

No: 75/25

15th April 2025

Dear Colleague,

USO Update on Pilot Sites

The purpose of this LTB is to bring Branches and members up to date with what has been happening within the USO pilot sites and with the wider USO reform.

On 30th January Ofcom proposed a package of reform measures to the Universal Service Obligation.

These were:

- We propose to remove the requirement on Royal Mail to deliver second class letters six days per week and allow it to deliver such letters on alternate weekdays (Monday - Friday).
- We will maintain the requirement for delivery of first-class letters which will continue to be delivered next day, six days per week.
- We will maintain the current parcels USO specification.
- We propose to change the headline target for first class mail from 93% to 90% delivered next day, and to change the headline target for second class mail from 98.5% to 95%.

The Ofcom consultation closed on 10th April 2025. They are due to make their formal decision in early summer 2025.

In December 2024, with the expectation of what Ofcom was likely to announce, the CWU agreed to pilot the Optimised Delivery Model in 37 units across the UK. Most of the pilots were selected by the union as we wanted a range of units, including rurals, firms, town, cities and hybrids across all four nations.

USO reform will be the biggest change to deliveries since the introduction of first class and second class mail in 1968, and so it would be incredibly irresponsible of the CWU and Royal Mail not to pilot this in order to fully understand whether the Optimised Delivery Model is fit for purpose.

Royal Mail and the CWU agreed four overarching principles on which we will review whether the USO pilots are a success:

1. That it achieves a 90% quality of service target for first class letters, any commercial targets and Ofcom's targets.
2. That workload is fair, manageable and achievable and there are opportunities to reduce fatigue.

3. That there are opportunities to improve attendance patterns with more Saturdays off.
4. It must improve morale and confidence in the workplace.

Royal Mail want to deploy the USO change via a method change approach rather than conduct a planner led revision which would take considerably longer to deploy. In addition, Geo Route has not yet been adapted to plan combined van routes.

There is an extensive 12-week lead in prior to the deployment of the pilot. This includes a data validation exercise which reviews whether the unit needs more walks, planning the indoor operation, changing the lay out, understanding if there will be a surplus situation with staffing and having a change in attendance patterns and an optional, if preferred, temporary resign of duties. All pilot sites will have a full resign if Ofcom confirms the USO reform.

In processing, non 1st Class letters should be deferred and held at the Mail Centre/MPU until due for delivery. This requires the strict segregation of 1c and 2c letters on both mech and manual streams and the extension of the Delivery to Specification (DTS) algorithm to defer all non 1c letters to the appropriate days. In addition, sequencing and Wave 2 Walksort can no longer be processed on the large machines (Imps/iLSM) and can only take place on the CSS machines with deferral switched on.

For example, on second class it means the following:

DAY OF POSTING	CURRENT DUE DELIVERY	FUTURE DELIVERY DAY
Monday	Thursday	Thursday
Tuesday	Friday	Friday
Wednesday	Saturday	Monday
Thursday	Monday	Tuesday
Friday	Tuesday	Wednesday
Saturday	Wednesday	Thursday
Sunday	Thursday	Thursday

In the early days of the pilot DTS was releasing some items when it should have deferred them, so all mail routes had too high a call rate.

Both issues have now been fixed and further upgrades are in development, however it is critical to the plan that only the mail due for delivery that day is released.

LAUNCH OF THE PILOTS

To help provide clarity to what is referenced in this LTB as core and combined routes, please note that the core is all mail routes and combined is the first class and parcel routes. The core route is based on two duties being performed by two OPGs who deliver all the mail Monday to Friday. The combined routes cover two duties Monday to Saturday and deliver first class which represents 12% of Royal Mail's overall traffic mix and parcels Monday to Saturday.

Newton Mearns

Newton Mearns was the first pilot site and went live on 24th February 2025. It is a relatively small delivery unit with 20 routes, predominantly town with good industrial relations and employee relations.

Prior to the introduction of the pilot, one extra walk was introduced and the members voted to opt for two Saturdays off in every five, alongside their normal day off every week.

The early learnings are:

- Employees are happy with the attendance patterns.
- Unit has overachieved target quality of service levels.
- Route spans and combined ratios working in line with assumptions.
- DTS still not working at the right level in terms of deferring letters, resulting in higher than expected call rate. This has now been fixed.
- Fatigue needs to be addressed on all mail routes.

Newton Mearns have also found a further solution to fatigue where the combined route takes 50% of the core route and the core route takes 50% of the combined route. Feedback received from the Rep suggests this option seems to be well received within the unit. Further work needs to be carried out to see if this is an option that can work in other units as Newton Mearns have singleton driving routes.

Cumbernauld

Cumbernauld went live on Monday 24th March 2025.

Prior to it being introduced it put back two walks. There were issues with resourcing on the day of deployment.

Cumbernauld members chose to select two Saturdays off in every five weeks alongside their normal rest day during the week.

In Cumbernauld the drivers rotate every other day between an all-mail route and a combined route to reduce fatigue.

There are six non-drivers within the unit and we will need to find solutions to reduce fatigue as Monday to Friday they will be performing all-mail routes.

There are issues when D2D is not prepped in advance of Monday.

