

Consultation: Interim review of Second Class cap

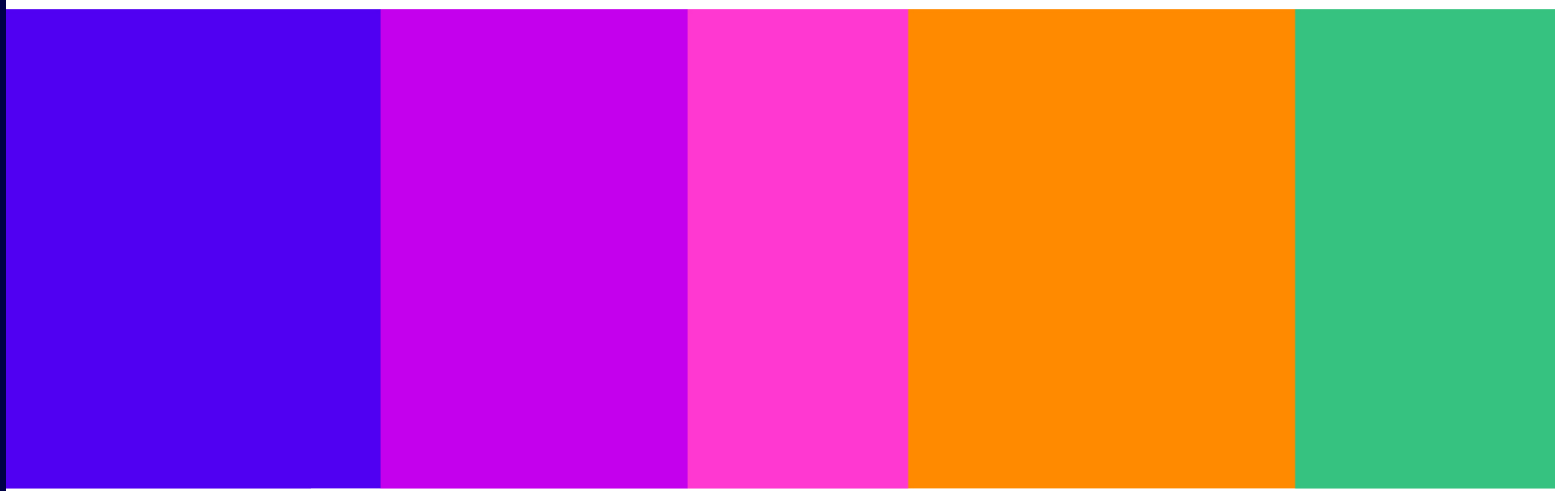
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Consultation

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1. Overview

- 1.1 This document sets out Ofcom’s consultation proposal for the existing retail price cap on Second Class letters to be extended at its current level for one year, to 31 March 2028. This means the maximum price across the basket of these products would continue to rise no faster than inflation, as measured by CPI.¹ We are proposing this approach while Royal Mail implements reforms to the delivery of the universal service (following our changes to regulation in July 2025) and its quality of service improvement plan, which together should have a significant impact on Royal Mail’s financial and service performance. These are crucial to establishing a sufficiently certain evidence base to determine the longer-term approach to pricing.
- 1.2 Ofcom is charged with ensuring that the universal postal service, delivered by Royal Mail, is sustainable and affordable. Ofcom sets quality of service targets as part of the universal service and monitors performance against those targets, taking enforcement action against Royal Mail when its service quality falls below requirements.² The substantial decline in letter volumes has reduced economies of scale in letter delivery. This has increased unit costs and weakened Royal Mail’s financial position, threatening the sustainability of the universal postal service. Royal Mail’s financial position means that there is some tension between the need for the universal service to be sustainable, ensuring it remains affordable and improving quality of service.
- 1.3 We have used the full extent of our powers to modernise Royal Mail’s regulatory obligations. This has enabled Royal Mail to respond to the continued decline in letter volumes and ensures that the universal service remains fit for purpose, recognising that the way people use the service has fundamentally changed.³ In January 2024, we set the current safeguard cap and began wider work on the future of the universal service and postal pricing.⁴ We introduced major reforms that gave Royal Mail greater flexibility in how it delivers Second Class letters.⁵ Those reforms came into effect on 28th July 2025.
- 1.4 Royal Mail started implementing the new operational model in June 2026, after it reached agreement with the Communication Workers Union (CWU) in April 2026. Royal Mail is now in the process of rolling out the new model across all its delivery offices and delivering its quality of service improvement plan.⁶ Those changes are expected to help improve Royal Mail’s costs, financial position and service performance, but the extent of their impacts remains unclear. Royal Mail needs to make more progress on these significant changes before we have a clear enough evidence base on which to determine our long-term approach. Therefore, we are proposing to continue our existing price cap on Second Class letters for one year, until March 2028, as a short-term solution.

¹ CPI or Consumer Prices Index is one way to measure inflation which is the rate at which prices for goods and services change over time.

² We have set clear performance targets and taken action against Royal Mail where these have been missed - fining the company more than £37 million in recent years.

³ Ofcom, 2024. [Call for input: The future of the universal postal service.](#)

⁴ Ofcom, 2024. [Statement: Review of Second Class safeguard caps 2024.](#)

⁵ Ofcom, 2025. [Statement: Review of universal postal service and other postal regulation.](#)

⁶ We understand there may be a pause in rollout further to an announcement by the CWU on 9 October 2026.

- 1.5 Under our proposed approach we would extend the cap at its current level for one year, following its expiration in March 2027. We recognise the importance of setting the long-term approach given the pressures on the sustainability of the universal service. We plan to consult on a long-term approach to universal service and access pricing in Q1 2027/28 and issue a decision in Q3 2027/28. Our work would build on our 2025 Call for Input (CFI) on pricing and affordability and stakeholder input we received in response and subsequently.
- 1.6 The context for that work will be the ongoing challenge to ensure the universal service is sustainable in the face of declining letter volumes. This is likely to mean that real letter prices will need to increase over time, to support a financially sustainable universal service, as prices have in other countries. UK letter prices remain low by international comparison: for broadly comparable non-priority services, the UK ranked one of the lowest in Europe. A Second Class letter stamp in the UK today costs 91p. Comparing with the closest equivalent products we can identify, this is less than half of the mean (£2.07) and about half the median (£1.81) of European countries.⁷
- 1.7 People's expenditure on post continues to be low in absolute terms and represents a very small proportion of most people's income. In 2023/24 the average household spent around £2.60 per month on postal services (this is equivalent to £0.60 per week).⁸
- 1.8 It remains important that people have affordable access to the postal service. While we have consistently found that most people do not face affordability challenges to sending post, we also acknowledge that a small proportion of people may be more likely to face affordability issues, with those on lower incomes more likely to be vulnerable to increased postal prices.⁹ Therefore, we remain of the view that having more targeted approaches to affordability in place would have a significant impact on our approach to regulation and welcome Royal Mail's continued consideration of a targeted discount scheme.

The overview section in this document is a simplified high-level summary only. The proposals we are consulting on, and our reasoning are set out in the full document.

⁷ Comparison set is EU plus Norway, Switzerland and UK.

⁸ ONS, 2025. [Family spending in the UK: April 2023 to March 2024](#). We note that the latest ONS data where there is consistent data for both expenditure and income is 2023/2024. We will update it when 2024/2025 data is available.

⁹ Ofcom, 2024. [Statement: Review of Second Class safeguard cap](#), pp.85-86; Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), pp.25-26.

2. Background

This section sets out the context for the consultation. This includes:

- our legal duties in securing a universal postal service that is affordable, financially sustainable and efficient,
- the ongoing pressures on the universal postal service and Royal Mail's financial challenges and poor quality of service performance,
- our approach to the pricing of universal service services since Ofcom took over postal services regulation and recent reforms to the universal service obligation (USO),
- stakeholder concerns with us setting a long-term price control while there is uncertainty around if, and when, the USO reforms are implemented and what impact they might have on Royal Mail,¹⁰ and
- the factors which impact our ability to assess our approach to pricing, in particular the impact of USO reform and levels of quality of service.

Ofcom's powers and legal duties

- 2.1 As the UK's communications regulator, Ofcom's principal duty is to further the interests of citizens and consumers.¹¹ Our regulatory framework for postal services is set out in two statutes: the Postal Services Act 2011 (PSA 2011) and the Communications Act 2003 (CA 2003).
- 2.2 Ofcom has a duty to secure the provision of a universal postal service – the basic postal service that everyone in the country can rely on. When doing this, we must consider the need for the provision of the universal postal service to be both financially sustainable and efficient before the end of a reasonable period and to continue to be efficient at all subsequent times.^{12 13} The need to be financially sustainable includes the need for a reasonable commercial rate of return for any universal service provider on any expenditure incurred by it for the purpose of, or in connection with, the provision of a universal postal service.¹⁴
- 2.3 The PSA 2011 establishes the framework for the universal postal service in the UK. The current model for securing a universal service in the UK is to require a commercial company to provide the specified universal services alongside other services, including retail and wholesale bulk mail and other parcel services, using a largely common network. The universal service is provided by Royal Mail as the current designated universal service provider (DUSP). Royal Mail is a privately owned company and in addition to its commercial interests, it is required, as the universal service provider, to deliver a specified range of

¹⁰ See paragraphs 2.37 – 2.39 below.

¹¹ Section 3 of the CA 2003.

¹² "A reasonable period" is defined in section 29(5) of the PSA 2011 as such period beginning with the day on which the relevant provisions of the PSA 2011 come generally into force as Ofcom considers, in all the circumstances, to be reasonable.

¹³ Section 29(3) of the PSA 2011.

¹⁴ Section 29(4) of the PSA 2011.

postal services to homes and businesses at affordable and geographically uniform prices across the UK.¹⁵

- 2.4 Ofcom is responsible for defining, by order, the scope of services that constitute the USO. Ofcom sets conditions on Royal Mail by reference to the order, including requirements relating to the provision and performance of universal service products. These conditions cover, among other things, quality of service and operational standards.
- 2.5 Ofcom does not have a role in the commercial strategy or the day-to-day operation of Royal Mail's business. Our role is to set the regulatory framework, monitor outcomes, and act where necessary to ensure compliance.
- 2.6 Ofcom has set a condition imposing a safeguard cap on Second Class letter prices and has a power to direct Royal Mail in relation to the matters set out in the condition. This power extends to giving directions in relation to the maximum prices that Royal Mail may charge for Second Class standard and large letters in any period following the expiry of the three-year safeguard cap that we imposed in 2024.
- 2.7 Detailed information on our powers and duties in relation to postal services, our economic growth duty, public sector equality duty and Welsh language duty is set out in Annex A2.

Protecting people's long-term access to an affordable and reliable postal service

- 2.8 This sub-section sets out why protecting people's long-term access to an affordable and reliable postal service requires ensuring that the USO remains financially sustainable. It explains why change is needed to preserve the USO in the long-term and how we have already made significant, forward-looking changes to the USO requirements. It also summarises how we have approached the pricing of USO services since 2012.

Declining letter volumes are impacting the economics of the universal service

- 2.9 Postal services remain a vital communications tool for many people and businesses. However, the letters market is in structural decline, with changing consumer behaviour driving a year-on-year decline in letter volumes but with continued growth in the number of parcels sent.
- 2.10 These trends in the letters market are not temporary; they reflect a fundamental and permanent shift in how people and businesses communicate, driven by the widespread adoption of broadband and mobile connectivity and the move to digital alternatives for communications previously sent by post.
- 2.11 Since 2011/12 the number of letters being sent has halved and continues to decline, from around 14 billion to approximately 6.5 billion in 2024/25.¹⁶ However, the number of addresses in the UK to which Royal Mail must deliver has increased to over 32 million. When delivering letters, the overall cost of delivering a single letter to a house and delivering five letters to the same house in the same round of delivery is nearly the same. Therefore, as letter volumes have continued to decline, and the number of delivery points

¹⁵ This requirement is known as the USO.

