

Debate Pack

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Performance of Royal Mail

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1

The performance of Royal Mail

There will be a debate on the performance of Royal Mail in Westminster Hall on 3.15 on Thursday 17 June.

The debate will be led by David Johnston MP.

1.1

About Royal Mail

Royal Mail is the UK's largest postal operator and the UK's universal service provider.

For more information about Royal Mail, its regulation and the universal service obligation, see the Library briefing [Postal Services](#), updated Dec 2020

The universal postal service, which Royal Mail provides, is the 'one price goes anywhere' principle of affordable postal services to all UK addresses. It requires Royal Mail to deliver letters to every address in the UK, six days a week, at a standard price, along with certain other services.

Royal Mail was privatised following the passing of the [Postal Services Act 2011](#). The Post Office, now a separate business, remains entirely owned by the Government.

Much of Royal Mail competition is in the parcels market rather than in the letters market. The parcel's market is highly competitive and growing whereas Royal Mail operates a near monopoly over final mile letter deliveries in the UK.

Postal services are largely the reserved responsibilities of the UK Government, rather than being devolved to Scotland, Wales and Northern Ireland.

1.2

Royal Mail targets

Royal Mail's performance is measured against a number of targets. It must report on these to Ofcom, the postal services regulator.

Over 2020/21 Royal Mail fell notably below their target levels in many areas – for example delivering 74.7% of First Class mail the next working day, compared with its normal target of 93%.

Royal Mail and Ofcom have agreed that pandemic constitutes an emergency situation. This means that Royal Mail have more freedom in relation to their targets.

Royal Mail and the pandemic

Royal Mail's performance has been significantly affected by the pandemic, including because of:

- Significantly increased volumes of parcels – up around a third year on year
- The introduction of social distancing measures making a difference to operations – for example moving from two to one colleagues per delivery van
- High levels of absences in certain areas, including because of illness, shielding and self-isolation.

In response the company hired additional staff and vehicles, changed shifts and changed procedures.

Postal services workers were key workers, continuing to work in person during the lockdowns.

Achim Dunnwald, Chief Operating Officer at Royal Mail, said

The pandemic led to unprecedented pressures on our network. Given the exceptional volumes we have experienced during lockdown, and the ongoing impact of COVID-related staff absences, we recognise that at times our service has not always been as we would have wished. However, we would like to pay tribute to the extraordinary job our people have done in keeping the UK connected through three national lockdowns. Whilst it is clear that social distancing requirements and higher than usual absences will be impacting our operation for some time, we are resolutely focused on delivering pre-COVID-19 quality in a COVID-19 world as soon as we can.¹

Royal Mail failed to hit some of their targets in previous years, although generally not to such a significant extent as in 2020/21. They were fined £1.5 million by Ofcom for failure to meet their first class delivery target in 2018/19.²

Ofcom said that Royal Mail's performance improved in 2019/20, and after taking into account the impact of Covid-19, the company met its regulatory obligations.³

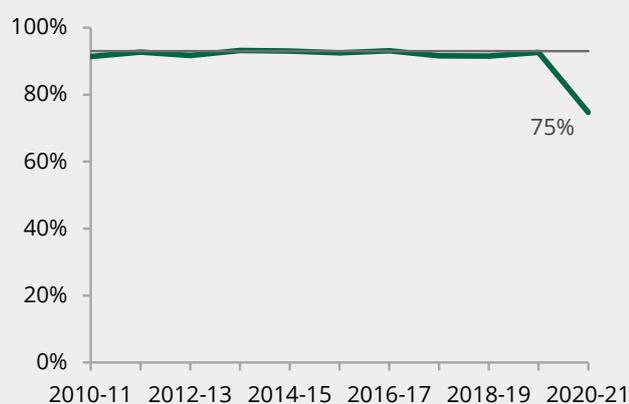
¹ [Royal Mail Quality of Service report 2020/21](#)

² Ofcom, [Royal Mail fined £1.5m for missing 2018/19 delivery target](#), 10 July 2020

³ Ofcom, [Royal Mail fined £1.5m for missing 2018/19 delivery target](#), 10 July 2020