Some all-mail core routes are not clearing every day which will need to be addressed and the indoor operation requires some additional time to be built into duties.

The combined routes are clearing.

The non-drivers on a Saturday are currently prepping D2D but the plan is to scope giving non-drivers outdoor workload to support the Saturday combined routes.

Girvan

Girvan went live on 24th March 2025.

Girvan was introduced and two duties put back into the unit. One rural walk and a parcel duty. They opted for two Saturdays off every five weeks, in addition to a day off in the week. It is a small unit, the workload is unbalanced and unfair between core/combined and rurals.

There are a variety of issues which need resolving within the unit including prep plan and the belief that one extra town duty is needed and one extra rural.

Ballymena

Ballymena went live week commencing 31st March 2025.

They put back four walks into the operation. They chose the duty option of two Saturdays off in every six alongside a day off every week.

Initial feedback is that there are issues with the presentation of mail from the mail centre. In addition, there are D2D issues with cold calling.

Ayr

Ayr was introduced week commencing 7th April 2025.

Two duties were added and this will be reviewed within 3 weeks to see if more is needed.

Ayr opted for the two Saturdays in every five-attendance pattern.

Antrim

Antrim was introduced week commencing 7th April and four duties were put back into the operation.

They voted to have two Saturday's off in every five alongside a day off during the week.

In all pilot offices we need to ensure after the bedding in period that planned events like WTLL and important operational briefs are being delivered.

The next 31 pilot units are scheduled to deploy during April and the end of May.

For complete clarity it is important to note that whilst the CWU have agreed to pilot the proposed USO reform, we have not agreed as yet to full USO reform.

However, we recognise that there are only two real options for USO reform:

1. A reduction to either 3 or 4 days USO to reduce costs. Reducing just a Saturday does not reduce enough costs.
2. A speed of delivery option which is Royal Mail's proposed Optimised Delivery Model.

It is unusual for a regulator to come out and state that the current Universal Service is financially unsustainable. Ofcom also state *“our view is that in its current form the USO imposes substantial unnecessary costs on Royal Mail because it requires provision of a service which is greater than generally required by postal users”*.

When a regulator makes this type of statement and then puts a proposal for USO reform it is important that the CWU engages to ensure any change to the USO secures long term job security and provides benefits to our members.

Our initial thinking after just six weeks into the pilots and with only six units currently introduced is:

- The data validation exercise which happens before deployment is critical to the overall success. There is a clear difference in DDS to what is happening within units. As a result of this there are circa 3000 routes going back into DDS. In addition, from the feedback we are receiving there are a number of additional walks being put back into the pilot sites.
- That the DTS must be working correctly and the presentation of mail from the mail centre must be accurate.
- That resourcing must be correct within the units with reserve levels being at the correct level. Reserves should be employed on full time contracts if they are covering full time. We will need to consider how we cover first day failures moving forward.
- The increase in call rates on all-mail routes adds outdoor time to the all-mail routes. We must ensure that these routes are manageable and achievable. The design is to remove indoor work to allow for more outdoor time. The indoor time would be covered through increasing part time to full time opportunities and the improved attendance patterns which require slightly longer days.
- The early reports are that the combined van routes are lighter on a Monday and Tuesday and then increase Wednesday to Saturday, especially in terms of parcels. There may need to be additional resource from Wednesday to Saturday due to the level of parcels across those days.
- For drivers there is a clear opportunity to reduce fatigue which is to limit a driver to performing a maximum of 3 core routes Monday – Friday. Due to the fall of rest days, it may be less than 3.
- For non-drivers there is no such opportunity. At present the only fatigue solution for non-drivers is when they are scheduled in on a Saturday and perform indoor work, including prepping D2D for the next week. Further work is being carried out to see whether we can better support non drivers on delivery including looking at electric trikes, bikes and HCTs.
- We are also reviewing whether a non-driver could support the combined routes on Saturday, so they have an indoor and outdoor element to their duty on Saturday.
- There is estimated to be circa 8,400 non-drivers in delivery out of over 83,000 delivery staff. 60% of that number do not have a driving license. The level of non-drivers in certain areas, particularly London, will need careful consideration over what can be deployed and we are working with Royal Mail and reviewing options.

The remaining 31 pilot units are due to go live by the end of May and we will have a far better understanding of the impact of the USO change at the end of May.

In terms of job losses, we have yet to start the formal consultation process, and the pilot sites are clearly important in determining whether the original level of target savings were realistic. It is initially estimated there will be 400 units where it is expected that there will not be a surplus at the point of deployment.

Where there are potential job reductions these will be resolved through a combination of not filling vacancies ahead of deployment and voluntary redundancies. The first pilot sites have either no surplus or a very small surplus.

In line with the EP agreement if Ofcom authorises the USO change, then there will be a full national agreement covering how any changes will be implemented in a mutually beneficial way and alongside the commitment that there will be no compulsory redundancies.

We want to place on record our thanks and appreciation to the members of the pilot sites, the local Reps, Area Reps, Safety Reps, Divisional Reps and PE leads for the support and hard work they have provided thus far.

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

Yours sincerely,



Martin Walsh
Deputy General Secretary (Postal)



Davie Robertson
Assistant Secretary



Tony Bouch
Assistant Secretary