¹⁶ Updated data for 2025/26 on the postal market will be published on our website on 27 October 2026.

has increased, the unit cost of delivering these letters has increased. We explained this dynamic in further detail in Section 4 of our 2025 Universal Service Statement.^{17 18}

- 2.12 This dynamic presents a significant challenge to the economics of the universal service. The impact is evident in Royal Mail's financial position, with the company reporting substantial losses in recent years, placing the sustainability of the universal service at risk.¹⁹ This challenging context means that Royal Mail has had a weak financial performance for many years, operating below the level that we judge likely to be consistent with long term financial sustainability.
- 2.13 Financial sustainability is necessary for good consumer outcomes in post. The provider of a service that is not financially sustainable will not be able to invest adequately in its network, maintain appropriate staffing levels, or deliver services to the required quality, or, potentially, to operate at all. In those circumstances, consumer outcomes would inevitably deteriorate.
- 2.14 The UK's experience is not unique. Countries around the world face similar challenges and are working out how to balance the need to maintain essential and affordable services with the realities of a changing market. Other countries have taken steps to adapt their universal service through legislative or regulatory changes to the structure of the universal service including by supporting its ongoing provision through public subsidy. In many cases, the universal service provider is either partially or wholly government owned. This is not the framework that exists in the UK. The PSA 2011 determines the fundamental aspects of the universal service. Royal Mail, a private company, is responsible for delivering the universal service, alongside its other commercial services, without direct state subsidy.

The universal service must evolve

- 2.15 In response to these structural changes, in 2024 Ofcom launched a national conversation on how best to protect the universal postal service for the future. The consultation set out evidence suggesting the universal service needed to change to better align with the needs of postal users and to ensure it can continue to be affordable and sustainable in the future.²⁰
- 2.16 In July 2025, we made significant, forward-looking changes to the USO requirements following a comprehensive assessment of the needs of postal users, underpinned by extensive consumer research and engagement with businesses, industry participants and other stakeholders.^{21 22}
- 2.17 The reforms introduced greater flexibility for Second Class deliveries, allowing Royal Mail to deliver Second Class letters on alternate weekdays and not on Saturdays. Such reform

¹⁷ Ofcom, 2025. [Statement: Review of the universal postal service and other postal regulation](#), Section 4.

¹⁸ Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.9.

¹⁹ See Royal Mail's Regulatory Financial Statements 2025-26, page 3: The part of the business that supports the universal service has only achieved a 5% profit margin in two years since privatisation in 2013. This is the level we consider indicative of the service being financially sustainable in the long-term, and it was last reached in 2015/16 – around ten years ago.

²⁰ Ofcom, 2024. [Call for input: The future of the universal postal service](#).

²¹ Ofcom, 2025. [Consultation: Review of the universal postal service and other postal regulation](#).

²² Ofcom, 2025. [Statement: Review of the universal postal service and other postal regulation](#).

aimed to protect what matters most to users while recognising that the universal service could not continue unchanged in the context of a structurally declining letters market.²³

- 2.18 The reform was the most significant change to the universal service in more than a decade and enabled Royal Mail to make a structural change to its delivery operations with the aim of helping the financial sustainability of the universal service and improving service quality and reliability. We estimated that the savings could be in the range of £250m to £425m but noted that, in practice, the extent of the actual net savings depended on Royal Mail's success in implementing the necessary operational changes.²⁴
- 2.19 These potential net savings are substantial and, if realised, would have a significant positive impact on the financial sustainability of the universal service and therefore support its continued provision. However, we recognised that, while significant, this reform alone would not be sufficient to address the challenges facing Royal Mail or the longer-term sustainability of the universal service. We were clear that Royal Mail would also need to transform its network and operations, as well as improving growth through its parcels offering. As noted above, it is Royal Mail's responsibility, not Ofcom's, to run its business and devise and implement a successful commercial strategy.

The pricing of universal services

Our approach to pricing regulation since 2012

- 2.20 On taking responsibility for postal regulation in 2012, we noted that extensive price controls under the previous regulatory regime had (i) not been effective in ensuring Royal Mail improved its efficiency; (ii) not protected postal users from price rises; and (iii) resulted in a position where the universal service was becoming unsustainable.^{25 26}
- 2.21 We decided to grant Royal Mail sufficient pricing flexibility to continue providing services on a sustainable basis and put in place a Second Class safeguard cap with the objective of ensuring that a basic affordable universal service product was available to all. We set the cap significantly above the price level, so it acted as a safeguard to affordability but still gave Royal Mail sufficient pricing freedom. We considered Royal Mail had a commercial incentive to ensure that price rises did not significantly accelerate market decline and therefore threaten the viability of the universal service.^{27 28}
- 2.22 We have consistently not imposed a cap on First Class standard and large letters. While competitive constraints are similarly limited for these products, we did not consider that significant affordability concerns arose in relation to First Class services. First Class is a

²³ Our reforms preserved the features of the universal service set by legislation of 'one price goes anywhere' across the UK and a six-day-a week service.

²⁴ Ofcom, 2025. [Statement: Review of the universal postal service and other postal regulation](#).

²⁵ Postcomm implemented a series of price controls on different baskets of postal services on an RPI - X basis with further adjustments to reflect structural declines in volumes, under-recovery of costs and access related costs (where relevant) in the 2010 review. The baskets included Basket A (which covered services for domestic residential users who had no alternative to Royal Mail), Basket B (which covered the same for business users) and Basket C (which covered wholesale services). These baskets were also subject to additional rules such as a sub-cap which applied to specific services within baskets and a total revenue cap for Basket A and B. Postcomm, 2010. [Laying the foundations for a sustainable postal service](#).

²⁶ Ofcom, 2012. [Securing the Universal Postal Service](#), p.4.

²⁷ Ofcom, 2012. Statement: [Securing the Universal Postal Service](#), pp.3-5.

²⁸ We set this cap at 55p, which represented a 53% increase on the stamp price at the time which was 36p (2011-12 prices). This cap applied for seven years and was subject to indexation at CPI.

premium, faster-speed service designed for less frequent occasions where users choose to pay more for expedited delivery. For most postal needs, Second Class provides a suitable and lower-priced alternative.²⁹ This approach aimed to preserve Royal Mail's commercial flexibility while ensuring that a basic universal service remains affordable to all.

- 2.23 We have broadly maintained this overall regulatory approach in subsequent reviews as we considered that it best achieved our overall objectives:
- 2.24 In our 2022 Review of Postal Regulation, we said that the implementation of price controls, or the setting of efficiency targets, would not lead to better outcomes. This was largely for the same reasons as in 2012 and in the context where the further decline in letter volumes made the sustainability challenges greater. We also explained that we thought commercial flexibility would create stronger efficiency incentives and setting efficiency targets or price controls could lead to unintended consequences.³⁰
- 2.25 In our 2024 review we removed Second Class parcels from the safeguard cap as competition was constraining prices (and Royal Mail's pricing was well below the cap) and therefore ensured that they remained affordable. However, we retained a safeguard cap on Royal Mail's Second Class letter services due to limited competitive constraints on Royal Mail's pricing of Second Class standard and large letters.³¹ As part of our assessment of affordability at that time, we considered that most people do not experience a significant detriment as a result of postal prices, although there was evidence that some vulnerable groups may experience some affordability challenges.³² Given this, since 2024 we have engaged with Royal Mail on exploring a targeted discount scheme for vulnerable customers.³³
- 2.26 The 2024 cap imposed a basket safeguard cap on the pricing of Royal Mail Second Class stamped standard and large letters so that the maximum price across the basket of standard and large letters can rise no faster than inflation, as measured by CPI.³⁴ The initial duration of the 2024 safeguard cap was shorter than the timeframe previously adopted (three years rather than five years). This was in response to evidence presented at the time that a cap could, from the financial year 2027-28, begin to materially affect Royal Mail's commercial flexibility for other services and, in turn, Royal Mail's revenues and profitability.³⁵

Second Class letter prices since 2012

- 2.27 The safeguard cap on Second Class letter prices when first imposed was intentionally significantly above the actual price of letters. It was intended to be a safeguard cap rather

²⁹ From our 2025 qualitative research we are aware that some users are particularly reliant on First Class. For example, PKU patients who must regularly use First Class to send urgent samples for testing, with the NHS only funding postage in certain postcode locations. Jigsaw, 2025. [Post affordability: benefits recipients' perspective on a potential targeted discount scheme.](#)

³⁰ Ofcom, 2022. [2022 Review of Postal Regulation](#), pp.55-56.

³¹ Ofcom, 2024. [Statement: Review of Second Class safeguard cap](#), p.100.

³² Ofcom, 2024. [Statement: Review of Second Class safeguard cap](#), pp.85-86.

³³ Ofcom, 2024. [Statement: Review of Second Class safeguard cap](#), pp.3-4 and 100.

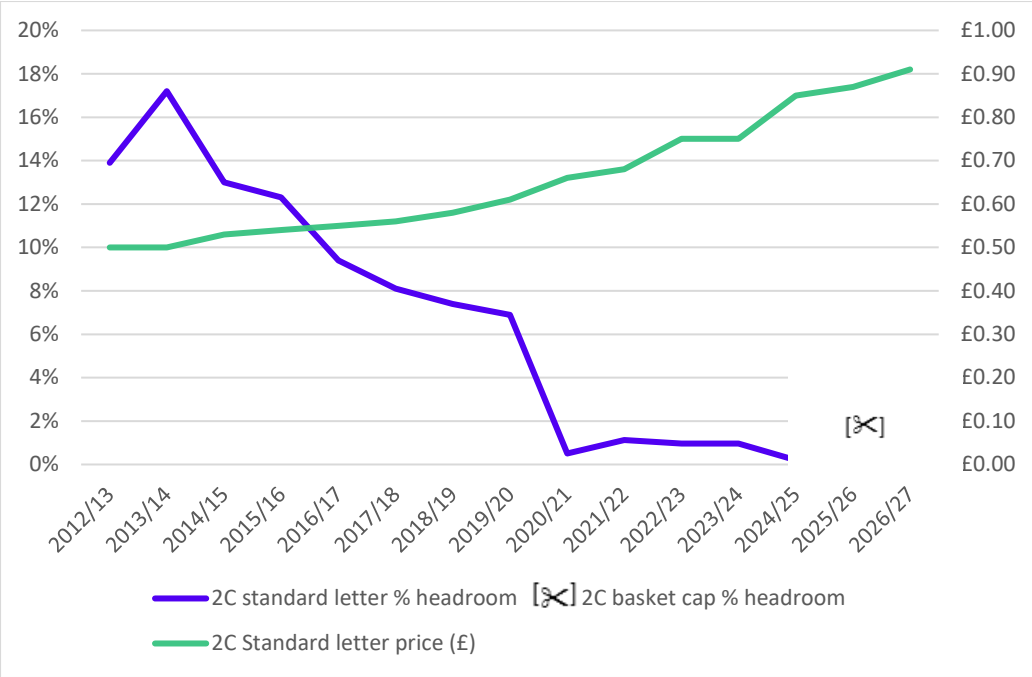
³⁴ A basket structure is a form of price control that allows prices for certain products to increase by more than inflation, if others are increased by less than inflation. DUSP Condition 3 sets out the maximum amount that Royal Mail can charge for services falling within the basket.

³⁵ Evidence from Royal Mail indicated that the cap would begin to constrain revenues of non-USO bulk mail services, as Royal Mail intended to increase the price of these products but would be constrained from doing so by the Second Class standard letter price. We referred to this constraint as the 'pricing ladder' effect.

than binding on price rises. Over time, the cap has increased by CPI but also through real term increases to ensure that the cap would not be binding, or to ensure greater pricing flexibility for Royal Mail.³⁶ These decisions reflected our assessment that modest real-terms increases would not make Second Class products unaffordable, while still protecting users from undue price rises and maintaining a reasonable degree of commercial flexibility for Royal Mail.

2.28 However, in recent years, as cost pressures have risen with declining volumes, Royal Mail has been trying to recover some of its rising unit costs by raising its prices. Since 2021, the cap has consistently been binding on Second Class standard letters with Royal Mail setting the prices of these products at or very close to the maximum allowed by the cap (as shown in the chart below).³⁷ In contrast, while there was a basket cap including both Second Class large letters and parcels up until 2024, Royal Mail generally priced these considerably lower than the cap (not shown in the chart below), leading to the removal of the cap on parcel prices.

Figure 1: Royal Mail’s Second Class letter nominal prices and Ofcom safeguard cap levels (£) since 2012/13³⁸



Source: Royal Mail reporting data since 2012/13.
 Note: from 2024/25 the Second Class standard letter cap was replaced with a basket cap on Second Class standard and large letters. The headroom for this cap has been redacted due to confidentiality. The trend in headroom for this basket does not materially differ from the trend in the standard letter cap from 2020/21 to 2024/25.

³⁶ In Ofcom’s [2019 review of the safeguard cap](#), it allowed a 5% real terms increase, alongside annual CPI increases, in the cap set for Second Class standard letters and the basket cap for Second Class large letters and parcels, stating that such an increase would not make these items unaffordable. At the time Ofcom found that if it did “not raise the level of the standard letter cap, Royal Mail’s flexibility to increase prices could be eroded within two to three years”.

