

Ofcom paves way for Royal Mail to axe Saturday post

Ofcom will next week outline options for reforming Royal Mail's service obligations that could pave the way for the abolition of Saturday postal deliveries amid warnings from the company's boss that it may require a government subsidy to survive.

Sky News has learnt the regulator will on Wednesday publish a consultation paper on the future of the Universal Service Obligation (USO), which industry sources believe is likely to include reforms such as modifying first and second-class delivery targets; following European markets such as Germany and Italy in moving to alternate-day deliveries; providing a state subsidy to support the USO; and allowing Royal Mail to impose higher stamp prices.

Amending the current six-day USO – which obliges Royal Mail to deliver to every UK address six days a week for the price of a stamp – to a five-day structure that would then lead to the long-standing system of Saturday deliveries being scrapped is also understood to be among the options that will be presented in the [Ofcom](#) paper.

However, axeing the USO altogether, as Denmark has done recently, is unlikely to be a realistic option that would gain support from ministers.

[Royal Mail](#) has pleaded for urgent changes to its regulatory framework, arguing a system built for 20 billion letter deliveries a year is now managing only seven billion, with the number set to decline to as few as four billion within five years, based on current trends.

This weekend, industry sources pointed out that the Ofcom document would not contain conclusions or firm

recommendations, but would instead set out ideas for preserving the universal postal service in a sustainable form.

A 90-day call for input is expected to follow, with formal proposals expected to be set out later this year.

The regulator said last September that it intended to publish a paper focused on reforming the USO, saying it had been unchanged since 2011.

“However, consumer demand for postal services has changed substantially, and it continues to do so,” it said.

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Scrapping Saturday deliveries and moving to a five-day USO would require parliamentary approval.

Last year, the government rejected a request from Royal Mail to move to weekday-only deliveries, with estimates suggesting this would save the company hundreds of millions of pounds a year.

“We currently have no plans to change the minimum requirements of the universal postal service as set out in the Postal Services Act 2011... including six-day letter deliveries,” Kevin Hollinrake, the business minister, said last June.

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Since its privatisation by the coalition government in 2013, the company has endured a series of industrial disputes and parted company with a succession of controversial chief executives.

Its recent delivery performance has been lambasted by MPs, and in November it was fined £5.6m by Ofcom for failing to meet first and second-class delivery targets during the 2022-23 financial year.

Under the current USO, Royal Mail is expected to deliver 93% of first-class mail within one working day of collection, and 98.5% of second-class mail within three working days of collection.

Ofcom said in November that the company had “breached its obligations by failing to meet its targets by a significant and unexplained margin”.

“This caused considerable harm to customers, and Royal Mail took insufficient steps to try and prevent this failure,” the watchdog added.

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In a letter to MPs this week, Martin Seidenberg, chief executive of Royal Mail’s parent company, International Distributions Services (IDS), wrote: “Delivering the current Universal Service requirements – in a financially sustainable way – is increasingly difficult, if not impossible, to achieve as the mix and number of parcels and letters changes.

“The bar set by the regulations is unrealistic given the market realities.”

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He said there were several ways to address the challenge facing Royal Mail, “including significantly increasing prices, seeking a government subsidy, and/or reforming the Universal Service so that it is more reflective of the customer needs and market realities of today, not the needs of the past”.

“Whilst we welcome the forthcoming Ofcom review of the Universal Service, the inertia we have experienced means that we are now facing a far more serious situation than we would have been if action had been taken sooner,” Mr Seidenberg wrote.

“Every day that Ofcom and the government further delay reform just creates more risk for the long-term sustainability of the Universal Service, and indeed Royal Mail itself. We must maximise every pound spent to transform our business for the future and deliver more for our customers – not continue to sustain a service standard that was designed in a pre-internet era and no longer reflects customer needs.”

On Thursday, the company reported that it had had its best Christmas trading period for four years, with a 10% rise in revenues during the final quarter of the year.

Ofcom and IDS both declined to comment on Saturday.