USO reform and optimised delivery model looks like. A step-by-step guide with detailed communications and FAQs will be provided to help fully explain the changes.

Any issues or enquiries regarding this Terms of Reference should be raised with the appropriate national signatories from both Royal Mail and the CWU.

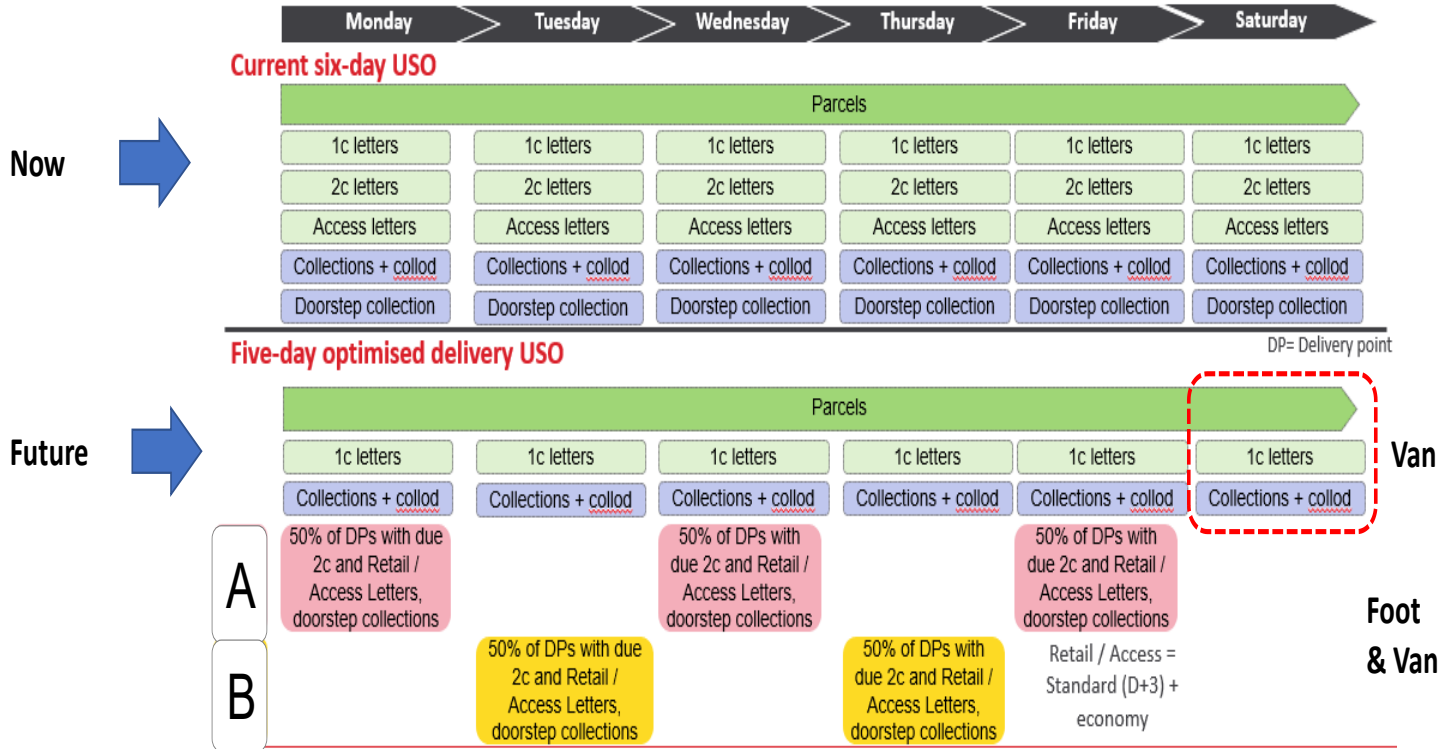
Alistair Cochrane  
Chief Operating Officer

Martin Walsh  
Deputy General Secretary (Postal)



**Appendix A – Pilot Sites - DOs and MCs**

Unit	Parent Mail Centre
ANTRIM DELIVERY SUMMARY	Belfast MC
BALLYMENA DELIVERY SUMMARY	Belfast MC
AYR DELIVERY SUMMARY	Glasgow MC
CUMBERNAULD DELIVERY SUMMARY	Glasgow MC
GIRVAN DELIVERY SUMMARY	Glasgow MC
NEWTON MEARNES DELIVERY SUMMARY	Glasgow MC
DARLINGTON DELIVERY SUMMARY	Newcastle MC
HEXHAM DELIVERY SUMMARY	Newcastle MC
STOCKTON ON TEES DELIVERY SUMMARY	Newcastle MC
FLEETWOOD DELIVERY SUMMARY	Preston MC
LYTHAM ST ANNES DELIVERY SUMMARY	Preston MC
PRESTON SOUTH DELIVERY SUMMARY	Preston MC
HULL MALMO ROAD DELIVERY SUMMARY	Sheffield MC
LOUTH DELIVERY SUMMARY	Sheffield MC
SCUNTHORPE DELIVERY SUMMARY	Sheffield MC
HADLEIGH DELIVERY SUMMARY	Chelmsford MC
SOUTHEND ON SEA DELIVERY SUMMARY	Chelmsford MC
MOUNT PLEASANT W DELIVERY SUMMARY	London Central MC
NORTH FINCHLEY DELIVERY SUMMARY	London Central MC
STOKE NEWINGTON DELIVERY SUMMARY	London Central MC
TENTERDEN DELIVERY SUMMARY	Medway MC
TONBRIDGE DELIVERY SUMMARY	Medway MC
BULWELL DELIVERY SUMMARY	Nottingham MC
CARLTON DELIVERY SUMMARY	Nottingham MC
NOTTINGHAM NORTH DELIVERY SUMMARY	Nottingham MC
BRINKLOW DELIVERY SUMMARY	South Midlands MC
COVENTRY NORTH DELIVERY SUMMARY	South Midlands MC
MELTON MOWBRAY DELIVERY SUMMARY	South Midlands MC
CHELTENHAM DELIVERY SUMMARY	Bristol MC
CLIFTON BS DELIVERY SUMMARY	Bristol MC
TROWBRIDGE DELIVERY SUMMARY	Bristol MC
BLACKWOOD DELIVERY SUMMARY	Cardiff MC
CARDIFF DELIVERY SUMMARY	Cardiff MC
USK DELIVERY SUMMARY	Cardiff MC
ROMSEY DELIVERY SUMMARY	Southampton MC
SALISBURY DELIVERY SUMMARY	Southampton MC
WINCHESTER DELIVERY SUMMARY	Southampton MC