³⁷ Over the past four years, from £0.66 in April 2021 to £0.91 in April 2026.

³⁸ Royal Mail is restricted to pricing to the absolute maximum permitted by the cap, as it must price to the nearest whole penny for stamps.

Our approach to assessing the affordability of universal services

- 2.29 Since 2011, we have broadly followed the same approach to assessing the affordability of postal services. Our previous affordability assessments have focused on residential, particularly vulnerable, customers and considered whether postal prices cause significant detriment to them.³⁹ We have looked at whether there could be significant detriment by considering the extent to which:
- a) People have had to reduce their purchase of postal services due to the price; and/or
 - b) People continued to buy postal services but had to cut back on other essential items to afford postal services.
- 2.30 We have previously said that there is no single approach to affordability that can be definitive about whether the price of a good or service is affordable or not.⁴⁰ This is because incomes and usage, and the extent to which postal users consider their usage to be essential, varies significantly. This makes it difficult to determine at a broad level whether something is affordable for people.⁴¹ In previous assessments, we have focused on the following demographic groups given they may be more likely to be vulnerable in relation to the cost of post, because of either higher reliance on postal services and/or lower than average income: older people, people on low incomes, people in rural areas, people without internet access/or poor digital skills, and people with disabilities.⁴²
- 2.31 We have used a range of evidence to inform our affordability assessments, which includes:
- a) Office for National Statistics (ONS) data on family spending, including average expenditure on post, spend on post as a proportion of disposable income and spend on post as a proportion of communications spend.⁴³
 - b) ONS data which tracks changes to household incomes.⁴⁴
 - c) international comparisons of postal prices.
 - d) our regular Residential Postal Tracker research which informs our understanding of how, and how frequently, people use postal services and their attitudes towards post.⁴⁵

³⁹ Ofcom, 2024. [Statement: Review of Second Class safeguard cap](#), p.55.

⁴⁰ Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.17, paragraph 3.10 and Ofcom 2019. [Review of the Second Class Safeguard Caps 2019: Statement](#), paragraph 4.8.

⁴¹ This is consistent with some views set out in: European Regulators Group for Postal Services (ERGP), December 2024. [ERGP Report on the regulation of end-user pricing](#), pp.25-26. The report notes that affordability is quite difficult to be defined in economic terms as there are many factors at play such as price of the service, level of consumption, proportion of household spend and availability of alternatives.

⁴² Ofcom, 2024. [Review of Second class safeguard caps 2024: decision on safeguard caps for Second Class universal services](#), paragraph 5.34 and Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), pp.17-18, paragraphs 3.13-3.14.

⁴³ ONS, 2025. [Family spending in the UK: April 2023 to March 2024](#). We note that the latest ONS data where there is consistent data for both expenditure and income is 2023/ 2024.

⁴⁴ For example: ONS, 2026. [Average weekly earnings in Great Britain \(January 2026\): estimates of growth in earning for employees before tax and other deductions from pay](#).

⁴⁵ [Residential Postal Tracker 2025](#).

Our initial view is that most people do not experience significant detriment because of postal prices

- 2.32 We have consistently found that most people do not experience significant detriment because of postal prices and prices were affordable for most people.⁴⁶ Our analysis has regularly shown that:
- a) Average expenditure on post remains very low and constitutes a small proportion of people's disposable incomes even when considering different usage patterns and different income levels.
 - b) Non-priority letter prices in the UK are below those of most other comparable countries.⁴⁷ A Second Class letter stamp in the UK today costs 91p. Comparing with the closest equivalent products we can identify, this is less than half of the mean (£2.07) and about half the median (£1.81) of European countries.⁴⁸
 - c) Our research evidence has also indicated that, while some people might be more dependent on postal services, most do not tend to use them more frequently than the average.⁴⁹ Therefore, while such people may find postal services necessary to use, that does not mean that their spending is greater on these services or that they face greater affordability issues than the average user.
- 2.33 However, we have consistently acknowledged that a small proportion of people may be more likely to face affordability issues, with those on lower incomes more likely to be vulnerable to increased postal prices.⁵⁰
- 2.34 As part of our approach to pricing and affordability from April 2027, we published a CFI in November 2025 (2025 Pricing CFI).⁵¹ The 2025 Pricing CFI described the issues relating to pricing and affordability, including alternative ways to address the affordability risk, such as a targeted discount scheme. We set out some initial observations in that document which we summarise here:
- i) In both absolute terms and as a proportion of total household expenditure, average expenditure on postal services in aggregate has remained consistently low for many years.⁵² In 2023/24 the average household spent around £2.60 per month on postal services (this is equivalent to £0.60 per week as reported in the 2025 Pricing CFI). Postal spend for the bottom income quintile in 2023/24 was £1.52, which is over 40% lower

⁴⁶ Ofcom, 2024. [Statement: Review of Second Class safeguard cap](#), pp.85-86; Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.25, paragraph, 3.53.

⁴⁷ Overall, the UK has a relatively low price for its cheapest stamp compared to other countries, based on combined priority and non-priority services with different weight limits and service characteristics. When comparing only non-priority services that are more closely equivalent to UK Second Class in terms of weight limits, the UK again has relatively low prices (fourth lowest in the price ranking out of the 28 countries that we have considered).

⁴⁸ Comparison set is EU plus Norway, Switzerland and UK.

⁴⁹ See for example findings from the [Residential Postal Tracker](#) that people on the lowest incomes, people who are not working, people on benefits and older people (aged 65+) are more likely to say that they did not send any post items in the past month. It also found that people in rural (including rural remote) areas are more likely than average to have sent a postal item in the past month. QG1: Approximately how many of the following have you sent this month? Updated postal tracker data will be available in October 2026.

⁵⁰ For example, Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.26.

⁵¹ Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#).

⁵² Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.20, paragraph, 3.30.

than the average spend across all households.⁵³ When comparing spending on post to other essential expenditure, this has remained relatively low. The 2025 Pricing CFI analysis indicated that households in all income deciles, except the bottom decile, spent at most 0.24% of their disposable income net of essential services on postal services.⁵⁴ However, postal spending has a higher burden on households in the lowest income decile, with our analysis showing in 2023/24 that this decile spent 5.87% of their disposable income, net of essential services, on postal services, up from 0.97% in 2022/23. The 2025 Pricing CFI noted that this has fluctuated over recent years due to the changing levels of remaining income after expenditure on essential items, which particularly impacts those in the lowest income deciles.^{55 56}

- ii) We observed that only a small proportion of residential customers are likely to face problems affording to send post. This is consistent with our previous affordability assessments that only a small proportion of customers face affordability issues. Problems affording post are usually linked to a variety of factors, such as the overall economic situation, personal circumstances, and frequency of post use. Our evidence suggests that those currently likely to face affordability issues in post are usually on a low income and/or in a vulnerable group, for example those in receipt of state benefits, those who cannot leave home without help and those with an impactful or limiting condition.⁵⁷
- iii) The 2025 Jigsaw qualitative research (which spoke to people who were eligible for, or in receipt of, certain benefits with a significant proportion of the sample also facing problems affording to send post) indicated that cost of living remains a challenge for some users in low-income households. Although the degree of financial struggles varied across all the participants, things were tight for everyone and ‘cutting back’ was seen as the only available response to the pressure on their finances.⁵⁸
- iv) Other approaches to affordability, such as a targeted discount scheme could be to the benefit of vulnerable customers.⁵⁹

⁵³ ONS, 2025. [Family spending in the UK: April 2023 to March 2024](#). We note that the latest ONS data where there is consistent data for both expenditure and income is 2023/2024. We will update it when 2024/2025 data is available.

⁵⁴ Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.21, paragraph 3.33.

⁵⁵ Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.21, paragraph 3.34.

⁵⁶ It is important to note that these figures are based on the ONS definition of all postal services and are likely to include parcels (which are more expensive to send than letters). Therefore, the average weekly spend on letters is likely to be considerably less. On the other hand, we also note that these figures include households that did not spend anything on post, so the average weekly spend is likely lower than if the figure just included those who used postal services. Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.20, paragraph 3.31 – 3.32.

⁵⁷ Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.25, paragraph 3.53 – 3.55. [Residential Postal Tracker 2024-25](#), QG2.

⁵⁸ Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), paragraphs 3.44 – 3.46 and 3.58. Jigsaw, 2025, Post affordability: benefits recipients' perspective on a potential targeted discount scheme – [qualitative research findings](#), slides 4, 7 – 8 and 40 – 41.

⁵⁹ Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.4.

Long term decisions on pricing require information on USO reform and quality of service performance, in addition to evidence on affordability

- 2.35 Given the continued structural decline in letter volumes, the long-term trend is likely to be for letter prices to increase to support the financial sustainability of the universal service, as they have in other countries. As shown above, UK letter prices remain low by international comparison with other countries.
- 2.36 At the same time, affordability remains an important consideration, particularly because Royal Mail faces limited competitive constraints in the provision of letters and continues to be the only provider of a nationwide end-to-end universal letter delivery service. We started a project in 2025, after our decision on USO reform, to set a new long-term approach to price regulation taking account of the potentially conflicting objectives of sustainability and affordability.
- 2.37 We set out our initial thinking in our 2025 Pricing CFI and asked for stakeholder views with a view to publishing consultation proposals in Q4 2025/26.⁶⁰ We received responses from a range of stakeholders and in January 2026 we published the non-confidential responses on our website.^{61 62} Many stakeholders expressed concerns with us setting a long-term price control at this time. For example, they pointed to the uncertainty around if, and when, the USO reforms would be implemented and what impact they might have on Royal Mail.⁶³ Some stakeholders recommended a short pause to enable us to consider the impact of any reform, and Royal Mail's financial performance following USO reform implementation, in our long-term approach to pricing.⁶⁴
- 2.38 Other suggestions raised by stakeholders included undertaking further work on: (i) the affordability of USO services; (ii) how a targeted scheme could address affordability concerns; and (iii) ways to incentivise Royal Mail to improve its poor financial and quality of service performance by implementing changes to the USO as soon as possible.⁶⁵ Some stakeholders suggested that we should impose broader price controls for universal services, and access services, while others suggested future price rises should be conditional on

⁶⁰ We provided our initial thinking on the key principles and design choices which could lead to an effective discount scheme, set out the research we commissioned to explore approaches, and noted our discussions with Royal Mail about its thinking around a scheme.

⁶¹ Published responses to our CFI are available on our [website](#).

⁶² Responses included 31 responses from a variety of organisations: card companies, post businesses, trade associations, advisory committees, consumers bodies, union groups, banks, charities and communication businesses. We also received 11 responses from individuals and responses from the We Own It campaign group.

⁶³ [Card Factory response](#) to 2025 Pricing CFI, p.1; [Jessie Maeve Studio response](#) to 2025 Pricing CFI, p.1; [Hallmark response](#) to 2025 Pricing CFI, p.1; [Post Office response](#) to 2025 Pricing CFI, paragraph 2.1.4, p.6; [Communications Consumer Panel \(CCP\) response](#) to 2025 Pricing CFI, p.3; [Consumer Council for Northern Ireland \(CCNI\) response](#) to 2025 Pricing CFI, p.13; [Citizens Advice response](#) to 2025 Pricing CFI, paragraph 5.5, p.27; [Consumer Scotland response](#) to the 2025 Pricing CFI, p.5; and [Greeting Card Association \(GCA\) addendum to Dec 2025 submission - response](#) to 2025 Pricing CFI, pp.1-2.

⁶⁴ [GCA response](#) to 2025 Pricing CFI, pp.1-2 and [Consumer Scotland response](#) to 2025 Pricing CFI, p.6.

⁶⁵ [CCP response](#) to 2025 Pricing CFI, p.2 and p.9; [Post Office response](#) to 2025 Pricing CFI, paragraph 2.2.6, p.7 and paragraph 1.7, p.5; [Consumer Scotland response](#) to 2025 Pricing CFI, pp.7-8 and p.16; [Citizens Advice response](#) to 2025 Pricing CFI, paragraph 3.6, p.15 and paragraph 3.8 pp.16-17; and [Quadient response](#) to 2025 Pricing CFI, p.4.

improvements in quality of service.⁶⁶ Royal Mail suggested the price cap for Second Class should be removed as it risks its ability to deliver a financially sustainable USO.⁶⁷

- 2.39 Following our analysis of stakeholder responses to the 2025 Pricing CFI and the delay to Royal Mail implementing the USO reform, we published an update in March 2026 which indicated a delay to our consultation on future pricing to later in 2026.⁶⁸
- 2.40 Royal Mail is undergoing a major transformation programme, which is expected to impact on the financial sustainability of the business and its quality of service performance. Additionally, its quality of service performance, a key part of the universal service, has been very poor. We believe we need to consider the outcome of the changes in these areas as part of our assessment of the safeguard cap. We discuss these impacts in the following sections.

