

No: 042/25

21st February 2025

Dear Colleague,

OFCOM CONSULTATION ON USO REFORM

All branches will be aware that on the 30th January, the CWU responded to Ofcom's announcement that they were opening a [public consultation](#) on specific reforms to the Universal Service Obligation. The consultation will close on the 10th of April and Ofcom have stated they intend to publish a final decision on reforms in Summer 2025.

The purpose of this LTB is to focus on the background to Ofcom's consultation and the proposed reforms they will be consulting on. In addition, we will be outlining how the CWU will be responding to the consultation in a wider context, in addition to the USO pilots, our ongoing discussions with RMG, and how we utilise the overall USO commitments secured in our agreement with EP Group.

Ofcom announcement in context

It is important that we continue to recognise that Ofcom's announcement on the 30th January comes on the back of their previous consultation on the future of the universal postal service in early 2024.

This included multiple options for USO reform, including introducing a three or four day USO across all classes of mail. At that point, the CWU submitted a robust response, alongside many other stakeholders and challenged Ofcom's initial assessment of postal users' needs and their financial modelling, as well as proposing some regulatory reforms. Subsequently, in September 2024, Ofcom [announced](#) that they accepted the need for USO reform but had noted that the consultation respondents had stressed the importance of maintaining some form of six-day service.

Their most recent consultation confirms their plan to seriously consider the 'Optimized Delivery Model' as the means of USO reform and they will now seek views on whether this specific proposal will achieve the desired outcome for customers and other stakeholders.

We have been in discussions with Ofcom throughout this period and have engaged them on the serious need for holistic wider reform to regulation, as part of any final decision to change the USO.

In responding to the Ofcom consultation, CWU will focus on the following:

The need for reform of Ofcom to ensure a level playing field with Royal Mail's competitors. In our view, this means Ofcom being held to account by the Government on the need to protect the long term future of the USO, rather than promoting artificial competition which has inflated the cost of 'last-mile' delivery.

The need for Ofcom to allow Royal Mail greater scope in introducing tailored services for the likes of the NHS and other major customers, such as the greeting card industry.

We will call and campaign for the Labour Government to be the ultimate decision-makers on any reform to the USO. This is in contrast to Ofcom's current position, where they state that the reforms they are consulting on do not require Parliamentary approval under the Postal Services Act and therefore, fall solely under their jurisdiction.

We will call for any final proposals from Ofcom, which they state will be made in the Summer of 2025, to take full account of the outcome of the USO pilots and the views of our members.

We will make clear that we will not support any predetermined target level of savings from implementing these reforms, whether they are from Royal Mail or Ofcom. We will be clear that Royal Mail has a track record of making assumptions on workload that never materialise in practice. These assumptions will be fully tested in the pilots, particularly given the background of Royal Mail's ongoing quality of service and resourcing failures, arising directly from the company's imposed revisions during the last dispute.

The key points in Ofcom's Consultation

Ofcom's reform proposals are listed below as published in their consultation document:

Remove the requirement that second class letters be delivered over six days and allow it to deliver such letters on alternate weekdays, Monday through Friday.

Maintain the requirements for delivery of first-class letters, which will continue to be delivered the next day, six days a week.

Maintain the current parcels Universal Service specification.

Branches will be aware that these changes align with the Optimised Delivery Model - which is now subject to the Pilot that has been agreed with Royal Mail.

Ofcom has also proposed changes to the current quality of service targets listed below.

- **First class targets will be reduced from 93% to 90%.**
- **Second class targets will be reduced from 98.5% to 95%.**

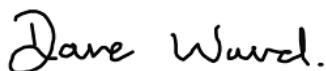
In addition to the above, Ofcom has proposed introducing a new quality target called the "tail of mail target". This target aims to ensure that Royal Mail delivers 99.5% of first-class

items within three days of posting and second-class items within five days of posting. The CWU will be emphasising to Ofcom that these service quality targets can only be achieved if Royal Mail starts taking the issues in the workplace, workload problems and the recruitment crisis seriously.

We thought it was important to bring to the attention of branches our approach to this consultation and further information on this will be sent out in due course.

Please direct any inquiries to dlynch@cwu.org.

Yours sincerely



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GENERAL SECRETARY



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