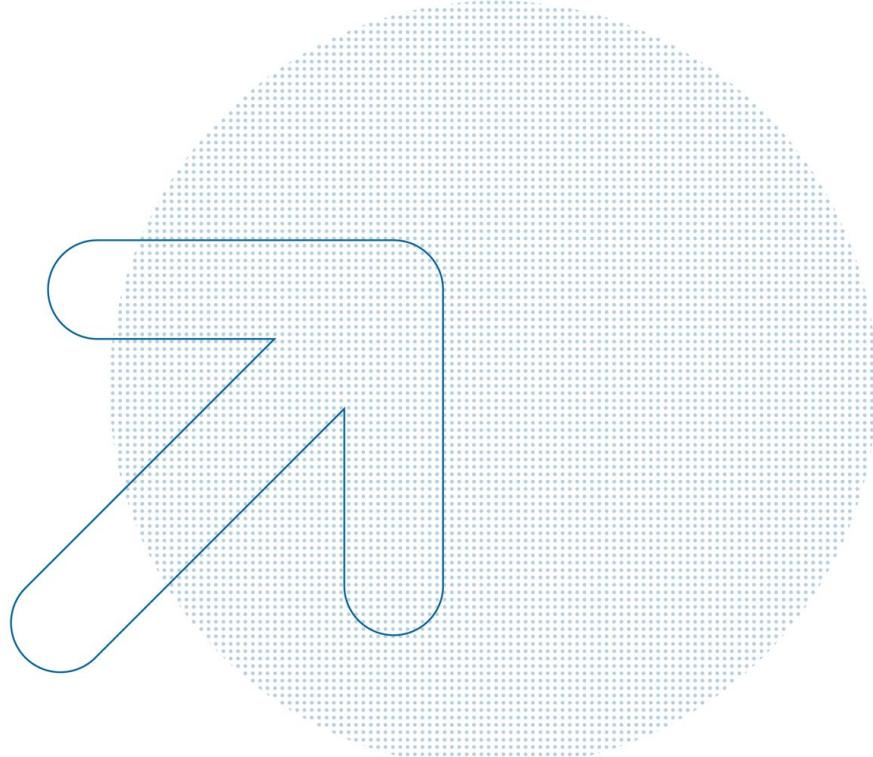


WIK-Consult • Final Report

Study for the Office of Communications (Ofcom)



Future of post: Exploration of potential discount schemes for universal services

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Executive Summary

Ofcom announced, in their 2024 decision on safeguard price caps for Second Class universal services, their intention to use the three year price cap period “to engage with Royal Mail to consider alternative approaches to ensuring affordability – for example, a targeted discount scheme for vulnerable consumers” (Ofcom 2024).

Ofcom commissioned WIK-Consult in May 2025 to compile and discuss elements, underlying principles and parameters of possible targeted discount schemes in a study. The objective of this study is to provide background information to enable Ofcom to explore further the potential efficacy of such a measure in addressing affordability issues.

This study's starting point was in-depth desk research into the application of targeted discount schemes in other sectors in the UK (sectors for water, energy, and telecommunications services) as well as postal discount schemes in other countries. More than 50 targeted discount schemes have been researched, including four postal schemes. These have been complemented by an interview with Australia Post about their Concession Stamp Scheme. By comparing and analysing the schemes, WIK-Consult has identified and discussed the key elements that could be used to design a potential targeted discount scheme for universal postal services in the UK. To help readers understand how the different options could work together, WIK-consult has compiled examples, illustrating the key elements.

The study finds that the **approaches towards ensuring affordability** vary by country and sector. The following conclusions can be drawn when comparing approaches across sectors:

- Affordability in other sectors is mainly ensured via price caps. In the UK, voluntary discount schemes for vulnerable consumers complement price caps.
- Within the EU, affordability is a term used in postal regulatory frameworks, but it is not defined by the Postal Services Directive. Consequently, the approaches adopted by postal regulators to implement this principle and/or verify the affordability of regulated prices vary in practice. In some EU Member States, this concept is not even addressed in national postal legislation.
- In Australia, the affordability principle is not rooted in postal price regulation. Nevertheless, Australia Post, being a state-owned business, has introduced a targeted discount scheme on a voluntary basis.