Understanding the financial impacts of implementing changes to the USO

- 2.41 Since 28 July 2025, Royal Mail has had the ability to implement the changes to its operations enabled by our July 2025 statement. Implementation has been delayed significantly by the industrial dispute between Royal Mail and the CWU on how the reforms should be implemented in practice. On 16 April 2026, Royal Mail announced that it had reached an agreement with the CWU on the deployment of the USO changes through a revised delivery model (DM26) for achieving alternate day delivery of Second Class letters. Royal Mail has stated that it expects to complete nationwide rollout of DM26 before Christmas 2026.^{69 70 71}
- 2.42 Based on the changes agreed with the CWU, Royal Mail believes successful deployment of DM26 will result in cost savings of £300m. However, it is uncertain whether and when Royal Mail will achieve these cost savings. Part of the uncertainty arises due to the challenges Royal Mail faces in successfully implementing the necessary changes before December 2026, its peak period.⁷²
- 2.43 The cost savings which may be achieved through USO reform are substantial, although they are not enough, on their own, to ensure the financial sustainability of the USO. The long-term sustainability of Royal Mail depends on its ability to achieve significant growth in parcels, to raise prices in response to rising unit costs, and to transform its network and

⁶⁶ [Card Factory response](#) to 2025 Pricing CFI, p.2; [Jessie Maeve Studio response](#) to 2025 Pricing CFI, p.1; [Hallmark response](#) to 2025 Pricing CFI, p.1; [Post Office response](#) to 2025 Pricing CFI, paragraph 1.8, p.5; [Citizens Advice response](#) to 2025 Pricing CFI, paragraph 1.8, pp.3-4; [Advisory Committee for Northern Ireland \(ACNI\) response](#) to the 2025 Pricing CFI, p.3; [Citipost Mail response](#) to the 2025 Pricing CFI, pp.3-5; [Mail Users Association \(MUA\) response](#) to the 2025 Pricing CFI, paragraph 3.8, p.2; [Whistl response](#) to the 2025 Pricing CFI, p.2; [Mail Competition Forum \(MCF\) response](#) to the 2025 Pricing CFI, p.3; [HSBC response](#) to the 2025 Pricing CFI, pp.3-4; [The Postal Group response](#) to the 2025 Pricing CFI, p.2; [UK Mail response](#) to the 2025 Pricing CFI, p.2; and [Quadiant response](#) to the 2025 Pricing CFI, pp.5-6.

⁶⁷ [Royal Mail response](#) to the 2025 Pricing CFI, pp.17-21.

⁶⁸ We published an update on our timings for the review on 13 March 2026 on our [website](#).

⁶⁹ It is a 10 week process for each delivery office to complete its own roll out.

⁷⁰ [Quality of Service improvement plan: for the postal universal service](#), p.7.

⁷¹ On 9 October 2026, [CWU announced a pause](#) to any further rollout of DM26, saying a plan needed to be agreed with Royal Mail to address issues affecting units that are currently not working. Following this announcement, Royal Mail has requested immediate negotiations with CWU.

⁷² [Quality of Service improvement plan: for the postal universal service](#), pp.7-8.

operations.⁷³ If Royal Mail is unable to achieve a large proportion of the potential benefits of USO reform, then the risks to financial sustainability will be greater. By contrast, the more successful Royal Mail is in achieving cost savings, then the greater will be the reduction in the immediate pressures to sustainability. We need a reasonable degree of certainty about the financial impacts to set an appropriate long-term control.

- 2.44 We are getting information on the deployment of DM26 and any associated cost savings through our monitoring programme. However, we will not have a reliable and stable evidence base on the financial impacts until DM26 has been deployed widely across the UK and been operational in delivery offices for a period of time.

Understanding the Quality of Service performance impacts of implementing USO reform

- 2.45 Royal Mail's quality of service performance has been unacceptable in recent years.⁷⁴ We have fined Royal Mail in each of the last three years for missing its quality of service targets: £5.6m (November 2023), £10.5m (December 2024) and £21m (October 2025) - over £37m in total. We are currently formally investigating Royal Mail's compliance with its 2025/26 quality of service targets. This will consider whether a financial penalty is warranted for a fourth consecutive year.⁷⁵
- 2.46 We have consistently told Royal Mail that it must significantly and continuously improve the service it provides to its customers. To secure the significant improvements required in Royal Mail's service performance we asked for a published, credible plan:
- to improve quality of service and restore postal users' confidence,
 - that included a timeline for when it expects to get back into compliance with the regulatory obligations, and
 - that was backed by the parent company and supported by the necessary investment in the network.
- 2.47 Royal Mail published its improvement plan on 21 April, following the CWU agreement. Royal Mail has said that achieving quality of service targets is dependent on the roll-out of USO reform i.e. DM26.⁷⁶ It said that the previous model required it to maintain an extensive infrastructure that could deliver all letters to all addresses six days a week, despite only having letters to deliver for around four in ten of those addresses every day. A combination of letter volume decline and an increase in the number of addresses since 2004/05 has meant that posties must walk three times as far to deliver the same number of letters. This led to mail being delivered later than expected as delivery routes were not completed. Royal Mail believes that addressing this issue is key to improving its quality of service performance and, under the new delivery model, approximately seven out of ten addresses will be

⁷³ Ofcom 2025. [Statement: Review of the universal postal service and other postal regulation](#), pp.77-78. We emphasised that reform of the universal service alone will not provide the answer to Royal Mail's broader operational and financial challenges and further action is needed by the business.

⁷⁴ Royal Mail published its latest audited full-year 2025/26 results on 29 May 2026: 75.7% of First Class mail delivered the next working day (against the then-target of 93%) and 90.2% of Second Class mail delivered within three working days (against 98.5%). This is a continued, significant miss against the targets since 2022/23.

⁷⁵ Ofcom. [Ofcom investigates Royal Mail's 2025/26 delivery performance](#). Accessed 5 October 2026.

⁷⁶ [Quality of Service improvement plan: for the postal universal service](#). Accessed 5 October 2026.

delivered to on each round. This increase in delivery call rate means routes are more likely to be completed each day, reducing delays.^{77 78}

- 2.48 Royal Mail has committed to re-investing £500m of the savings generated by USO reform into its infrastructure over five years. This is part of implementing the new delivery model and to ensure that quality of service will improve with a quarter-by-quarter flightpath back to the regulated targets by April 2027.⁷⁹ Royal Mail says this investment will be directly linked to improving route completion, resourcing delivery offices at the right level, and delivering measurable improvements in quality of service performance. We have been clear with Royal Mail that it will be held to these commitments, and we need to see a change in outcomes against the quality of service targets.
- 2.49 Royal Mail provides regular updates on the progress of its deployment plans and indicative data on the delivery performance of the new operating model as it is implemented across the national network.⁸⁰ This will indicate if Royal Mail is achieving the incremental increases to quality of service that it has set out in its flight path. However, whether DM26 will result in sustained improvement to quality of service levels remains uncertain, which contributes to the difficulty in determining a long-term approach to pricing at this time.⁸¹

Understanding Royal Mail's approach to targeted affordability measures

- 2.50 As discussed above, we believe that letter prices are affordable for most people but there may be some people on very low incomes who could face affordability challenges. Given this, we continue to think there could be merit in a targeted discount scheme.
- 2.51 Royal Mail set out its initial views on a targeted scheme in its response to our 2025 Pricing CFI and has been undertaking work on how it could implement a targeted scheme.^{82 83}
- 2.52 We encourage Royal Mail to progress a scheme as soon as possible. We would expect any scheme to evolve over time through reviewing outcomes and adjusting to ensure it is effective and delivers value.
- 2.53 If a targeted scheme were to be put in place and fully operational, we would be able to take account of it in our future pricing decisions. We consider it is likely to have a significant impact on our assessment. For example, it may be appropriate to relax (or remove) the safeguard cap if a targeted scheme materially reduced affordability risks, particularly for those who find themselves unable to send necessary letters due to price. However, until such a scheme is in place, we are unable to take it into account in our assessment and decision making on pricing.

⁷⁷ [Quality of Service improvement plan: for the postal universal service](#), p.6.

⁷⁸ The 'call rate' is the relationship between the amount of mail to be delivered in an area and the proportion of all delivery points that must be travelled to on a given day.

⁷⁹ [Quality of Service improvement plan: for the postal universal service](#), pp.7-8.

⁸⁰ [The Future of Letter Deliveries](#). Accessed 5 October 2026.

⁸¹ To allow for completion of full roll out, bedding in across all delivery units and overall quality of service measurement at a national level.

⁸² [Royal Mail response](#) to the 2025 Pricing CFI, pp.22-33.

⁸³ Information provided in response to a section 55 request on 22 July 2026.

Our approach to this consultation

- 2.54 Considering the context that we have set out in this section, the purpose of this consultation is to consider what should happen to the existing safeguard cap which is due to expire in March 2027. Section 3 sets out the options for the safeguard cap, including our proposed approach, and considers various factors such as the impacts on affordability, financial sustainability and efficiency when assessing these options.

Impact assessment

- 2.55 Section 7 of the Communications Act 2003 requires us to carry out and consult on an assessment of the likely impact of implementing a proposal which would be likely to have a significant impact on businesses or the general public, or when there is a major change in Ofcom's activities. More generally, impact assessments form part of good policy making and we therefore expect to carry them out in relation to a large majority of our proposals. We use impact assessments to help us understand and assess the potential impact of our policy decisions before we make them. They also help us explain the policy decisions we have decided to take and why we consider those decisions best fulfil our applicable duties and objectives in the least intrusive way. Our impact assessment guidance sets out our general approach to how we assess and present the impact of our proposed decisions.⁸⁴
- 2.56 The relevant duties in relation to the proposal on which we are consulting are set out in paragraphs 2.1 to 2.7 and Annex A2. Section 2 of this document provides relevant context to our proposal and paragraphs 2.65 – 2.69 sets out our provisional equality impact assessment. Section 3 sets out our views on the current safeguard cap and the options for it after it expires in March 2027. This includes our proposed approach and considers the impact of this on affordability, financial sustainability and efficiency. In particular, paragraphs 3.8 – 3.15 consider the impact of removing the cap and paragraphs 3.19 – 3.37 consider the impact of our proposal to extend the cap for one year.
- 2.57 Section 108 of the Deregulation Act 2015 sets out Ofcom's duty to have regard to the desirability of promoting economic growth when exercising its regulatory functions. To consider the promotion of economic growth, Ofcom will exercise its regulatory functions in a way that ensures that regulatory action is taken only when it is needed and any action taken is proportionate. When assessing the impact of our proposals in Section 3, we have considered relevant key drivers of economic growth, including innovation, competition, efficiency and productivity, and trade.⁸⁵
- 2.58 When carrying out our postal functions, we are required to have regard to the Government's Statement of Strategic Priorities (SSP) which was designated on 27 April 2026 (the "2026 SSP").⁸⁶ We consider that this work and our proposal is in line with Strategic Priority 5: Supporting growth through resilient and sustainable postal services. We share the Government's view of the importance of the provision of a universal postal service that meets the needs of users and is affordable, efficient, and financially sustainable in an open

⁸⁴ See [impact assessment guidance](#).

⁸⁵ See [Growth Duty Guidance](#).

⁸⁶ Department for Science, Innovation and Technology. 30 April 2026. [Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services - GOV.UK](#). Accessed 5 October 2026.

and competitive postal market. We have considered the SSP when assessing the impact of our proposals in Section 3.

