

# Consultation response form

Please complete this form in full and return to [futurepostalUSO@ofcom.org.uk](mailto:futurepostalUSO@ofcom.org.uk)

Consultation title	The future of the universal postal service
Full name	[REDACTED]
Contact phone number	[REDACTED]
Representing (delete as appropriate)	Self as an individual, though I am a postman.
Organisation name	
Email address	[REDACTED]

## Confidentiality

We ask for your contact details along with your response so that we can engage with you on this consultation. For further information about how Ofcom handles your personal information and your corresponding rights, see [Ofcom's General Privacy Statement](#).

Your details: We will keep your contact number and email address confidential. Is there anything else you want to keep confidential? Delete as appropriate.	Nothing
Your response: Please indicate how much of your response you want to keep confidential. Delete as appropriate.	None
For confidential responses, can Ofcom publish a reference to the contents of your response?	Yes

## Your response

Question	Your response
Question 1: Do you agree that we have identified the correct aims, supporting principles and features of the USO? Do you consider that these should continue to be respected as far as possible when assessing potential changes to the USO?	Confidential? –N Aims etc – Yes USO Principles – need updating in places
Question 2: Do you agree with our assessment of the direction of change in postal needs of residential (including vulnerable) users and SMEs? Are there other factors relevant to their future demand which we have not considered?	Confidential? –N Direction of change – seems to make sense Other factors – Bulk mail discounted too much (see comprehensive answer to Q10) Senior management remuneration excessive Excessive dividend payments Job losses not mentioned – just savings
Question 3: Do you agree with our assessment of the bulk mail market? Are there other factors relevant to its future evolution which we have not considered?	Confidential? –N Bulk mail – yes Other factors – bulk mail discounted too much
Question 4: Are there specific events/changes that could trigger a significant change in demand for large mail users, including public services?	Confidential? –N Don't know
Question 5: Do you agree with our proposed approach to estimating the financial burden of the USO?	Confidential? –N Seems largely to make sense. I do not understand why "speed of delivery" has such a large effect on the cost i.e. if it is delivered on D+1 or D+5, the same volume still has to be handled and delivered.

Question	Your response
<b>Question 6: Do you agree with our considerations regarding the unfairness of the financial burden of the USO?</b>	Confidential? –N
<b>Question 7: Do you agree with our considerations regarding the impact of the financial burden of the USO?</b>	Confidential? – N No, not really – letters are a vital service and there must be rules
<b>Question 8: Do you agree with our analysis of the different options available to change the USO and the impact of those changes on residential (including vulnerable) users, SMEs and bulk mail users? If not, please explain why and set out any option(s) which we have not considered.</b>	Confidential? –N Different options – yes analysis seems reasonable. Should consider first class mail tracked Monday to Saturday, “Standard Mail” ( <u>do not</u> call it Second Class) Monday to Friday, Packets Monday to Saturday. See comprehensive answer to Q10.
<b>Question 9: Which option(s) do you consider would be most appropriate to address the challenges we have identified, while also ensuring that users’ needs are adequately met?</b>	Confidential? –N See comprehensive answer to Q10
<b>Question 10: Do you have any other views about how the USO should evolve to meet users’ needs?</b>	Confidential? –N See comprehensive answer to Q10 attached

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## The Current Position

**USO Mail Universal Service Obligation Mail – a Legal Requirement** - UK has highest specification:-  
 Letters:- 6 days, Monday-Saturday Collections:- 6 days, Monday-Saturday Parcels:- 5 days, Monday-Friday  
 Same (affordable?) price anywhere in UK. Two speeds:- First Class (D+1) (next day 93%) Second Class (D+3) (within three days 98.5%)  
 Ofcom regulates and monitors. **USO Mail = 30% of all mail (!)**

**Bulk Mail** Also termed Access Mail, Downstream Access (DSA), Mail Sort, Large business users  
**Bulk Mail = 70% of all mail (!)** - NHS, local authorities, large retailers, small & medium enterprises (SMEs)  
 Different specification to USO e.g. (D+2) & (D+5) **Prices are negotiated but regulated by Ofcom to ensure competition**  
**Bulk Mail** firms deliver mail into Royal Mail network. e.g. UKMail, Whistl, The Delivery Group, Citi Post, Amazon

**Letter volumes** 2012 = 14 billion 2023 = 7 billion  
**Parcel volumes** UK = 3.6 billion 2023 Royal Mail = 1.2 billion = 1/3<sup>rd</sup>  
**Royal Mail quality is poor. First Class = 74% next day. Fined £5.6 million for not meeting targets**

**European Mail**  
 UK, France, Germany and Malta are the only Europe countries delivering letters 6 days a week  
 Holland delivers to 5 days (Tuesday to Saturday)  
 Belgium and Norway 2.5 days (Monday - Friday alternate day delivery)  
 Denmark delivers letters 1 day a week  
 Some countries have public or government subsidies

## Royal Mail Results

		Adjusted	
		2022-23	2021-22
Revenue	£m	7,411	8,514
Operating costs	£m	(7,830)	(8,098)
Operating (loss)/profit	£m	(419)	416
Operating (loss)/profit margin	%	(5.7%)	4.9%
Total parcel volumes	m units	1,205	1,517
Addressed letter volumes (excluding elections)	m units	7,280	7,961

## USO Stamp Prices

### UK Standard

Our Standard services offer a range of reliable delivery options for your non-valuable items.