**Appendix B – Visual on Optimised Delivery Model**



## **Working together to create the right platform to introduce USO Reform**

Royal Mail and the CWU recognise that USO reform is critical for the future financial sustainability of the company and are jointly committed to ensuring that USO reform is good for our people, our business, and our customers.

To enable this change Royal Mail have proposed a speed of delivery option called the Optimised Delivery Model. The principal behind this model is that first class and parcels are delivered six days per week as we do currently, and non-priority items are delivered to an address every other day Monday to Friday.

Royal Mail plans to introduce the USO model, subject to Ofcom approval, based on a method change approach. The method change approach allows for a quick route to improving attendance patterns, including less Saturdays at work, and the improvement in quality of service in those units where it is required

To fully test the Optimised Delivery Model and its planned assumptions, Royal Mail and the CWU have agreed 37 Delivery Units to be pilot offices across the whole of the UK. We will also be able to test the upstream impact in 13 Mail Centres, alongside local distribution.

To assist in creating the right platform and environment for introducing the pilots from Feb 2025, and further to the attached Terms of Reference document we have agreed the following:

### **1. Resolving the Part Time up to Full Time Resourcing Issue**

- Any employee employed on “legacy Terms & Conditions” (i.e., Those employed before December 2022) currently completing a role through a temporary variation and/or offered from January 2025 an increase in contracted hours to part or full-time hours will have the opportunity to accept that role on a permanent basis on their legacy Terms & Conditions. This would take effect for those in position on 1<sup>st</sup> January 2025. There are approximately 11,000 part timers who will potentially benefit from this move.

### **2. Resolving the Surplus within the Pilot Units**

There will be a potential surplus created in the 37 pilot sites when they go live. The following has been agreed to give confidence to employees involved in the pilots:

- Pilot offices will explore opportunities to increase annual leave slots aligned to potential surplus levels.
- Resourcing to first day failures or short-term sickness.
- Normal Scheduled Attendance arrangements will remain.
- The phasing in of the Pilot to ensure surplus staff are kept to a minimum.
- No employee will be relocated as part of the pilots, unless they request to do so
- There may be the opportunity for individuals in the pilot unit to take VR at the point when Ofcom decides on the appropriate USO change and implements the relevant changes to the regulatory conditions. This will be done in line with MTSF Appendix 5.
- The terms paid to those employees will be the terms applicable at the point of termination
- Both parties recognise that this arrangement is not additive to the total number of voluntary redundancies that may be proposed as part of the broader USO deployment.

### **3. No Compulsory Redundancies**

The BRT&G Agreement included a no compulsory redundancy commitment which was subject to a review in April 2025. It is confirmed that for the pilot sites the commitment to no compulsory redundancies has been extended to the conclusion of the pilot (until Ofcom have confirmed regulatory change).



#### **4. Next Steps**

Both Royal Mail and CWU will work together to review the pilots and to address any issues which come out of the pilots. The pilots will run from February 2025 with a review at the end of June 2025.

The review will include the following criteria and look to identify any opportunities for improvements:

- Ensuring the optimised delivery model is operationally deliverable and sustainable
- The need to achieve an outcome that is beneficial to employees and the company
- As outlined in the Terms of Reference the review will also consider whether quality of service is maintained or improved, that workload is manageable in line with planned assumptions and that the views of frontline employees participating in the pilots are fully considered

There will be ongoing discussions between Royal Mail and the CWU to conclude a National Agreement on how to apply the above principles to full USO deployment, including resolution of any potential surplus from deploying USO change.

#### **5. The Attendance Procedure**

Furthermore, and unrelated to USO Pilots Royal Mail and the CWU can jointly confirm the following clarification and amendment to the joint statement issued on 21<sup>st</sup> August 2023 regarding the attendance procedure:

- Both parties reaffirm that the Welcome Back Meeting should primarily be a health and wellbeing return to work discussion.
- The Company will recommunicate to managers the importance of applying discretion to absences which may count within the procedure and towards the issuing of an Attendance Review (AR) warning, where appropriate.
- Both parties will highlight to employees that they have the right to challenge an AR1 notification via an appeal. Royal Mail will communicate again the process to all managers and employees.
- Any AR2 which is issued will now automatically generate an appeal hearing, which the individual may opt out of.
- At the appeal hearing the employee will be entitled to have a CWU representative present.

The above is agreed in principle. Royal Mail will now need to investigate the system changes necessary to reflect the above intent and will confirm deployment arrangements by 31st January 2025.

Alistair Cochrane  
Chief Operating Officer

Martin Walsh  
Deputy General Secretary (Postal)