Equality impact assessment

- 2.59 Section 149 of the Equality Act 2010 (the “2010 Act”) imposes a duty on Ofcom, when carrying out its functions, to have due regard to the need to eliminate discrimination, harassment, victimisation and other prohibited conduct related to the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation. The 2010 Act also requires Ofcom to have due regard to the need to advance equality of opportunity and foster good relations between persons who share a protected characteristic and those who do not.
- 2.60 Section 75 of the Northern Ireland Act 1998 (the “1998 Act”) imposes a duty on Ofcom, when carrying out its functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity and regard to the desirability of promoting good relations across a range of categories outlined in the 1998 Act. Ofcom’s Revised Northern Ireland Equality Scheme explains how we comply with our statutory duties under the 1998 Act.⁸⁷
- 2.61 To help us comply with our duties under the 2010 Act and the 1998 Act, we assess the impact of our proposals on persons sharing protected characteristics and, in particular, whether they may discriminate against such persons or impact on equality of opportunity or good relations.
- 2.62 When thinking about equality we think more broadly than persons that share protected characteristics identified in equalities legislation and think about potential impacts on various groups of persons (see paragraph 4.7 of our impact assessment guidance).⁸⁸
- 2.63 In particular, section 3(4) of the Communications Act 2003 also requires us to have regard to the needs and interests of specific groups of persons when performing our duties, as appear to us to be relevant in the circumstances. These include:
- the vulnerability of children and of others whose circumstances appear to us to put them in need of special protection;
 - the needs of persons with disabilities, older persons and persons on low incomes; and
 - the different interests of persons in the different parts of the UK, of the different ethnic communities within the UK and of persons living in rural and in urban areas.
- 2.64 We examine the potential impact our policy is likely to have on people, depending on their personal circumstances. This also assists us in making sure that we are meeting our principal duty of furthering the interests of citizens and consumers, regardless of their background and identity.

Our provisional Equality Impact Assessment

- 2.65 We have undertaken an equality impact assessment of our proposal to retain the existing retail price cap on Second Class standard and large letters for one year, to 31 March 2028.

⁸⁷ Ofcom, December 2019: [Revised Northern Ireland Equality Scheme for Ofcom](#).

⁸⁸ Ofcom, July 2023: [Impact Assessment Guidance](#).

- 2.66 As set out in paragraphs 2.29 – 2.34 above, our historic approach to assessing affordability and our most recent summary of this evidence have consistently found that most people do not experience significant detriment because of postal prices and that prices were affordable for most people.⁸⁹ For example, our analysis has regularly shown that:
- a) average expenditure on post remains very low and constitutes a small proportion of people’s disposable incomes, even when considering different usage patterns and different income levels.
 - b) while some people might be more dependent on postal services, most do not tend to use them more frequently than the average.⁹⁰ Therefore, while such people may find postal services necessary to use, that does not mean that their spending is greater on these services or that they face greater affordability issues than the average user.
- 2.67 However, we have consistently acknowledged that a small proportion of people may be more likely to face affordability issues. Problems affording post are usually linked to a variety of factors, such as the overall economic situation, personal circumstances, and frequency of post use. Our evidence suggests that those currently likely to face affordability issues in post are usually on a low income and/or in a vulnerable group, for example those in receipt of state benefits, those who cannot leave home without help and those with an impactful or limiting condition, with those on lower incomes more likely to be vulnerable to increased postal prices.^{91 92}
- 2.68 Our proposal would retain the existing safeguard cap framework for a short period. Postal users would therefore continue to benefit from the affordability protections established through the 2024 review. The proposal would support continued access to a basic affordable universal postal service while we consider the appropriate longer-term pricing framework.⁹³ In particular, the proposal would continue to limit price increases for Second Class standard and large letters to CPI.
- 2.69 We consider that our proposal strikes the right balance between ensuring that the universal postal service is affordable, that it is financially sustainable, and that Royal Mail remains incentivised to operate efficiently. On balance, we consider our proposal is likely to have a positive impact on groups who are more likely to face problems affording postal services, including those with protected characteristics, compared with the position absent the intervention and absent any other affordability protections.

Question 2.1

Do you agree with the provisional conclusions set out in our Equality Impact Assessment? Please state your reasons and provide evidence to support your view.

⁸⁹ Ofcom, 2024. [Statement: Review of Second Class safeguard cap](#), pp.85-86; Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), p.25, paragraph, 3.53.

⁹⁰ See for example findings from the [Residential Postal Tracker](#) that people on the lowest incomes, people who are not working, people on benefits and older people (aged 65+) are more likely to say that they did not send any post items in the past month. It also found that people in rural (including rural remote) areas are more likely than average to have sent a postal item in the past month. QG1: Approximately how many of the following have you sent this month? Updated postal tracker data will be available in October 2026.

⁹¹ For example, Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#), pp.16-17 and pp 25- 6. [Residential Postal Tracker 2024-25](#), QG2.

⁹² Ofcom, 2024. [Review of Second class safeguard caps 2024: decision on safeguard caps for Second Class universal services](#), paragraph 5.34 and paragraphs 7.74 – 7.75.

⁹³ Ofcom, 2024. [Statement: Review of Second Class safeguard cap](#).

Welsh language assessment

- 2.70 The Welsh Language (Wales) Measure 2011 made the Welsh language an officially recognised language in Wales. This legislation also led to the establishment of the office of the Welsh Language Commissioner who regulates and monitors our work. Ofcom is required to take Welsh language considerations into account when formulating, reviewing or revising policies which are relevant to Wales (including decisions which are not targeted at Wales specifically but are of interest across the UK).
- 2.71 Where the Welsh Language Standards are engaged, we consider the potential impact of a policy proposal on (i) opportunities for persons to use the Welsh language; and (ii) treating the Welsh language no less favourably than the English language. We also consider how a proposal could be formulated to have, or increase, a positive impact, or not to have adverse effects or to decrease any adverse effects.
- 2.72 We have considered the potential impacts on opportunities to use Welsh and treating Welsh no less favourably than English in formulating our proposals. Our provisional view is that our proposals would not treat the Welsh language less favourably than the English language and would not have adverse effects
- 2.73 The proposals we are consulting on seek to ensure that people across the UK can continue using services that remain affordable to most users, which is likely to have a positive effect on Welsh speakers who wish to communicate in Welsh through this method (letters only).
- 2.74 We welcome responses on any potential impacts related to the Welsh language.

Question 2.2

Do you agree with our assessment under the Welsh Language Standards? Please state your reasons and provide evidence to support your view.

3. Approach to price cap on Second Class letter prices

This section sets out our views on the current safeguard cap and the options for after it expires in March 2027. This includes our proposed approach and considers the impact of this on affordability, financial sustainability and efficiency.

Introduction

- 3.1 In January 2024, we set the current safeguard cap for three years. In 2025, following our decision on USO reform, we began wider work on the future of the universal service and postal pricing. In November 2025 we published the 2025 Pricing CFI, with the aim of setting a new long-term approach to pricing which would take effect from April 2027.⁹⁴
- 3.2 A longer-term approach to pricing is needed to protect the sustainability of the universal service for as long as possible, while ensuring people retain affordable access to the postal service. It will provide Royal Mail, as the universal provider, greater certainty which will allow it to plan how to run its business more effectively, as it responds to the declining demand for letters, and so protect the universal service.
- 3.3 There are wide ranging different views among stakeholders on how to approach pricing. For example, Royal Mail's view is that no price controls are needed, in part because they unduly constrain pricing for non-USO letter services.⁹⁵ Other stakeholders consider that further price controls should be introduced at a wholesale and retail level, and that any price increases should depend upon improvements in quality of service performance.⁹⁶ We would consider all the options presented to us as part of setting a long-term approach to pricing.
- 3.4 However, setting a longer-term approach to Royal Mail's pricing of universal service products requires us to have a clearer picture of the sustainability of the USO and Royal Mail's ability to deliver the service it is obligated to provide. Our view, as set out in 2.35–2.53, is that we do not have that now as Royal Mail is still implementing DM26 across all its delivery offices and delivering its quality of service improvement plan. These changes are expected to affect Royal Mail's costs, financial position and service performance. What level of benefit Royal Mail achieves from its current reform impacts the risk to financial sustainability and how prices might need to rise in future. Such impacts, alongside concerns about affordability, need to be weighed together when determining our long-term approach

⁹⁴ Ofcom, 2024. [Statement: Review of Second Class safeguard caps 2024](#). Ofcom, 2025. [Call for input: Review of postal regulation – pricing and affordability](#)

⁹⁵ Royal Mail, 2025. [Response to CFI](#), pp.20-21

⁹⁶ Details in Section 2, paragraphs 2.37-2.39. Published responses to our CFI are available on our [website](#).

to pricing.⁹⁷ However, it is currently uncertain whether DM26 will result in the estimated £300m of cost savings or sustained improvement to quality of service.⁹⁸

- 3.5 We believe we need to wait for Royal Mail to make more progress, so we have a clearer evidence basis on which to determine our long-term approach. While we have, and will get further, information on deployment of DM26 and any associated cost savings and quality of service improvements, we do not consider we will have a sufficiently reliable and stable evidence base until DM26 has been deployed widely across the UK and been operationalised in delivery offices for a period of time. In practice, there is not enough time to obtain this evidence base and carry out a proper policy process before the current cap expires in March 2027.
- 3.6 Given this situation we have considered what is the most appropriate approach during the period between the safeguard cap expiring in March 2027 and us having the relevant information available to make an evidence-based decision on future pricing regulation. We estimate this interim period to be around one year.
- 3.7 In the sections that follow we consider two options for how to proceed during this interim period: 1) allowing the safeguard cap to expire in March 2027, or 2) maintaining the existing safeguard cap, increasing with CPI, for an interim period.

Removing the cap

- 3.8 One option available to us would be to allow the current safeguard cap to expire at the end of March 2027, such that there would be no cap on the prices of universal service letter products. Our provisional view is that this would not be appropriate.
- 3.9 The safeguard cap has formed part of the postal regulatory framework since 2012, with the aim to give Royal Mail sufficient pricing flexibility to continue providing services on a sustainable basis while ensuring that a basic affordable universal service is available to all.⁹⁹
- 3.10 The cap has evolved over time, most recently in 2024, when we removed Second Class parcels, as competitive pressures were constraining prices and ensuring that they remained affordable.
- 3.11 However, our 2024 review retained a safeguard cap on Royal Mail's Second Class letter services due to limited competitive constraints on Royal Mail's pricing of Second Class standard and large letters.¹⁰⁰ These circumstances remain largely unchanged. Royal Mail continues to be the only provider of a nationwide end-to-end universal letter delivery service and faces limited competitive constraints in the provision of single-piece letter services. We have not seen evidence of material changes in market structure, or of emerging competition, that would be likely to constrain Royal Mail's pricing of these services in the foreseeable future.

⁹⁷ Ofcom 2025. [Statement: Review of the universal postal service and other postal regulation](#), pp.77-78. We emphasised that reform of the universal service alone will not provide the answer to Royal Mail's broader operational and financial challenges and further action is needed by the business.

⁹⁸ Royal Mail has said that achieving quality of service targets is dependent on the roll-out of DM26. [Royal Mail-QoS-Improvement-Plan-FINAL.pdf](#)

⁹⁹ Our view was that price controls or efficiency targets would not lead to better outcomes in the context of declining letter volumes making sustainability challenges greater. See Section 2, paragraphs 2.20 – 2.34 for more detail.

¹⁰⁰ Ofcom, 2024. [Statement: Review of Second Class safeguard cap](#), p.100.

- 3.12 Our previous affordability assessments have consistently found that postal prices are affordable for most people and that expenditure on postal services remains a very small proportion of household spending. However, we have also recognised that a small proportion of people may be more likely to face affordability issues, with those on lower incomes more likely to be vulnerable to postal price increases than others. In the absence of any safeguard cap or alternative affordability protection, affordability for these people may be at risk if prices were to increase materially.
- 3.13 There is also a broader risk that, absent any pricing constraint, Royal Mail could exercise its market power in a way that results in prices that are higher than would otherwise be the case. While Royal Mail has commercial incentives to maintain volumes and avoid accelerating the decline in letter usage, these incentives do not provide the same degree of consumer protection as a regulatory safeguard. Given Royal Mail's monopoly position in the provision of universal letter services, and that there is no alternative affordability protection such as a targeted discount scheme in place, we consider a price cap of some form continues to be needed.
- 3.14 We also consider it relevant that Royal Mail's quality of service performance has remained significantly below its regulatory targets in recent years. Although Royal Mail is implementing major operational changes, and has published plans intended to improve service quality, the outcomes of these initiatives remain uncertain. In these circumstances, we do not consider it appropriate to remove all constraints on pricing, while customers are not currently getting the service they are required to receive, before there is clearer evidence that service performance has improved and the wider reforms are delivering their intended benefits.
- 3.15 For these reasons, our provisional view is that allowing the safeguard cap to lapse in March 2027 would expose postal users to unnecessary risks and would not strike the appropriate balance between affordability, financial sustainability and efficiency. While we consider this applies to the interim period, any future assessment of the safeguard cap and pricing in the long-term would consider whether the cap should be removed.
- 3.16 We now turn to consider the option of maintaining the existing safeguard cap on a temporary basis while we continue our broader review of pricing and affordability and assess the impact of recent reforms.

