

# Ofcom's "package of reforms": a wrecking ball against the mail service and postal workers' jobs and conditions

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Communications regulator Ofcom has announced "a package of reforms to the Universal Service Obligation" governing the delivery of mail to 32 million addresses across the UK. Ofcom's announcement is the foundation for a Royal Mail pilot scheme being rolled out at 37 delivery offices with the full support of the Communication Workers Union (CWU).

The CWU's depiction of Ofcom's proposals as a "reform" of the USO is a misnomer. The "Optimised Delivery Model" being trialled at delivery offices is a cost-cutting exercise aimed at dismantling the USO. Royal Mail estimates it will save £300 million through the elimination of thousands of jobs.

Ofcom's 198-page report, "Consultation: Review of the universal postal service and other postal regulation", is essentially a "shock therapy" pro-market agenda to boost profit margins and reduce "unit costs" through a war on the jobs and conditions of postal workers and a slashing of the USO.

Ofcom's proposals were announced January 30 ahead of a sham "consultation exercise" that is due to end April 10. It is a stitch-up to facilitate billionaire Daniel Kretinsky's takeover of Royal Mail which is due to be completed by the end of the first quarter of this year.

## The lie of improved Quality of Service

Ofcom portrays USO reform as the inevitable outcome of the digital technology that has seen letter volumes decline from 20 billion per year in 2004-05 to around 6.7 billion in 2023-24. The UK parcel market has meanwhile exploded, by 8.3 percent in 2023-24, to 3.9 billion items, close to the pandemic peak of 4 billion items in 2020-21.

Ofcom claims USO reform will improve Quality of Service (QoS) for customers. The phrase "quality of service" is used 188 times in Ofcom's report. But how do these claims stack up?

Ofcom has announced proposals to end six days a week delivery for all letters other than first-class. Second-class and "bulk mail" deliveries will be scrapped on Saturdays and reduced to an alternate week-day service.

With the stroke of a keypad, its report has watered down the USO's QoS requirements. Media reports have echoed Ofcom's headline claims about preserving a six-day service for first-class mail, but the fine print tells a different story.

First-class next-day delivery targets are being reduced from 93 percent to 90 percent. This national average will be further reduced to 87 percent for 118 of the 121 different postcode areas across the UK.

Ofcom's report introduces "tail of mail" back-up targets, making it

easier for Royal Mail to flout primary targets. This means a major slowdown in speed of delivery: up to three days for first-class and five days for second-class, based on a 99.5 percent target for both. Rather than a default position, this will become the norm.

Ofcom is not a neutral umpire. Its Call for Input (CFI) last January on the future of the postal service derided the USO as "an unfair financial burden on Royal Mail." Its latest report advises that Royal Mail must respond to "changing market dynamics" and deliver mail in a "financially sustainable" way. Mail delivery must not impinge on profits.

In its submission to Ofcom, the CWU also proposed a reduced five-day service, slower speeds for second-class mail and for the USO to "evolve based on an expanded parcel network" of seven-days-a-week.

## Thatcherism on steroids

The advance in technology does not negate the public's right to an affordable and dependable mail service.

By Ofcom's own admission, "postal services remain important and are used by nearly all UK residents. Our survey conducted during Autumn 2024 found that virtually all UK households continue to receive letters, with 82% saying that they do so at least weekly. The large majority (95%) of adults continue to send letters, with half (50%) doing so once a month."

Since the privatisation of Royal Mail in 2013, parasites such as Daniel Kretinsky, Vesa Equity and Black Rock Inc have looted around £2 billion while the mail service has been driven into the ground.

Especially since 2022, a policy of managed decline was enforced, with impossible workloads and industrial-scale breaches of the USO engineered to "prove" that the USO must be scrapped and legacy terms and conditions overhauled in favour of a gig-economy workforce.

Ofcom has enabled this process. It has responded to massive and illegal breaches of the USO with paltry fines amounting to a wrist slap.

Now, Ofcom brazenly declares that the public have received an overly generous mail service: "We provisionally conclude that the current UK letters market meets, and in the case of delivery frequency of non-priority letters, **over caters** [emphasis added] for the reasonable needs of users as a whole."

Under the section of its report titled "wider social role of postal services", Ofcom effectively regurgitates the infamous words of Margaret Thatcher that "There is no such thing as society."

Ofcom states, "We understand that for some users, particularly older people, people with limited mobility and those in more remote rural areas, postal services remain important for social cohesion and Royal Mail

workers play an important role in local communities. While undoubtedly important, the wider social role in the community and value attached to Royal Mail deliveries and its workers do not form part of the user needs assessment required by the Act.”

While Ofcom states that mail affordability is one of the main concerns expressed by the public, the regulator has approved price hikes to first-class and second-class stamps. First-class stamps have doubled in price over the past four years to £1.65, an increase of 175 percent since privatisation. Second-class stamps have increased by 75 percent since privatisation.

Ofcom’s report finds that 62 percent of residential users send fewer letters because of their cost and a quarter of small and medium-sized enterprises report carrying out post-related cost-cutting during the past 12 months. Ofcom responds, “we expect prices to still increase even if the proposed changes are implemented”.

### **USO reform: delivering profits not letters**

The Ofcom report cites “financial sustainability” no fewer than 100 times to reinforce its core message that maintaining the USO in its current form is a liability to Royal Mail and a terrible imposition. Its commitment to ensure a “commercial rate of return” is beholden entirely to the company’s shareholders.