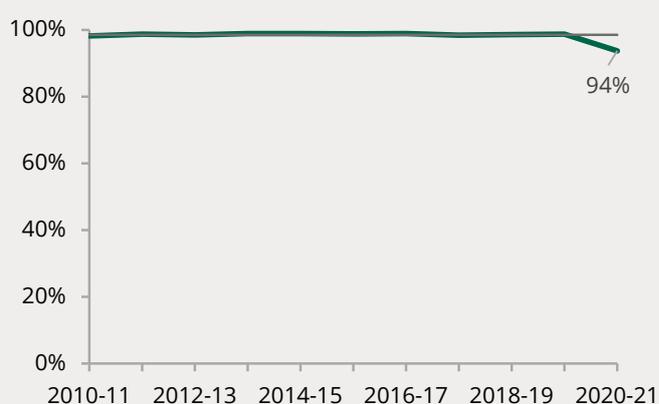
First class delivery performance

% delivered next day, against 93% target



Second class delivery performance

% delivered within three days, against 98.5% target



Source: Ofcom, [Annual monitoring update on the postal market](#), various editions and 2019-20 dataset; [Royal Mail Quality of Service report 2020/21](#)

Royal Mail performance against quality of service targets

2017/18-2020/21

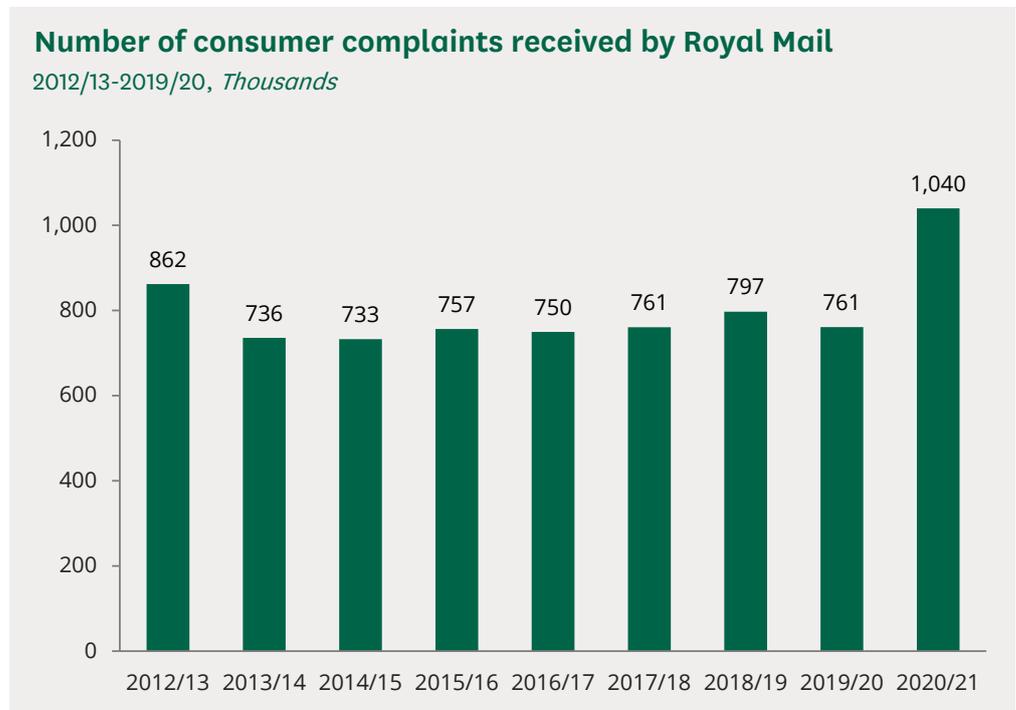
	Target	2017/18 result	2018/19 result	2019/20 result	2020/21 result
First Class delivered next day	93.0%	91.6%	91.5%	92.6%	74.7%
Second Class delivered within three days	98.5%	98.4%	98.6%	98.7%	93.7%
Post Code Area (PCA) target: First Class delivered next day	91.5% in 118/118	72/118	75/118	105/118	not yet published
Special Delivery delivered next day	99.0%	98.1%	98.2%	98.5%	87.7%
European Delivery within three days	85.0%	85.2%	86.6%	86.0%	71.0%
Collection points served six days a week	99.9%	99.4%	99.9%	99.9%	99.7%
Delivery routes completed six days a week	99.9%	99.9%	99.6%	99.5%	91.6%
Items deemed correctly delivered	99.5%	99.7%	99.8%	99.7%	99.7%

Notes: Figures for 2017/18 to 2019/20 are coloured purple if Royal Mail failed to meet the target, and green if they met the target. Assessments of certain targets take into account measurement uncertainty. 2020/21 saw the 'emergency' of the pandemic, which meant that Royal Mail could operate differently to normal.