What we propose

- 3.17 In our provisional view, a temporary continuation of the existing cap (i.e. prices only allowed to increase by CPI) is the most appropriate approach. It preserves affordability protections for postal users while allowing time for evidence to emerge on the impacts of USO reform, quality of service improvements, Royal Mail's financial performance, and any development by Royal Mail of targeted affordability measures. We expect that this evidence will place us in a significantly better position to determine whether a longer-term cap is required, and if so, what form it should take.
- 3.18 Therefore, we now consider the impact of our proposal for continuing the existing cap for a short period on postal users and on the financial sustainability of the universal service. In doing so, we have considered how these proposals impact affordability, financial sustainability, and incentives for efficiency.

Affordability

- 3.19 The main purpose of the safeguard cap is to help ensure that people continue to have access to a basic affordable universal postal service.
- 3.20 Our proposal would retain the existing safeguard cap framework for a short period. Postal users would therefore continue to benefit from the affordability protections established through the 2024 review. In particular, the proposal would continue to limit price increases for Second Class standard and large letters to CPI.
- 3.21 We continue to consider that Second Class letter services play an important role in ensuring access to a basic affordable universal postal service. While current evidence suggests that prices remain affordable for most people, removing the cap completely could raise affordability concerns in the absence of any other protections. On the other hand, maintaining the cap would ensure general affordability for the period of the extension.
- 3.22 Our provisional view is therefore that continuing the current safeguard cap in the short-term would support continued access to a basic affordable universal postal service while we consider the appropriate longer-term pricing framework.

Impact on financial sustainability

- 3.23 In Section 2 (paragraphs 2.9 – 2.19) we explain that the structural decline in the letters market presents a significant challenge to the economics of the universal service and Royal Mail's financial position, with the company reporting substantial losses in recent years, placing the sustainability of the universal service at risk.^{101 102} This challenging context means that Royal Mail has had a weak financial performance for many years, operating below the level that we judge likely to be consistent with long term financial sustainability.

Impact of the current safeguard cap

- 3.24 In considering the impact of the cap we have identified two key elements to consider. The first is the direct impact, or the impact on the costs and revenues for the sale of stamp services to people.
- 3.25 The second is an indirect impact under which a cap on Second Class stamp prices can indirectly constrain the prices Royal Mail is able to charge for non-priority bulk mail services (such as meter mail, retail mail and access mail) sold to businesses and access operators. This is referred to as the pricing ladder effect. While the price of Second Class stamps acts as the absolute ceiling for other prices throughout the ladder, there are a large number of these services and the significance of the constraint will depend to a large degree on the choices Royal Mail makes in its pricing strategy. These prices are largely unregulated, other

¹⁰¹ [Royal Mail's Regulatory Financial Statements 2025-26, page 3](#): The part of the business that supports the universal service has only achieved a 5% profit margin in two years since privatisation in 2013. This is the level we consider indicative of the service being financially sustainable in the long-term, and it was last reached in 2015/16 – around ten years ago.

¹⁰² We consider an EBIT margin of 5% to 10% to be a first order indicator of whether the business is earning a commercial rate of return.

than for access services, which are required to be provided on fair and reasonable terms and are subject to a margin squeeze control.^{103 104}

- 3.26 We have assessed the likely financial impact of rolling over the existing Second Class safeguard cap for an additional year relative to a case where the cap lapses and Royal Mail has pricing freedom over its Second Class products. We would expect that by extending the cap for a year, compared with letting it lapse, Royal Mail would achieve lower revenues, and this would contribute to financial sustainability pressures, potentially materially.
- 3.27 We do not know exactly what pricing decisions Royal Mail would make in this alternative scenario. However, we have been able to calculate informed estimates of the potential impact, based on information provided by Royal Mail and our own judgement. Given the uncertainties surrounding pricing decisions and the potential demand response to price changes, including switching between products, we present our estimated impact as a range rather than as a single point estimate. Our estimate accounts for both the direct and indirect effects discussed above.
- 3.28 We estimate the overall impact of a one-year rollover of the existing safeguard cap would be to limit Royal Mail's revenues by [§<] in 2027/28 compared to a scenario in which the cap is removed.¹⁰⁵ We would expect that the impact would grow substantially in each subsequent year as the indirect constraint imposed on the pricing ladder becomes more binding. On the other hand, if the point of comparison were a higher safeguard cap, rather than it being removed entirely, the impact of maintaining a cap with a CPI increase for one year would be less.

Duration of the safeguard cap

- 3.29 We have explained above that i) we want to see Royal Mail operationalise some of the changes made to the USO to understand the extent of any cost savings and, ii) that the current cap is starting to significantly constrain Royal Mail's pricing flexibility. Both are relevant factors in determining the length of any potential rollover.
- 3.30 If we were to continue the existing cap for too short a period, then that may not help to remove any of the uncertainty we currently face about Royal Mail's future performance. In practice, we would be in no better position than we are in now to make an informed decision about the long-term regulation of pricing.
- 3.31 In contrast, a longer-term extension risks the costs to Royal Mail of the current design and level of the cap materially growing and impacting the financial sustainability of the universal service.

¹⁰³ Ofcom, 2026. [Dispute between Mail Competition Forum and Royal Mail concerning notified price rises for access services](#). Accessed 5 October 2026.

¹⁰⁴ We note that many access operators have argued that access prices should be subject to price controls and that the margin squeeze test should be changed. We plan to consider access pricing in our further work on pricing.

¹⁰⁵ We estimated this impact using scenario modelling that compares a one-year rollover of the current safeguard cap with a counterfactual in which the cap is removed from 1 April 2027. The modelling draws on information provided by Royal Mail, including product-level price and volume information [§<], and estimates the resulting revenues for safeguarded products and related letter products affected through the pricing ladder and substitution. We have overlaid Ofcom assumptions, including on the prices Royal Mail might set in the absence of the cap, demand responses to price changes and switching between products. The precise impact is uncertain because it depends materially on Royal Mail's future pricing decisions and customers' responses, and we have therefore presented it as a range. [§<]

- 3.32 As we have noted above, we do not consider that letting the cap lapse is the right approach at present. We also consider that there is too much uncertainty involved in setting a longer-term cap at this stage. Therefore, we consider that a one-year extension of the current arrangements, maintaining the existing design and allowing the safeguard cap basket to increase by no more than CPI until 31 March 2028, represents a proportionate and balanced approach. While we recognise that the cost to Royal Mail of this short rollover, in terms of estimated foregone revenue [38] is material, we believe that the risks to the financial viability of Royal Mail is sufficiently mitigated by the scale and bounded timeframe of our proposal. We also think that being able to provide a longer-term framework for pricing following this interim period would support financial sustainability. Therefore, given the reasons we have given above for not removing the safeguard cap, we consider a short rollover to be proportionate in the current circumstances.

Efficiency

- 3.33 As part of our duties, we must have regard to the need for the provision of the universal postal service to be efficient. In considering our proposal, we have therefore assessed whether a short-term extension of the existing safeguard cap would have a material impact on the efficiency with which Royal Mail delivers the universal service.
- 3.34 The most significant determinant of future efficiency is likely to be Royal Mail's ability to successfully implement the operational changes associated with recent reforms to the universal service, including the rollout of its new delivery model. These changes are intended to enable Royal Mail to operate its network more efficiently and to better align its operations with changing patterns of demand. The extent to which these benefits are realised will depend primarily on Royal Mail's operational execution rather than on the existence of the safeguard cap.
- 3.35 In our view, a one-year extension of the existing safeguard cap would be unlikely to have a material impact, either positive or negative on Royal Mail's efficiency in delivering the universal service. The proposal does not materially change the incentives facing Royal Mail in the short term. It also would not affect the operational reforms, investment decisions or network changes that are expected to drive efficiency improvements over the coming years.
- 3.36 We therefore consider that extending the existing safeguard cap for a further year is consistent with our duty to have regard to the efficiency of the universal service. The proposal preserves the current regulatory framework. It also allows time for evidence to emerge on the impacts of Royal Mail's operational transformation programme before we determine any longer-term approach to pricing regulation.

Conclusion

- 3.37 As explained above, Royal Mail needs to make more progress on its significant operational changes before we can have a clear enough evidence base on which to determine our long-term approach to pricing. In that context we have considered what approach we should take to the current cap on Second Class letters and, taking affordability, financial sustainability and efficiency in the round, our provisional view is that extending the current safeguard cap for one year is the most appropriate way forward.
- 3.38 The proposal would maintain the existing affordability protections for postal users. While it would impose a material cost on Royal Mail, we consider the risk that the cost would

seriously undermine the sustainability of the universal service to be sufficiently mitigated by our proposal's short-term nature and how it will support us in providing a long-term framework. Based on Royal Mail's plans, we believe the extension of the cap should allow time for a sufficiently certain evidence base to emerge for a long-term approach to pricing to be determined.

Design of the cap

- 3.39 Having proposed that there should be a short-term continuation of the safeguard cap, we next discuss design. Our provisional view is that, at this stage, it would not be appropriate to make significant changes to the current safeguard cap framework. While there are important developments underway, including the implementation of USO reform and delivery of Royal Mail's quality of service improvement plan, the full effects of these changes are not yet known. We therefore consider that a limited extension of the current arrangements is the most appropriate course of action.
- 3.40 Accordingly, we propose to:
- a) maintain the current design of the safeguard cap, by continuing to impose a single basket safeguard cap covering Royal Mail's Second Class stamped standard and large letter services;
 - b) maintain the current level of the safeguard cap, such that prices within the basket may continue to increase by no more than CPI; and
 - c) extend the safeguard cap for one further year, until 31 March 2028.
- 3.41 In proposing a one-year extension of the existing arrangements, we are not making any determination on the appropriate form or level of any longer-term price control beyond March 2028.

Legal tests

- 3.42 Pursuant to paragraph 4 of Schedule 6 to the Postal Services Act 2011, we may give a direction affecting the operation of a regulatory condition only if we are satisfied that to do so:
- a) is objectively justifiable,
 - b) does not discriminate unduly against particular persons or a particular description of persons,
 - c) is proportionate to what it is intended to achieve, and
 - d) is transparent in relation to what it is intended to achieve.
- 3.43 We consider our proposal to give a direction under DUSP Condition 3 regarding the prices Royal Mail is permitted to charge for Second Class Standard and Large Letters in the period 1 April 2027 to 31 March 2028 satisfies these tests for the following reasons:
- a) We believe our proposal to be objectively justifiable as it preserves affordability protections for users of Second Class letter services, where Royal Mail continues to face limited competitive constraints, while allowing additional time for evidence to emerge on the effects of USO reform, quality of service improvements, Royal Mail's financial performance and the development of any targeted affordability measures. The extension also creates the opportunity to consider more fully, in light of the emerging evidence, our long-term approach to pricing.

- b) We consider our proposal is not unduly discriminatory as it affects only Royal Mail, reflecting its unique position as the provider of the universal postal service in the UK.
- c) We believe our proposal to be proportionate as it only imposes requirements on Royal Mail as far as is appropriate (by only extending the current arrangements for one year) and it does not go beyond what is necessary to achieve our objectives. We have struck what we consider to be the right balance between ensuring that the universal postal service is affordable for consumers, that it is financially sustainable, and that Royal Mail remains incentivised to operate efficiently.
- d) We consider our proposal to be transparent as it clearly sets out the obligations we intend to impose on Royal Mail in its capacity as the designated universal service provider. The reasons for our proposal for a one-year rollover are set out in this consultation.

3.44 In proposing to give the direction, we believe we have acted in accordance with our duty in section 29 of the Postal Services Act 2011 to carry out our postal functions in a way that we consider will secure the provision of a universal postal service. We have had regard to the need for the provision of a universal postal service to be financially sustainable and efficient. This is why we have only proposed a short, time limited extension of the existing arrangements for the Second Class safeguard cap, noting that a longer extension would have greater impacts on Royal Mail's financial sustainability.

3.45 Taking into account the impact our proposal may have on consumers, including potentially vulnerable people, and Royal Mail, we also consider that our proposal will further the interests of citizens and consumers in accordance with our principal duty set out in section 3 of the Communications Act 2003.

Question 3.1

Do you agree with our proposal to continue the existing safeguard price cap on Second Class **letters** for an additional year, to 31 March 2028? Please state your reasons and provide evidence to support your view.