The research and analysis of over 50 discount schemes, including postal schemes, has aimed to identify common approaches to key areas of the schemes such as what they offer, who they target, how a user may benefit, and how they are funded. Below is a

summary of the key findings on the nature of, and differences between, the targeted discount schemes studied:

- Type of discount: Discount schemes cover a range of discounts, including direct payments, capping bills and free services.
- Target group: Of the discount schemes studied, there is no homogeneity in terms of the target group. Discount schemes in the UK primarily target customers on low incomes. This is also the target group of the Australia Post concession scheme but the approach goes beyond income to include other groups which are considered in need of extra support, e.g. pensioners.
- We note that some of these schemes also target more specific groups such as people with medical conditions, families and older people.
- Application procedure: The configuration of application procedures varies from schemes that facilitate automatic enrolment to schemes that require user-initiated registration.
- Services covered: In terms of the services covered, a common principle across sectors (including postal) is to provide an equivalent service to those at full price. However, we note that discount postal schemes have restrictions in place or limit the number of postal services which are included. For example, the Australia Concession stamp scheme exclude parcels.
- Sales channels: For postal schemes, sales channels may differ from application channels. We note there is a variety of approaches to purchasing postal services ranging from equivalent access to in person only approaches.
- Funding: The two identified funding mechanisms are cross-subsidisation and state funding, but our study did not identify any state-funded postal schemes.

Figure 1 Potential impact of scheme design on users and Royal Mail

		Value for users and take-up	
		Set-up and ongoing costs for Royal Mail	
		Lower	Higher
Type of discount		Limited discount	Free services
Target group		Subgroup of consumers	All consumers
Application process		Registration	Automatic enrolment
Services covered		Selection of universal services	All universal services
Sales channels		Single sales channel	Several sales channels

Source: WIK-Consult.

The report discusses the relevant elements that would make up any potential UK discount scheme for universal postal services. Each of these categories involves several aspects that are considered from the perspectives of users, Royal Mail and third parties. The report is based on publicly available information and our own analysis. Royal Mail was not contacted or consulted in the preparation of this report.

A key finding of this report is that each design option involves trade-offs. The final value for users, costs, and the time required for a specific scheme depend on the combination of options discussed for each element. Discussions from the perspective of different stakeholders show that all potential design options have their advantages and disadvantages.

1 Introduction

Ofcom's consumer research on post shows that most users think it is important to keep letter prices affordable¹. However, an increasing number of consumers are stating that they now send fewer letters by post due to the cost (Ofcom, 2024a, p. 6). In their 2024 decision on safeguard price caps for Second Class universal services, Ofcom announced their intention to use the three-year price cap period 'to engage with Royal Mail to consider alternative approaches to ensuring affordability – for example, a targeted discount scheme for vulnerable consumers' (Ofcom, 2024, p. 3). Ofcom confirmed this intention in their 2025 statement on the review of the universal postal service and other postal regulations (Ofcom, 2025).

In light of this, Ofcom has commissioned WIK-Consult in May 2025 to compile and discuss elements, underlying principles and parameters of targeted discount schemes in a study. The objective of this study is to provide background information to enable Ofcom to explore further different measures that may address affordability in accessing universal services.

In order to get an overview of potential approaches towards ensuring affordability, we describe its application in sector-specific price regulation in Chapter 2. WIK-Consult has researched existing postal service schemes in other EU countries and internationally, as well as non-postal discount schemes from other UK sectors, specifically the water, energy and telecommunications sectors. The insights and conclusions from this research into potential elements for targeted discount schemes are summarised in Chapter 3. Chapter 4 of this report discusses the key elements of a postal discount scheme and their design options. This analysis is based on in-depth desk research and is complemented by an interview with Australia Post. Finally, Chapter 5 presents examples of targeted discount schemes for illustrative purposes.

