

USO Net Benefits and Sustainability

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USO net benefits



We assess **reasonable** user needs

Benefits

What will be the loss in benefits to users from a service reduction?

We measure this using a conjoint analysis

We also used focus groups and surveys to gauge opinion

Costs

What are the cost savings from reducing the service?

Based on Ofcom's models of Royal Mail's costs

We also modelled the revenue implications for Royal Mail

We considered several potential changes to the USO

5 days
delivery

Delivery frequency of
5 days per week for letters
(with varying delivery speeds)

3 days
delivery

Delivery frequency of 3 days
per week for letters

Different
delivery days in
different areas

For example, fewer delivery
days in urban areas

Single class

A combined single class for letters
(no first and second class)
with a delivery speed slower than
current first class

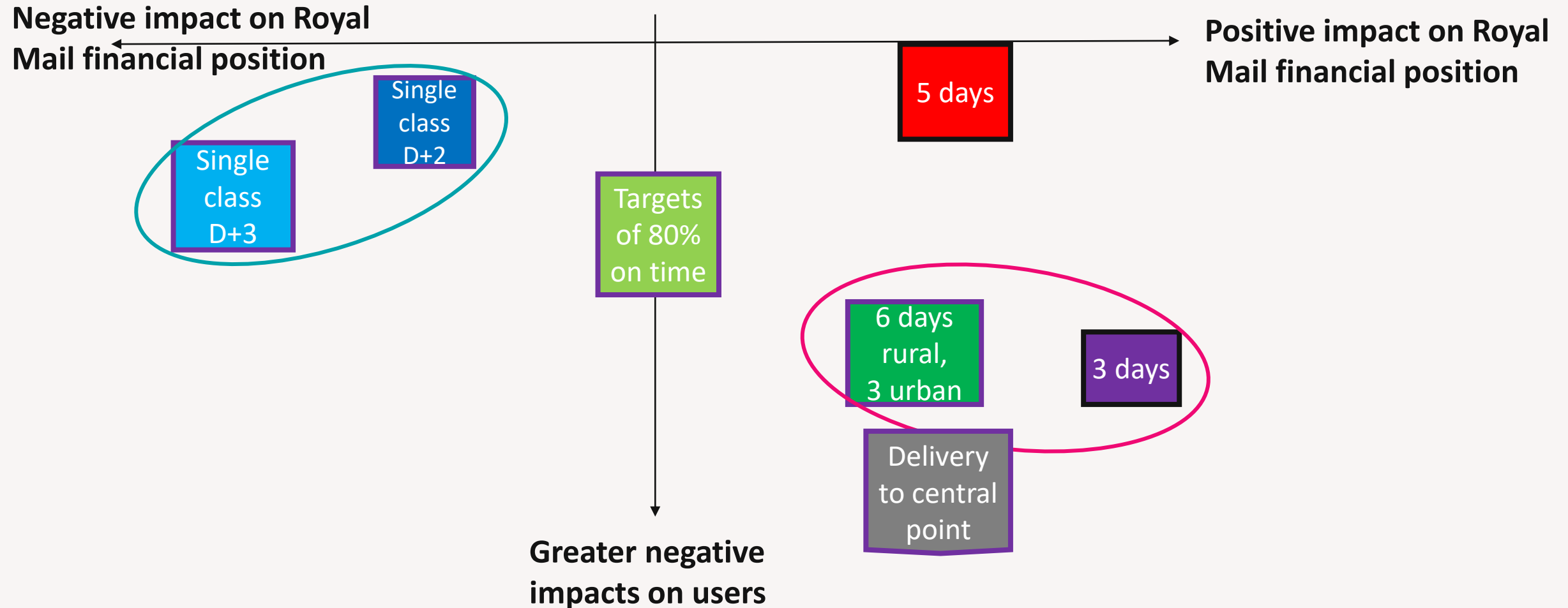
Delivery to a
central point

Delivery to a post office, locker
or local shop instead of the
home

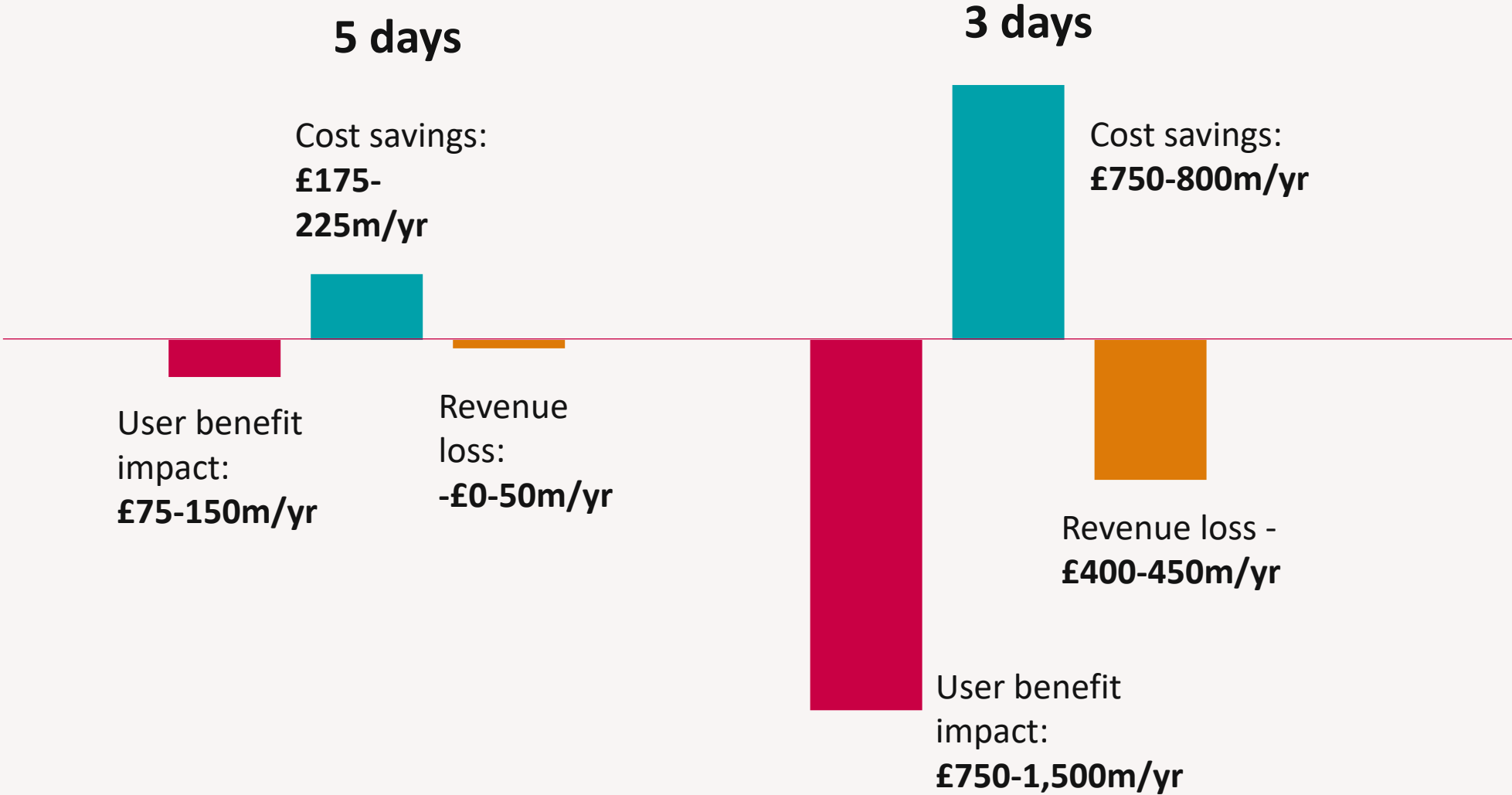
Reduced
service
reliability

Reducing the requirement
for the percentage of
letters delivered on time

Summary of USO options: Impacts on users and Royal Mail costs and revenues



Comparison of benefit loss and cost savings for 3 and 5 day delivery





USO Sustainability



Long term commercial sustainability

Commercial flexibility

- Maximise the commercial value of USO
- Stamp price deregulated in 2012
- Affordability protections

Efficiency

- Royal Mail plans
- Regulatory monitoring

USO spec

- Review User Needs, e.g. 5dpw delivery
- Correlated with declining demand?