Consultation process

3.46 We invite responses to the questions raised in this consultation, which are summarised in Annex A6, by 5pm on 27 November 2026. Details on how to respond to this consultation are set out in Annex A3. We intend to publish our statement setting out our final decision in Q4 2026/27.

A1. Statutory Notification

Notification of proposal to give a direction under DUSP Condition 3.2.6 in accordance with sections 36 and 53 of and Schedule 6 to the Postal Services Act 2011

Background

- A. On 1 October 2011, responsibility for postal regulation transferred to Ofcom under the Postal Services Act 2011 (the “Act”). Ofcom subsequently imposed designated universal service provider (“DUSP”) conditions on Royal Mail Group Limited (“Royal Mail”), as the designated universal service provider, pursuant to sections 36 and 37 of the Act.
- B. Those conditions included DUSP Condition 2,¹⁰⁶ which imposed a safeguard cap on Second Class letters, and DUSP Condition 3,¹⁰⁷ which imposed a basket safeguard cap on Second Class large letters and parcels up to 2kg.
- C. On 24 January 2024, Ofcom published a statement entitled *Review of Second Class safeguard caps 2024* setting out its decisions to revoke DUSP Condition 2 and modify DUSP Condition 3.
- D. In that statement Ofcom decided:
 - (a) to introduce a single basket safeguard cap on Second Class standard letters and large letters, removing the safeguard cap in respect of parcels (DUSP 3.2.1);
 - (b) to set the cap for a period of three years starting on 1 April 2024 (DUSP 3.2.2); and
 - (c) to impose a requirement on Royal Mail to comply with directions given by Ofcom under DUSP Condition 3, including (but not limited to) a direction regarding the prices Royal Mail is permitted to charge for the services in the basket in any period following the expiry of the third year of the cap (DUSP 3.2.6).¹⁰⁸

Proposal

- 1. In accordance with sections 36 and 53 of and Schedule 6 to the Act, Ofcom proposes to give a direction under DUSP Condition 3.2.6 continuing the existing safeguard cap on Second Class standard letters and large letters for the period 1 April 2027 to 31 March 2028.
- 2. The proposed direction is set out in the Schedule to this Notification.
- 3. The effect of, and Ofcom’s reasons for making, this proposal is set out in the accompanying consultation document. In summary, we consider that our proposal to maintain the existing safeguard cap for one additional year would preserve affordability protections for consumers while allowing time for evidence to emerge that would enable Ofcom to decide its longer-term approach to pricing.

¹⁰⁶ See Schedule 2 to the statutory notification published in Ofcom, March 2012. [Statement: Securing the Universal Postal Service](#), Annex 7.

¹⁰⁷ See Schedule 1 to the statutory notification published in Ofcom, July 2012. [Statement: Securing the Universal Postal Service: Safeguard cap for Large Letters and packets](#), Annex 1.

¹⁰⁸ See the Schedule to the statutory notification published in Ofcom, January 2024. [Statement: Review of Second Class safeguard caps 2024](#), Annex 1.

Ofcom's duties and legal tests

4. Ofcom is satisfied that this proposal satisfies the test in paragraph 4(2) of Schedule 6 to the Act, taking into account Ofcom's power under section 36(4) of the Act.
5. In making this proposal, Ofcom has considered and acted in accordance with its duties in the Act and its general duties in section 3 of the Communications Act 2003.
6. Copies of this Notification and the accompanying consultation document have been sent to the Secretary of State in accordance with paragraph 5(1)(a) of Schedule 6 to the Act.

Making representations

7. Representations may be made to Ofcom about the proposal set out in this Notification by no later than 27 November 2026.
8. The Schedule to this Notification shall form part of this Notification.

Signed by

A handwritten signature in black ink, appearing to read 'Fergal Farragher', with a stylized, flowing script.

Fergal Farragher

Policy Director

A person duly authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

13 October 2026

Schedule

[Draft] Direction under DUSP Condition 3.2.6 regarding prices

Ofcom hereby directs the universal service provider as follows

Interpretation

1. In this Direction –
 - a) “DUSP Condition 3” means Designated USP Condition 3 as set out in Schedule 1 to the Notification of revocation of Designated USP Condition 2 and modification of Designated USP Condition 3 dated 24 January 2024;¹⁰⁹
 - b) “Additional Year” means the period of 12 consecutive months beginning on 1 April 2027 and ending on 31 March 2028.
2. For the purpose of interpreting this Direction –
 - a) except in so far as the context otherwise requires, words or expressions shall have the meaning assigned to them in paragraph 1 above and otherwise any word or expression shall have the same meaning as it has been ascribed for the purpose of DUSP Condition 3;
 - b) headings and titles shall be disregarded;
 - c) expressions cognate with those referred to in this Direction shall be construed accordingly; and
 - d) the Interpretation Act 1978 (c.30) shall apply as if this Direction were an Act of Parliament.

Maximum price to be charged for specified services

3. This Direction concerns the maximum prices that the universal service provider shall be permitted to charge for the services within the Basket in the Additional Year.
4. In the Additional Year the price of services in the Basket shall be set by application of the formulas contained in DUSP Condition 3.2.2, with the Additional Year treated as a further Relevant Year.

Commencement

5. This Direction shall come into effect on 1 April 2027.

¹⁰⁹ Ofcom, 2024. [Statement: Review of Second Class safeguard caps 2024](#), Annex 1.

A2. Legal and regulatory framework

A2.1 This Annex outlines:

- Ofcom's statutory duties in relation to postal services;
- Royal Mail's obligations as the designated universal service provider;
- Ofcom's powers in relation to regulatory conditions; and
- Ofcom's other relevant statutory duties.

Ofcom's statutory duties in relation to postal services

A2.2 Ofcom's relevant duties are set out in the Communications Act 2003 (CA 2003) and the Postal Services Act 2011 (PSA 2011).

Communications Act 2003 duties

A2.3 The CA 2003 sets out Ofcom's general duties that apply across all of our functions. Our principal duty is to further the interests of citizens in relation to communications matters, and the interests of consumers in relevant markets, where appropriate by promoting competition.¹¹⁰

A2.4 There are a number of factors that we must take into account when performing those duties.

A2.5 We must have regard in all cases to the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed; and any other principles appearing to us to represent the best regulatory practice.¹¹¹

A2.6 When they appear to us relevant in the circumstances, we must also have regard to considerations including:

- a) the desirability of promoting competition in relevant markets;
- b) the desirability of encouraging investment and innovation in relevant markets;
- c) the needs of persons with disabilities, of the elderly and of those on low incomes;
- d) the opinions of consumers in relevant markets and of the public generally;
- e) the different interests of persons in the different parts of the UK, of the different ethnic communities within the UK and of persons living in rural and in urban areas;
- f) the extent to which, in the circumstances of the case, the furthering or securing of the interests of citizens and consumers is reasonably practicable.¹¹²

A2.7 In performing our duty of furthering the interests of consumers, we must have regard, in particular, to the interests of those consumers in respect of choice, price, quality of service and value for money.¹¹³

¹¹⁰ Section 3(1) of the CA 2003.

¹¹¹ Section 3(3) of the CA 2003.

¹¹² Section 3(4) of the CA 2003.

¹¹³ Section 3(5) of the CA 2003.

- A2.8 The CA 2003 requires Ofcom to keep our regulation under review with a view to securing that it does not involve imposing or maintaining burdens which are or have become unnecessary.¹¹⁴
- A2.9 Ofcom must also have regard to the Government's Statement of Strategic Priorities (SSP).¹¹⁵ The government's postal policy priority is the provision of a universal postal service that meets the needs of users and is affordable, efficient, and financially sustainable in an open and competitive postal market.¹¹⁶

Postal Services Act 2011 duties

- A2.10 The PSA 2011 sets the legal framework for the regulation of postal services. Section 29 of the Act requires Ofcom to carry out our functions in relation to postal services in a way that we consider will secure the provision of a universal postal service.¹¹⁷
- A2.11 Though "provision of a universal postal service" is not defined in the PSA 2011, this phrase must be read in accordance with sections 30 to 33.¹¹⁸ These sections set out the minimum requirements for a universal postal service and require Ofcom to specify, by order, the services that must be provided as part of a universal service and the standards those services must meet.
- A2.12 In performing our duty under the PSA 2011, we must consider the need for the provision of the universal postal service to be both financially sustainable and efficient before the end of a reasonable period and to continue to be efficient at all subsequent times.^{119 120} The need to be financially sustainable includes the need for a reasonable commercial rate of return for any universal service provider on any expenditure incurred by it for the purpose of, or in connection with, the provision of a universal postal service.¹²¹
- A2.13 The PSA 2011 does not require that we give more weight to financial sustainability or efficiency. We must take them both into account in arriving at a judgment as to how best to carry out our functions.
- A2.14 Where it appears to us, in carrying out our postal functions, that any of our general duties under the CA 2003 conflict with our duty to secure provision of a universal postal service, priority must be given to our duty to secure a universal postal service.¹²²

The universal postal service

- A2.15 The specification of the universal postal service is set by a combination of both legislation and regulation.
- a) the minimum requirements are set by Parliament in section 31 of the PSA 2011;

¹¹⁴ Section 6 of the CA 2003.

¹¹⁵ Section 2B of the CA 2003.

¹¹⁶ [Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services.](#)

¹¹⁷ Section 29(1) of the PSA 2011.

¹¹⁸ Section 65(2)(a) of the PSA 2011.

¹¹⁹ "A reasonable period" is defined in section 29(5) of the PSA 2011 as such period beginning with the day on which the relevant provisions of the PSA 2011 come generally into force as Ofcom considers, in all the circumstances, to be reasonable.

¹²⁰ Section 29(3) of the PSA 2011.

¹²¹ Section 29(4) of the PSA 2011.

¹²² Section 3(6A) of the CA 2003.

- b) the detailed scope is set by Ofcom¹²³ in the Postal Services (Universal Postal Service) Order 2012 (the Order),¹²⁴
- c) regulatory conditions are imposed by Ofcom on the designated universal service provider (USP), Royal Mail Group Limited (Royal Mail), to implement the above legislation.

The minimum requirements

A2.16 Section 31 of the PSA 2011 sets out the services that must, as a minimum, be included in a universal postal service:

- d) At least one delivery of letters every Monday to Saturday and of other postal packets every Monday to Friday to the home or premises of every individual or other person in the UK or to such identifiable points as approved by Ofcom;
- e) At least one collection of letters every Monday to Saturday and of other postal packets every Monday to Friday for the purpose of onwards transmission in connection with the provision of the universal service;
- f) A service of conveying postal packets from one place to another by post at affordable prices determined in accordance with a public tariff which is uniform throughout the UK;
- g) A registered items service and an insured items service, both at affordable prices determined in accordance with a public tariff which is uniform throughout the UK;
- h) The provision free of charge of such postal services as are specified in the universal postal service order to such descriptions of blind or partially sighted persons as are so specified;
- i) A service of conveying free of charge qualifying legislative petitions and addresses.

Universal Postal Service Order 2012

- A2.17 A universal postal service order must include each of the services listed in the minimum requirements and may include additional services. For example, the Order made by Ofcom requires two classes of single piece services – priority and standard – whereas the minimum requirement is one.
- A2.18 Paragraphs 6 and 7 of the Order require that First Class letters are delivered and collected six days a week from Monday to Saturday and that Second Class letters are delivered and collected from Monday to Friday.
- A2.19 Paragraph 8(a) of the Order requires that the services listed in Schedule 1 (covering First Class, Second Class, registered, insured, return to sender, and international services) are provided at affordable prices determined in accordance with a public tariff which is uniform throughout the UK.

Designated universal service provider (DUSP) conditions

- A2.20 In order to secure the provision of the universal postal service, section 36 of the PSA 2011 empowers Ofcom to impose DUSP conditions on Royal Mail. These conditions specify in greater detail aspects of the services that must be provided as part of the universal postal service. They may include rules on pricing and performance targets.
- A2.21 We have imposed two DUSP conditions on Royal Mail:

¹²³ In accordance with section 30 of the PSA 2011.

¹²⁴ Ofcom. [Universal postal service order](#).