The report is based on publicly available information and our own analysis. Royal Mail was not contacted or consulted in the preparation of this report.

¹ With 90% of surveyed consumers stating that it is important or very important that 'the price of sending letters and cards is kept affordable'. See Ofcom, 2025d, p. 19.

2 Overview of regulatory approaches to affordability in other countries and sectors

This section considers different legal and regulatory approaches to ensuring affordable prices in the postal sector in other countries and in other sectors in the UK. The first approach involves integrating affordability into (retail) price regulation.² The second approach involves setting requirements for all or specific providers to offer reduced tariffs to a defined target group, commonly referred to as social tariffs.

2.1 Application in other UK sectors: Water, energy and telecommunication sector

The approach to affordability in price regulation varies across non-postal sectors, as does the approach to price regulation in general. While some sectors explicitly incorporate the affordability principle into their regulatory frameworks, others rely on market forces or cost orientation.

2.1.1 Water sector

The approach to price regulation in the UK water sector differs between the UK countries and their respective regulatory regimes.³ In England and Wales, the privatised water sector is governed by a price cap regime defined by the regulatory authority, Ofwat. In brief, Ofwat defines revenue caps for each water company. These caps include an inflation adjustment, efficiency elements and a limit on the permitted return on capital.⁴

The current price control period runs from 2025 onwards and lasts five years. Before the start of each period, Ofwat reviews, consults on and adapts the methodology to be applied. In addition to the overall price cap for water suppliers, undertakings must comply with charges scheme provisions. These provisions define the rules for the composition of charge schemes for consumers, as well as the principles that govern such schemes. While the applicable charges scheme rules from April 2023 require cost orientation (Ofwat, 2022, para. 13), they also introduce a set of general principles for charges, including 'fairness and affordability', as well as 'stability and predictability' (Ofwat, 2022, para. 11A). Charges schemes must also state whether a social tariff is offered.

The legal framework for England and Wales for the application of social tariffs is subject to recent changes. While the charges scheme rules are governed by the Water Industry

² Price regulation in this section refers to retail price regulation, not regulation of wholesale price regulation.

³ Affordability requirements in Northern Ireland are not covered since water services are free for consumers.

⁴ See Ofwat, 2024. In addition to the revenue cap, Ofwat sets several performance targets, including customers satisfaction, leakage and pollution incidents.

Act, the Water (Special Measures) Act came into force in April 2025. In the past, social tariffs offered by water suppliers have varied greatly, resulting in significant differences in consumer eligibility and financial relief depending on their location. This variation has become known as 'the postcode lottery' (Citizens Advice, 2025). The Water (Special Measures) Act aims to harmonise the accessibility of social tariffs for consumers in England and Wales by introducing a cost-sharing mechanism between water suppliers.⁵ Such a mechanism has not been established yet (as of June 2025).

In contrast to England and Wales, the Scottish water sector is not privatised. Scottish Water is the only water supplier and is a state-owned operator. Consequently, affordability is embedded in a broader regulatory framework. Scottish Water must adhere to five charging principles which are derived from government policy and agreed upon in consultation with statutory organisations and civic stakeholders (Scottish Government, 2020):

1. Stability: prices are considered stable if they rise in line with inflation;
2. Full cost recovery: prices should cover the full cost of providing water services;
3. Harmonised pricing: prices should be non-discriminatory, i.e. similar for similar services, regardless of location;
4. Cost reflectiveness: prices should cover the cost of services for a specific group of customers;
5. Fair and affordable charges: this principle encompasses the sustainable funding of Scottish Water, affordability for consumers, and intergenerational equity for the present and future generations.

WIK's analysis of these principles suggests potential conflicts, for example stable prices may conflict with the need to recover full costs. Taking all principles into account therefore requires balancing and consideration, which could result in one or more principles taking precedence over the others.