Source: Ofcom, Annual monitoring update on the postal market, various editions and 2019-20 dataset; Royal Mail Quality of Service report 2020/21

1.3 Complaints to Royal Mail

Royal Mail received over a million complaints in the reporting year 2020/21, substantially up on the previous years.



Source: [Royal Mail Quality of Service report 2020/21](#) and Royal Mail Annual Consumer Complaints & Compensation Scheme Reports – figures relate to received and completed complaints

1.4 Responses to Royal Mail delays

Ofcom

Ofcom, the postal services regulator, published a statement in January 2021 following reports of Royal Mail delays:

This is clearly a very difficult time for people across the country, including many businesses and their workforces. The pandemic has placed significant pressure on Royal Mail – particularly in recent weeks as cases have risen sharply. So it's important the company takes all necessary steps to keep both its staff and customers safe.

We have recognised this as an emergency situation under our regulatory framework, which means Royal Mail can change its operations to manage the challenges it faces, without the need for formal Ofcom authorisation. We continue to monitor Royal Mail's performance

carefully and will remain in close contact with the company to ensure it is providing the very best service it can to customers.⁴

Government

In response to a debate on [Royal Mail: South-east London](#) in November 2020, Paul Scully MP, the Minister for Small Business, Consumers and Labour Markets, said:

Royal Mail's well-established contingency plans to mitigate disruption to postal services are overseen by Ofcom, the independent regulator. It has reassured the Government, and I continue to monitor it and press it to ensure it is doing everything it can to maintain service levels during this period and that it continues to keep Ofcom informed. Specific changes to Royal Mail's services are an operational matter for Royal Mail. Any reduction of services by it in exceptional circumstances will be temporary and are undertaken only when absolutely necessary. It is for Ofcom to monitor service levels in the first instance.

The regulatory conditions that require Royal Mail to deliver letters six days a week as part of the universal postal service also provide that it is not required to sustain those services without interruption, suspension or restriction in the event of an emergency. Ofcom has acknowledged that the covid-19 pandemic is such an emergency. It published a statement on its website on 29 April clarifying the regulatory framework that supported Royal Mail's actions. It also confirmed that Royal Mail's delivery obligations remain important elements of the universal service, and that it will keep the temporary change under review.

The regulatory framework is clear that emergency conditions allow Royal Mail to modify its operations, which includes reducing the frequency of the delivery of letters without formal authorisation if that is considered necessary to respond to the challenges it faces in sustaining the wider universal postal service during the pandemic. Royal Mail temporarily suspended Saturday letter deliveries for six weeks from 2 May to 13 June 2020 in the light of pressures on its staff during the height of the pandemic. Saturday deliveries of parcels continued through the six-week period.

A flexible approach to regulation under emergency conditions has supported Royal Mail and its hard-working employees. It has enabled the delivery of above-usual volumes of parcels, while managing high levels of coronavirus-related absences and necessary social distancing measures, keeping the country moving. Throughout the pandemic Royal Mail has been transparent with the public about

⁴ Ofcom, [Royal Mail delivery changes](#), 14 January 2021

changes to its services, with service update information published on its website.⁵

This is an extract from the Minister's response – see [Hansard](#) for the full text.

⁵ [HC Deb 3 November 2020 \[Royal Mail: South-east London\]](#).

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Parliamentary information

In response to a Parliamentary Question about the effect of the pandemic and postal services in rural areas, Paul Scully MP, the Minister for Small Business, Consumers and Labour Markets, said:

Throughout the COVID-19 pandemic, postal operators have continued to provide a valuable service to this country, including in rural communities.

The Universal Service Obligation is set out in the Postal Services Act 2011 and ensures a six-day a week, one price goes anywhere, service for the delivery and collection of letters (and five days a week for parcels) throughout the United Kingdom. Royal Mail, a private company, has well-established contingency plans to mitigate disruption to universal postal services, overseen by Ofcom, the UK's designated independent regulator of postal services.

The Government's objective in relation to postal services continues to be to secure a sustainable universal service for users throughout the UK, including those in remote and rural areas.⁶

When asked what steps were being taken in government to reduce delays in postal services, he said:

The postal service plays an important role in helping to mitigate the impacts of coronavirus on individuals, families, and businesses up and down the country.