Ofcom calculates its overhaul of the USO will net an improved EBIT (earnings before interest and taxes) for Royal Mail of around 4-6 percent, stating that the company’s forecast savings (£300 million in a single year) underestimate the “net benefits” of reform. The regulator’s own prediction is in the range of £250 to £425 million, emphasising the need for “enduring structural changes” to the “cost and revenue base” of Royal Mail.

There is not a single reference to the primary means through which this is to be achieved: a mass cull of jobs. But Royal Mail cites a reduction of between 7,000 and 9,000 routes.

It is positively Orwellian that the downgrading of the USO and reduction in letter delivery has been termed an “Optimised Delivery Model”. A more apt description would be “Optimised Exploitation Model” targeting postal workers.

Royal Mail has introduced algorithms into their sorting machines to delay the dispatch of second-class letters from mail centres to its delivery offices. AI assisted programs such as *GeoRoute* are also being used to increase delivery spans based on reducing the time between delivery points with no regard for the terrain or physical obstacles faced by postal workers.

The overall decline in letter volumes will be more than offset under the proposed reforms to the USO by increasing workloads on already overburdened postal workers, through cost-cutting revisions, consolidating routes, and by expanding delivery spans towards six hours.

Ofcom’s focus is reducing “unit costs”, which is the difference between the wage paid to postal workers and what can be gouged back in profit through increased productivity. This means maximising delivery output through speed-ups, especially in the lucrative parcels market, competing with the likes of Amazon, Evri and UPS.

Ofcom states, “The labour costs of Royal Mail’s delivery operation make up the majority of the total costs of the Reported Business. Making savings in this part of the business therefore has the largest impact on its financial position. It is also the area of the business most significantly affected by the specific requirements of the USO.”

Ofcom notes that while overall letter volumes have declined by half since 2011-12, the number of addresses postal workers are delivering to

under the USO has increased since 2008 from 28 million to 32 million. Ofcom bemoans the increased “unit cost” as fewer letters are delivered across a wider geographic area, reducing the profit which can be extracted from each postal worker.

This is why Ofcom supports Royal Mail’s plans to drive up the “call ratio”, the amount of mail that can be delivered to an area, and the proportion of all delivery points that must be reached on a given day.

Ofcom notes, “Allowing Royal Mail to deliver second-class letters with reduced frequency, e.g. on alternate days from Monday to Friday, and removing Saturday deliveries (i.e. delivering 2.5 days a week on average, instead of the current six days a week schedule) would enable Royal Mail to make significant cost savings. It would allow mail to be aggregated over two days, increasing the average items per household to be delivered and bringing back some of the lost economies of scale that were achieved when letter volumes were much higher.”

This is why postal workers are being instructed to leave second class and non-priority letters in their delivery frame, despite first-class and parcels being delivered to the same address that day.

Ofcom states that further cost efficiencies are possible through having “less First Class deliveries” so that they will be “less disruptive to parcel routes on non-Second Class letter delivery days”. This is an open admission that parcels will be prioritised six days a week as part of the Optimised Delivery Model, exposing the claim that the current USO specification for a five-day service will not be changed.

### **A rank-and-file strategy for public ownership**

The Postal Workers Rank-and-File Committee (PWRFC) has renewed its call for workplace meetings at all 37 pilot delivery offices to halt the imposition of the “USO reform” pilot scheme. This has been drawn up behind their backs through the terms of reference agreed between CWU deputy general secretary (postal) Martin Walsh and Royal Mail in December. There is widespread anger among postal workers at the targeted offices, as reported by the WSWS.

CWU officials have kept workers in the dark about new working practices which spell job losses and increased workloads (e.g. three delivery workers having to do the work of four and being removed from any established duty structure).

A rank-and-file strategy is needed that prioritises postal workers and the public, not corporate profit. New automated technology must be used to create safe and manageable workloads, reducing time at work with no loss of pay, and for an improved and reliable mail service.

If Royal Mail’s billionaire owners “cannot afford” to run a six-day USO or provide decent pay, terms and conditions for its workforce, then Royal Mail must be placed under public ownership with the profits used to uplift pay and conditions and protect the USO. This is the fight which must be taken up, in opposition to the CWU’s threats that unless workers “accept change” then the company will go bankrupt.

Post and logistics workers are at the coal face of corporate restructuring being dictated by billionaire oligarchs who are seeking to cash-in on a postal market worth USD 249.37 billion and predicted to hit USD 287.41 billion by 2034. In Britain this profiteering is being facilitated by the Starmer Labour government.

In the US, the fascist Trump administration is planning to privatise the US Postal Service. At Deutsche Post workers have conducted warning strikes to demand action over falling wages, while at La Poste in France, 20,000 jobs have been culled in the past four years, with workers facing identical issues to those in the UK. Royal Mail workers must reach out to their brothers and sisters in Europe and North America—and at Amazon,

UPS, Fedex and Evri—in a common political fight to defeat this race to the bottom.

*The International Workers Alliance of Rank-and-File Committees is creating the framework for a globally coordinated fightback. We encourage postal workers to get in touch, subscribe to the Postal Workers Rank-and-File newsletter and organise a rank-and-file group at your workplace.*



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