2.1.2 Energy sector

Consumer prices for electricity and gas in the UK are regulated by an energy price cap. The price cap is defined as the maximum amount energy suppliers can charge consumers for each unit of energy and standing charge on the default (standard variable) tariff (Ofgem, 2025a). The objective of the price cap is to protect energy users on a default tariff, and to ensure that these tariffs reflect the cost of energy.⁶

⁵ Section 143AA of the Act, see <https://www.legislation.gov.uk/ukpga/2025/5/contents?section-13-3>.

⁶ According to Ofgem, the price cap 'ensures consumers on default tariffs only pay for the cost of supplying energy to their home and do not pay more than they need to' (Ofgem, 2024, p. 18).

Ofgem is responsible for setting the energy price cap for England, Scotland and Wales. The actual prices to be paid by households depend on the region, payment method, and type of meter, with specific caps in place for each (Ofgem, 2025a). The price cap includes various costs (such as wholesale costs and network costs). Any changes to these costs will affect the level of the price cap when it is reviewed.⁷ For example, if the wholesale cost for gas goes up, the respective price cap level will also increase (as long as all other costs remain unchanged). If the wholesale cost of gas decreases, the level of the respective price cap will be adjusted accordingly. Currently, the price cap is reviewed and adjusted every three months.

The legal basis for affordability requirements in the energy sector was established by the Warm Homes and Energy Conservation Act 2000. It set the objective to tackle fuel poverty at national and local levels by requiring the government to set a national fuel poverty target and to adopt a strategy to achieve it. England, Wales, Scotland and Northern Ireland each have their own distinct fuel poverty strategy, with their own approach and action plan.⁸

In addition to the Fuel Poverty Strategies, several legal Acts have introduced and amended mechanisms to support consumers. Most social tariffs and discount schemes in the energy sector are offered due to legal requirements, but these differ between England, Wales, Scotland and Northern Ireland.

The Energy Act 2010 enabled the creation of the Warm Home Discount scheme (Warm Home Discount Regulations 2022), for England, Wales and Scotland. The Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000 established the Electricity and Gas (Energy Company Obligation) Orders, with the most recent order dating from 2022. This order provides the legal basis for the Energy Company Obligation and the Great British Insulation Scheme.

While the aforementioned Acts stem from the regulation of the energy sector, legal requirements for consumer support schemes are also set out in social security legislation. For example, the Social Fund Winter Fuel Payment Regulations 2024 established the Winter Fuel Payment scheme. A similar requirement exists for the Cold Weather Payment scheme.

The Gas Act 1986 also establishes the basis for obliging energy and water companies, through licence provisions, to set up a Priority Services Register (PSR). The register is intended for vulnerable customers with specific needs, such as medical conditions or disabilities, and ensures that they receive additional non-financial support from their providers in emergency cases.

⁷ A breakdown of cost changes and a summary of changes to the energy price cap for the period 1 July to 30 September 2025 can be found in Ofgem, 2025.

⁸ See Department for Business, Energy & Industrial Strategy, 2021; Scottish Government, 2021; Department for Communities, 2011 and Welsh Government, 2021.

In addition to government-induced schemes, there are voluntary trusts and hardship funds offered by energy providers without any legal obligation.

2.1.3 Telecommunications sector

The situation is different in the telecommunications sector. There are no general price controls for retail telecommunications services but Ofcom monitors the pricing and affordability of communications services (Ofcom, 2021, p. 10-11).

Universal service obligations (USO) requires two designated providers to offer broadband connections to those unable to access a decent, affordable service. Access is conditional on meeting eligibility criteria and cost thresholds (Ofcom, 2019). The two designated providers are also obliged to have at least one special tariff for customers who have difficulty affording telephony services, including those on low incomes or with special needs (Ofcom, 2023b).

Additionally, Ofcom may recommend to the Secretary of State setting social tariffs only if previously the Secretary of State had directed Ofcom to review the affordability of some services. No such direction has been made as of June 2025. In any case, a number of providers have introduced social tariffs on a voluntary basis for eligible customers for retail communication services such as mobile, landline and broadband (Ofcom, 2025c).