Royal Mail, a private company, has well-established contingency plans to mitigate disruption to postal services overseen by Ofcom, the independent regulator. The Government is not involved in the day-to-day operations of the company.⁷

When asked whether the Royal Mail are pursuing a policy of prioritising the delivery of premium products, he said:

The Universal Service Obligation is set out in the Postal Services Act 2011 and ensures a six-day a week, one price goes anywhere, service for the delivery and collection of letters (and five days a week for parcels) throughout the United Kingdom. Ofcom, as the UK's designated independent regulator of postal services, monitors the delivery of the universal postal service standards.

⁶ [PQ 143709 \[Postal Services: Rural Areas\], 3 February 2021.](#)

⁷ [PQ 128966 \[Postal Services\], 17 December 2020.](#)

Beyond the Universal Service Obligation, the delivery of premium products is an operational matter for Royal Mail.⁸

See also:

- Debate on [Royal Mail: South-east London](#), 3 November 2020 – quoted above

⁸ [PQ 144589 \[Postal Services\], 5 February 2021.](#)

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Press

The following is a selection of news and media articles relevant to this debate.

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[Royal Mail to offer customers chance to set delivery times](#), Birmingham Mail, 9 June 2021

[Pharmacy2U and Royal Mail join to offer same-day medicines deliveries](#), Chemist & Druggist, 7 June 2021

[Royal Mail to offer choice of delivery time to customers](#), Daily Telegraph, 6 June 2021

[Royal Mail posts £726m profit amid pandemic demand for parcels](#), The Guardian, 20 May 2021

[Royal Mail to pilot Sunday parcel delivery](#), BBC News, 12 March 2021

[Royal Mail enjoys revenues boost as parcel deliveries hit record level](#), Financial Times, 11 February 2021

[Royal Mail: Can new boss Simon Thompson turn it around?](#) BBC News, 11 January 2021

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Further information

Library briefing [Postal Services](#) (updated Dec 2020) – includes more information about Royal Mail, its regulation, the universal service obligation, and postal trends (largely pre-pandemic).

Royal Mail, [Full Year Results 2020-21](#), 20 May 2021

Includes information on strategy and trends. Highlights include:

- Full year performance well above initial expectations driven by strong parcel growth at both Royal Mail and GLS⁹.
- Group adjusted operating profit up 116.0% with a broadly equal contribution from Royal Mail and GLS.
- Royal Mail parcels revenue up 38.7%, partly offset by letters decline of 12.5%. Operating costs up 9.2%.

[Citizens Advice response to Royal Mail's half year financial results](#), Citizens Advice, 19 November 2020

Alistair Cromwell, Acting Chief Executive of Citizens Advice, said:

“Today’s financial update from Royal Mail makes clear that parcel delivery is now an essential service. As more people rely on deliveries, our research shows almost half of us (47%) have had a parcel delivery problem since lockdown first began in March. We need to ensure proper protections are in place across the sector so people get their deliveries securely.”

CWU [Communication Workers’ Union], [RMG & CWU Key Principles Framework Agreement \(The Pathway to Change\)](#), 22 December 2020

This agreement marks the end of our two year dispute with Royal Mail Group and brings closure to one of the most adversarial periods of our history. [...] It reflects and re-positions a joint philosophical approach to the future based on growth and not decline, opportunity and optimism, and a re-designed Royal Mail Group, importantly including Parcelforce, thriving in the modern day.

⁹ GLS is an international logistics company with worldwide headquarters in Amsterdam. The company is a wholly owned subsidiary of the Royal Mail Group which also operates the Royal Mail and Parcelforce Worldwide in the United Kingdom.

It has been negotiated during the most unpredictable circumstances in a generation, with Royal Mail Group predicting between a £400 – £800m loss this year and 10,000 to 14,000 job losses over the next three years. We have seen businesses closing, jobs being lost, workers' terms and conditions being attacked and record numbers of unemployment unemployed.

However, as the year has gone on the circumstances and opportunities for RMG have changed. Those circumstances have massively advanced the change anticipated in our previous agreements in parcel growth which has placed huge pressure on our current design and our members. It has illustrated the challenge going forward and the real need to change and expand our operations to seize the opportunity and determine a positive future out of adversity, protect this great public service and our member's' employment, standard of living and retirement security.

See also [Royal Mail plc: Framework Agreement reached with CWU and trading update](#), 22 Dec 2020 and [Royal Mail welcomes CWU ballot result](#), 3 Feb 2021.

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