

No: 22/25

31st January 2025

Dear Colleagues,

USO Pilots Communication

Please see attached a communication titled Universal Service Obligation Update.

We would ask all Branches to ensure that this communication is shared with every workplace within their Branch. The CWU have not agreed to USO reform. Instead, we have agreed to pilot in 37 sites Royal Mail's preferred USO change which is called the Optimised Delivery Model.

The success criteria for these 37 pilot sites are clear.

1. They must achieve Ofcom's quality of service targets.
2. They must provide fair manageable and achievable workload.
3. They must provide a solution for fatigue.
4. It must improve attendance patterns including working fewer Saturdays.
5. It must improve confidence, trust and morale in the workplace.
6. It must also provide a platform for sustainable growth.

The agreement we reached with EP in December 2024 also states that any final agreement with the CWU on USO reform is conditional on progress and implementation within agreed timelines of the issues set out in section 5.

Section 5 commits EP and Royal Mail to agree the following:

Equalising new entrants pay, terms and conditions over an agreed timeline with a first step within 3 months of the transaction.

- A pay rise.
- A review of scheduled attendance and overtime rates.

- Improving sick pay arrangements.
- A review of voluntary redundancy terms.
- A new performance incentive scheme.
- New improved ways of working.

USO change will see the biggest change in deliveries within 50 years, it is essential that we pilot it to see its impact and potential benefits before we decide whether or not to support this model going forward.

For now, the CWU's focus is on supporting the 37 pilot sites to ensure that each of the pilot units adhere to the overarching objectives, including fewer Saturdays, achieving Ofcom's quality of service targets and delivering fair and manageable workload.

There is a desire for communications on this subject and therefore please ensure this LTB and the attached document are distributed to members in the workplace.

Any enquiries in relation to the content of this LTB should be addressed to the DGS(P) department.

Yours sincerely,

Martin Walsh
Deputy General Secretary (Postal)

UNIVERSAL SERVICE OBLIGATION UPDATE

Royal Mail and the CWU have agreed that 37 units will pilot the Optimised Delivery Model which is Royal Mail's proposal for USO reform.

Every other major country is changing their USO.

Ofcom estimates that the USO costs Royal Mail £300 million per year.

Since 2005 Royal Mail has gone from 20 billion letters per year to 7 billion.

Since 2008 downstream access accounts for 70% of all letters Royal Mail deliver.

Remember, this is the product where the cherry pickers make money from processing and distribution and then ask Royal Mail to do the costliest part: delivering it.

Since 2021 Economy Mail, the product that stays on a sequencing machine until it has more than one item to an address or until day 5, now accounts for 40% of all letters.

First-class mail accounts for 700 million items out of that 7 billion figure.

Parcels, including large parcels, have grown over the last few years requiring a better solution.

This is especially true since Royal Mail's share of parcels has declined from 73% of the entire market to just under 36% since privatisation.

It should also be recognised that despite the above, our members in deliveries are working harder than ever before. This is down to a combination of past job losses, unachievable workload, parcel growth, new delivery points and more transactions on the doorstep.

Royal Mail argue that the USO's spilling costs prevent them from achieving the current quality of service targets.

The CWU however, believe that Royal Mail could do far more than they are currently doing to improve quality of service across Royal Mail, and we will continue to be critical of them in this area.

However, we do fully understand that there is a need for a more sustainable Universal Service Obligation.

There are only two options for changing the USO. Reduce the days of the week the USO is delivered, which is the frequency route. Belgium has gone to a three-day USO.

Reducing Saturdays is no longer an option as it would only save around £50 million, and there is still a demand to deliver priority items on Saturdays.

Or you can move to a speed delivery option which delays specific streams of mail. Germany recently changed and delayed 1st class mail by a day so they could cease using aeroplanes to fly mail across the country.

Royal Mail's proposed solution is an alternative speed of delivery option which does the following:

First-class mail and all parcels will be delivered to every address 6 days per week, Monday through Saturday.

Non-priority items such as 2nd class and downstream access, unless they pay more, will be delivered to an address every other day, Monday through Friday. This means every address will get 5 deliveries of non-priority items over 10 days, but they will get a delivery every day of 1st class and parcels.

We have agreed a term of reference which states the pilots must:

- 1. Achieve the quality-of-service targets that Ofcom set, alongside commercial targets for other products.**
- 2. It must produce a fair and manageable workload.**
- 3. It must provide a solution for fatigue.**
- 4. It must improve attendance patterns, including working fewer Saturdays.**
- 5. Options on Saturdays off range from every other Saturday to one in every three, two in every five Saturdays, and two in every Saturday off. Each of the options will mean that there will be slightly longer working days to achieve further Saturday off work.**
- 6. This model also increases the number of part-timers who will have the opportunity to go full-time. It will go further than ever before by providing a pathway for every full-time duty holder who leaves. There will be an opportunity to move to a full-time job in seniority order.**
- 7. It must also provide a platform for sustainable growth.**
- 8. It must also improve confidence, trust and morale in the workplace.**

We are in close contact and working with the Divisional Reps and Branches of the pilot sites to ensure they are supported to achieve all the above principles before any deployment. The PE will also provide support to the pilot sites.

We have agreed to phase in the introduction of the USO sites, commencing in Scotland in February and ending in Anglia in May 2025.

At this stage we have not reached or supported a final agreement on USO reform. However, it would have been a mistake not to test the impact of this change on the USO in a number of pilot sites. This is, without doubt, the biggest change to deliveries in over 50 years, and we need to pilot the impact and benefits of this change entirely.

It is evident within the EP agreement that our support for any USO reform is conditional on resolving all the outstanding issues within section 5. This includes:

- 1. A new resourcing model that addresses quality of service, staff, retention of staff and employee motivation.**
- 2. Equalising new entrants' pay, terms and conditions over an agreed period, including a first step within three months of the transaction.**
- 3. Reduce reliance on agency work to support maximising full-time employment.**
- 4. Review of scheduled attendance and overtime rates.**
- 5. Securing a pay rise from April 2025.**
- 6. A new performance incentive scheme.**
- 7. Improving sick pay arrangements.**
- 8. A review of voluntary redundancy terms.**
- 9. New, improved ways of working.**

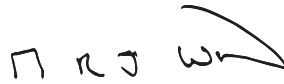
The agreement with EP states "That any final agreement with the CWU on USO reform is also conditional on progress and implementation within the agreed timelines of the issues set out in section 5 of this agreement" which is listed in points 1 to 9.

In addition, we have just agreed with Royal Mail a permanent contract for over ten thousand part-timers who were working on a variation of contract.

This includes over eight thousand part-timers who will become permanent full-time employees.

This is a significant achievement, as Royal Mail under the USO changes is looking to reduce jobs and could have simply withdrawn the contract variations, reverting them back to their original part-time contracts.

We will update all Branches and members on the pilots and produce a question-and-answer communication on the Optimised Delivery Model.



Martin Walsh
Deputy General Secretary
(Postal)