#### Royal Mail 1st Class and 2nd Class

Size	Weight up to and including	1st Class	2nd Class
		Price	Price
Letter	100g	£1.25	£0.75
Large Letter	100g	£1.95	£1.55
	250g	£2.70	£2.40
	500g	£3.30	£2.70
Small Parcel	750g	£3.30	£2.70
	2kg	£4.19	£3.49
Medium Parcel	2kg	£6.29	£5.49
	10kg	£7.99	£6.99
	20kg	£11.99	£10.49
Includes compensation up to		£20	£20

Prices are exempt from VAT.

Say :- **USO Letters = £1 USO Parcels = £4**

### Revenue and Volumes (in millions) for Parcels and Letters

2021-22  
 Parcels - 1,517 x £2.05614 = £3,119 }  
 Letters - 7,961 x £0.67766 = £5,395 } **£8,514**

2022-23  
 Parcels - 1,205 x £2.05614 = £2,478 }  
 Letters - 7,280 x £0.67766 = £4,933 } **£7,411**

1. Average Parcel Revenue = £2.06 (!) Average Letter Revenue = £0.68 (!)
2. Looks like Bulk Mail is heavily discounted to roughly half of USO Mail (see calculations below) - USO mail subsidising Bulk Mail?
3. Letter income is double parcel income, so letters are still important. Royal Mail need to recognise this!

If 30% is USO Mail, + 70% is Bulk Mail, and average USO Parcel = £4.00 and average USO Letter = £1.00 then:-

Parcels:- (30% x £4.00) + (70% x £1.2231) = £2.05614 - average bulk mail parcel revenue = £1.22 (compared to £4.00 USO Parcel)

Letters:- (30% x £1.00) + (70% x £0.5395) = £0.67766 - average bulk mail letter revenue = £0.54 (compared to £1.00 USO Mail)



# Ofcom surveys in 2020 and 2023 – what is important?

## What's important to people when it comes to letters:

Affordability	90% in 2020	<b>91%</b>
Reliability	87% in 2020	<b>88%</b>
Monday-Friday delivery	81% in 2020	<b>79%</b>
Delivery 6 days a week	68% in 2020	<b>63%</b>
Saturday deliveries	63% in 2020	<b>58%</b>

**Mail users put a higher importance on the affordability and reliability than on speed.**

**Reduced delivery frequency would be acceptable to most users but there must be a next day option available**



considered the following:-

1. Delivery Frequency (how many days a week)
2. Delivery Speed - First Class (D+1) Second Class (D+3) and other variations
3. Lower USO Quality of Service standards
4. Government subsidy
5. Carbon Footprint reduction



has not mentioned:-

Mail Pricing (are Bulk Mail letters discounted too heavily – is USO Mail subsidising Bulk Mail?)  
Dividend payments, Senior Management Remuneration  
Job losses, just cost savings

### 1. Delivery Frequency

Big cost Savings by reducing delivery frequency (not collections)

Delivery days from 6 to 5 - **Cost saving £100-200m** (example **no mainstream letters on Saturday**)

(Fewer Jobs 😞 .... maybe work fewer Saturdays 😊)

Delivery days from 6 to 3 - **Cost saving £400-650m** e.g. week 1 Monday, Wednesday, Friday  
week 2 Tuesday, Thursday, Saturday

*“Reducing letter delivery frequency from 6 to 5 days a week would have a small impact and would meet the needs many users, including a wide range of business and residential demographic subgroups”*

### 2. Delivery speeds

#### USO Mail

Ofcom suggests:- *The majority letters could be delivered using the **Standard** slower service (D+3) along with a **Premium** next day service managed like Special Delivery but not include the need to arrive by a specified time of the day*

#### Bulk Mail

Royal Mail is currently required to offer (D+2) and (D+5) for bulk mail. Ofcom should review this.

*“Slower delivery will affect some large mail users who rely on faster deliveries, such as publishers of weekly and topical magazines”*

Cost savings = **£150-£650 million** I do not fully understand how slower delivery speed saves money

### 3. Lower USO Quality of Service targets

Are specifications too high compared to European/global standards?

I would argue the need for a premium service, tracking 95%+ next day delivery including Saturdays

Ditch the “snail mail” image and let’s get serious about a First Class premium service. Signature required should cost more than £1.50

### 4. Government Subsidy

Subsidy is way of maintaining the current USO specification, but changing specifications is preferable

### 5. Carbon Footprint reductions

The UK Government has a target to reach net-zero by 2050.

Royal Mail has lowest CO<sub>2</sub> emissions per parcel of UK delivery companies and aims to reduce this further

*The greater the reduction in delivery days and speed, the greater the savings in emissions.*

*Royal Mail said a move to parcel-only on Saturday (5-day letter service) could remove 22,000 vans off UK roads and reduce overall emissions by around 10%. This would also mean no Friday night flights, which have a high carbon footprint. A reduction in delivery speeds would mean slower forms of transport (rail and road) can be used which have lower CO<sub>2</sub> emissions*

### My Conclusion & Suggestions:-

1. “Standard Class” letters (D+3) (drop “second class” term) Monday – Friday is a good idea, saving cost and carbon.
2. Tracked “First Class” letters (D+1) Monday to Saturday 98-99% next day. Collections unchanged. If signature is required, it should cost much more than £1.50.
3. Parcels Monday – Saturday. Royal Mail can deliver Sunday if competition demands, but not specified in USO.
4. Discounts to Bulk Mail and Bulk Parcels is far too large. USO mail is clearly subsidising Bulk Mail.
5. Senior management remuneration is excessive and dividend payments should be criticised by Ofcom, even though they have few powers to control.

**Restore faith in Royal Mail to deliver, and watch Letters and Parcels grow**