- j) DUSP Condition 1 which contains (among other things):¹²⁵
 - i) Royal Mail's obligations to provide the services contained in the Order;
 - ii) A requirement, mirroring paragraph 8(a) of the Order, for the services listed in Schedule 1 of the Order to be provided at affordable prices determined in accordance with a public tariff which is uniform throughout the UK;
 - iii) Quality of service targets for certain of those services.
- k) DUSP Condition 3 which imposes a safeguard cap on the price of Second Class letters.¹²⁶

Imposing DUSP conditions and giving directions

- A2.22 Ofcom may impose a DUSP condition (including a modified DUSP condition) only if it considers it necessary to do so in order to secure the provision of a service of a description set out in the Order in accordance with the standards set out there.¹²⁷
- A2.23 When making provision as to the tariffs to be used for determining prices in accordance with which a universal postal service (or part of a universal service) is provided, Ofcom must seek to ensure that the prices:
- l) are affordable,
 - m) take account of the costs of providing the service or part of a service, and
 - n) provide incentives to provide the service or part of a service efficiently.¹²⁸
- A2.24 Ofcom's power to impose a condition includes the power to impose a requirement to comply with directions given by Ofcom, or by another person specified in the condition, with respect to the matters to which the condition relates.¹²⁹
- A2.25 If a condition has effect by reference to directions given by Ofcom and we propose to give a direction affecting the operation of the condition, we must be satisfied that to do so a) is objectively justifiable, b) does not discriminate unduly against particular persons or a particular description of persons, and c) is proportionate and transparent in relation to what it is intended to achieve.¹³⁰
- A2.26 The procedure for giving a direction is set out in paragraph 4 of Schedule 6 to the PSA 2011:
- o) Before giving a direction, we must publish a notification i) stating our proposal; ii) setting out the effect of our proposal; iii) giving our reasons for the proposal; and iv) specifying the period within which representations about the proposal can be made (which must be at least one month beginning with the day after the day the notification is published unless there are exceptional circumstances justifying a shorter period).
 - p) We may only give effect to a proposal where we have: i) considered every representation made to Ofcom; and ii) had regard to every international obligation of the UK notified to Ofcom by the Secretary of State.
 - q) We must publish the notification in a manner which is appropriate for bringing it to the attention of the persons we consider appropriate.

¹²⁵ Ofcom. [DUSP Condition 1](#).

¹²⁶ Ofcom. [DUSP Condition 3](#).

¹²⁷ Section 36(3) of the PSA 2011.

¹²⁸ Section 36(5) of the PSA 2011.

¹²⁹ Paragraph 2 of Schedule 6 to the PSA 2011.

¹³⁰ Paragraph 4 of Schedule 6 to the PSA 2011.

- A2.27 DUSP Condition 3 gives Ofcom powers to make directions regarding its application. In particular, DUSP Condition 3.2.6 provides that Royal Mail must comply with any direction that Ofcom may make under the condition, including directions regarding the prices Royal Mail is permitted to charge for services within the scope of the safeguard cap in any period following the end of the last Relevant Year (1 April 2026 - 31 March 2027).

Enforcement

- A2.28 Ofcom's powers to take enforcement action against Royal Mail in relation to its compliance with the regulatory requirements imposed on it are set out in Schedule 7 to the PSA 2011.
- A2.29 If Ofcom determines that there are reasonable grounds for believing that Royal Mail is contravening or has contravened a regulatory requirement, Ofcom may give Royal Mail a notification setting out its determination and giving Royal Mail an opportunity to make representations.¹³¹
- A2.30 Ofcom may impose a penalty if it is satisfied that Royal Mail has contravened a regulatory requirement.¹³² The amount of the penalty is to be such amount as Ofcom determines to be appropriate and proportionate to the contravention. It must not be more than 10% of the turnover of Royal Mail's postal services business for the relevant period.¹³³

Other Ofcom duties

Economic growth duty

- A2.31 The Deregulation Act 2015 sets out Ofcom's duty to have regard to the desirability of promoting economic growth when exercising its regulatory functions.¹³⁴ In order to consider the promotion of economic growth, Ofcom will exercise its regulatory functions in a way that ensures that regulatory action is taken only when it is needed, and any action taken is proportionate.
- A2.32 The government's statutory guidance on this duty provides that regulators should have regard to medium and long-term growth by ensuring that key policy decisions and strategic choices are informed by consideration of key drivers of economic growth.¹³⁵ The drivers that we consider relevant to the postal industry include innovation, competition, efficiency and productivity, trade and environmental sustainability. We have therefore considered these drivers when formulating the proposals set out in this consultation.

Public sector equality duty

- A2.33 The Equality Act 2010 (the 2010 Act) imposes a duty on Ofcom, when carrying out its functions, to have due regard to the need to eliminate discrimination, harassment, victimisation and other prohibited conduct related to the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation.¹³⁶ The 2010 Act also requires Ofcom to have due regard to the need to advance equality of opportunity

¹³¹ Section 54 and paragraph 2 of Schedule 7 to the PSA 2011.

¹³² Paragraph 6 of Schedule 7 to the PSA 2011.

¹³³ Paragraph 7 of Schedule 7 to the PSA 2011.

¹³⁴ Section 108 of the [Deregulation Act 2015 c. 20 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2015/59/section/108).

¹³⁵ Department for Business & Trade, 2024. [Growth Duty: Statutory Guidance](#).

¹³⁶ Section 149 of the [Equality Act 2010 c. 15 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2010/15/section/149).

and foster good relations between persons who share specified protected characteristics and persons who do not.

- A2.34 The Northern Ireland Act 1998 (the 1998 Act) imposes a duty on Ofcom, when carrying out its functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity and have regard to the desirability of promoting good relations across a range of categories outlined in the 1998 Act.¹³⁷ Ofcom's Revised Northern Ireland Equality Scheme explains how we comply with our statutory duties under the 1998 Act.

Welsh language duty

- A2.35 The Welsh Language (Wales) Measure 2011 established a legal framework to impose duties on certain organisations to comply with standards in relation to the Welsh language.¹³⁸ The standards issued to Ofcom are listed in Ofcom's compliance notice effective from 25 January 2017.¹³⁹
- A2.36 The Welsh Language Policy Making Standards require Ofcom to assess: (a) opportunities for persons to use the Welsh language; and (b) treating the Welsh language no less favourably than the English language, when formulating a new policy or reviewing or revising an existing policy.

¹³⁷ Section 75 of the [Northern Ireland Act 1998 c. 47 \(legislation.gov.uk\)](#).

¹³⁸ [Welsh Language \(Wales\) Measure 2011 nawm 1 \(legislation.gov.uk\)](#).

¹³⁹ Welsh Language Commissioner, 2017. [Compliance Notice](#).

A3. Responding to this consultation

How to respond

- A3.1 Ofcom would like to receive views and comments on the issues raised in this document, by 5pm on Friday 27 November 2026.
- A3.2 You can download a response form from [here](#). You can return this by email or post to the address provided in the response form.
- A3.3 If your response is a large file, or has supporting charts, tables or other data, please email it to futurepostaluso@ofcom.org.uk as an attachment in Microsoft Word format, together with the cover sheet.
- A3.4 We welcome responses in formats other than print, for example an audio recording or a British Sign Language video. To respond in BSL:
- > send us a recording of you signing your response. This should be no longer than 5 minutes. Suitable file formats are DVDs, wmv or QuickTime files; or
 - > upload a video of you signing your response directly to YouTube (or another hosting site) and send us the link.
- A3.5 We will publish a transcript of any audio or video responses we receive (unless your response is confidential).
- A3.6 We do not need a paper copy of your response as well as an electronic version. We will acknowledge receipt of a response submitted to us by email.
- A3.7 You do not have to answer all the questions in the consultation if you do not have a view; a short response on just one point is fine. We also welcome joint responses.
- A3.8 It would be helpful if your response could include direct answers to the questions asked in the consultation document. The questions are listed at Annex A6. It would also help if you could explain why you hold your views, and what you think the effect of Ofcom's proposals would be.
- A3.9 If you want to discuss the issues and questions raised in this consultation, please contact futurepostaluso@ofcom.org.uk.

Confidentiality

- A3.10 Consultations are more effective if we publish the responses before the consultation period closes. This can help people and organisations with limited resources or familiarity with the issues to respond in a more informed way. So, in the interests of transparency and good regulatory practice, and because we believe it is important that everyone who is interested in an issue can see other respondents' views, we usually publish responses on the Ofcom website at regular intervals during and after the consultation period.
- A3.11 If you think your response should be kept confidential, please specify which part(s) this applies to and explain why. Please send any confidential sections as a separate annex. If you want your name, address, other contact details or job title to remain confidential, please provide them only in the cover sheet, so that we don't have to edit your response.

- A3.12 If someone asks us to keep all or part of a response confidential, we will treat this request seriously and try to respect it. It is however for Ofcom to decide whether or not information is confidential. Sometimes we may consider it necessary to publish all or part of a response, including those that are marked as confidential (for example, so we can explain our decisions and people can understand our reasoning or in order to meet legal obligations).
- A3.13 Where this is the case (and the relevant information is not already in the public domain), we will normally first explain our intention to publish information from your response and give you the opportunity to raise concerns about the proposed publication. We will generally try to resolve any objections you may have through constructive dialogue. If we remain of the view that we need to publish all or part of your response and you continue to object, we will give you advance warning prior to publication.
- A3.14 To fulfil our pre-disclosure duty, we may share a copy of your response with the relevant government department before we publish it on our website.
- A3.15 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's intellectual property rights are explained further in our Terms of Use.

Next steps

- A3.16 Following this consultation period, Ofcom plans to publish a statement in Q4 2026/27.
- A3.17 If you wish, you can register to receive mail updates alerting you to new Ofcom publications.

Ofcom's consultation processes

- A3.18 Ofcom aims to make responding to a consultation as easy as possible. For more information, please see our consultation principles in Annex A4.
- A3.19 If you have any comments or suggestions on how we manage our consultations, please email us at consult@ofcom.org.uk. We particularly welcome ideas on how Ofcom could more effectively seek the views of groups or individuals, such as small businesses and residential consumers, who are less likely to give their opinions through a formal consultation.
- A3.20 If you would like to discuss these issues, or Ofcom's consultation processes more generally, please contact the corporation secretary:

Corporation Secretary
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA
Email: corporationsecretary@ofcom.org.uk

A4. Ofcom's consultation principles

A4.1 Ofcom has seven principles that it follows for every public written consultation:

Before the consultation

A4.2 Wherever possible, we will hold informal talks with people and organisations before announcing a big consultation, to find out whether we are thinking along the right lines. If we do not have enough time to do this, we will hold an open meeting to explain our proposals, shortly after announcing the consultation.

During the consultation

A4.3 We will be clear about whom we are consulting, why, on what questions and for how long.

A4.4 We will make the consultation document as short and simple as possible, with an overview of no more than two pages. We will try to make it as easy as possible for people to give us a written response.

A4.5 When setting the length of the consultation period, we will consider the nature of our proposals and their potential impact. We will always make clear the closing date for responses.

A4.6 A person within Ofcom will be in charge of making sure we follow our own guidelines and aim to reach the largest possible number of people and organisations who may be interested in the outcome of our decisions. Ofcom's Consultation Champion is the main person to contact if you have views on the way we run our consultations.

A4.7 If we are not able to follow any of these principles, we will explain why.

After the consultation

A4.8 We think it is important that everyone who is interested in an issue can see other people's views, so we usually publish the responses on our website at regular intervals during and after the consultation period. After the consultation we will make our decisions and publish a statement explaining what we are going to do, and why, showing how respondents' views helped to shape these decisions.

A5. Consultation coversheet

Basic details

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

Confidentiality

Please tick below what part of your response you consider is confidential, giving your reasons why

- > Nothing ☐
- > Name/contact details/job title ☐
- > Whole response ☐
- > Organisation ☐
- > Part of the response ☐

If you selected 'Part of the response', please specify which parts:

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

Yes ☐ No ☐

Declaration

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom aims to publish responses at regular intervals during and after the consultation period. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the consultation has ended, please tick here.

Name

Signed (if hard copy)

A6. Consultation questions

Please tell us how you came across this consultation.

- ☐ Email from Ofcom
- ☐ Saw it on social media
- ☐ Found it on Ofcom's website
- ☐ Found it on another website
- ☐ Heard about it on TV or radio
- ☐ Read about it in a newspaper or magazine
- ☐ Heard about it at an event
- ☐ Somebody told me or shared it with me
- ☐ Other (please specify)

Question 2.1

Do you agree with the provisional conclusions set out in our Equality Impact Assessment? Please state your reasons and provide evidence to support your view.

Question 2.2

Do you agree with our assessment under the Welsh Language Standards? Please state your reasons and provide evidence to support your view.

Question 3.1

Do you agree with our proposal to continue the existing safeguard price cap on Second Class letters for an additional year, to 31 March 2028? Please state your reasons and provide evidence to support your view.