2.2 Application in postal price regulation

According to the EU Postal Services Directive (Art. 12, first indent of the PSD), universal service prices must be affordable, in addition to the principles of cost orientation, uniformity, transparency and non-discrimination. It is therefore a widespread requirement for postal tariffs in the national postal legislation of EU Member States, but the approaches to implementation and verification in practice vary substantially. This is partly because there is no legal definition of affordability in the PSD, nor any criteria for assessing it. The PSD therefore leaves it to Member States to establish criteria and mechanisms appropriate to their national context.

National postal regulators use a variety of approaches to assess affordability. This is also a conclusion of a recent report by the European Regulators Group for Postal Services (ERGP) (see ERGP, 2024). However, while most EU Member States generally require universal postal services to be affordable, a legal definition of affordability is often lacking.

National legislators and regulators face the challenge to balance affordability and cost orientation requirements. With average costs per item increasing as letter volumes decline, postal operators are under pressure to raise prices. Over the past decade, universal service providers in many EU Member States have substantially increased stamp prices with the approval of regulators. The prices for domestic priority letters (first

weight step) have more than doubled, even tripled in some countries between 2015 and 2025. Examples include Belgium (€0.77 to €2.37), Czech Republic (€0.48 to €1.35, and Italy (€0.80 to €2.90).⁹

Although national approaches to price regulation and ensuring affordability vary, there seems to be a broad understanding that private households have limited and declining expenses for postal services and are therefore able to bear price increases above inflation levels. To our knowledge, there are only very few cases where postal regulators have rejected or limited price increase requests from postal operators for affordability reasons. Portugal is one example. The Portuguese approach, as well as other national examples, is discussed in more detail below.

The countries covered include those with postal discount schemes in place, such as Australia, Ireland and the Netherlands, as well as large EU Member States, such as France and Germany, and countries that have introduced interesting decisions or legal changes to ensure affordability in recent years, such as Denmark, Portugal and Sweden. The examples are based on the legal regulatory framework and the decisions of postal regulators.

Australia

- The concept of affordable prices for universal postal services does not exist in Australia. Affordability is not a requirement of Australian postal legislation.
- In practice, Australia Post offers the concession stamp scheme on a voluntary basis. The prices of concession stamps are not subject to regulatory control (see case study 1 in the annex).

Denmark

- There is no legal criterion to assess affordability.
- Since the postal law was revised in 2024, there has been no designated universal service provider. Consequently, letter prices are not regulated and affordability checks are not carried out. PostNord Denmark may set prices freely.
- PostNord Denmark will stop providing letter services completely by the end of 2025. PostNord will still deliver parcels. There are other, albeit much smaller postal service providers in Denmark that deliver letters. They are not obliged to provide letter services nationwide, and their prices are neither regulated nor monitored to ensure they are affordable.
- As an interim solution, PostNord was designated by the Danish government to provide selected elements of the former universal postal service for a defined period. For example, PostNord provided services for the blind and visually impaired until the end of October 2024, and offered postal services to small

⁹ See ERGP, 2017 and ERGP, 2025.

islands until the end of June 2025. PostNord received a compensation for these services (PostNord, 2025).

France

- There is no legal criterion to assess affordability.
- Between 2018 and 2025, the postal regulator ARCEP approved La Poste price increases of up to 70% for single-piece letter services aimed at private senders and very small businesses. Taking into account ARCEP's most recent price decision for the year 2026 is taken into account, the total scope for price increases since 2018 amounts to almost 90% (ARCEP, 2025). ARCEP's decisions to accept these increases were supported, among other factors, by the outcome of the affordability analysis (for example, see ARCEP, 2024).
- ARCEP analyses average household expenditure on universal postal services based on national household spending statistics (ARCEP, 2024). This includes parcel services but the majority of the expenses relate to letter services. The regulator considers price increases and changes in usage compared to the previous year, as well as the proportion of postal spending on total household expenses. ARCEP concludes that the relevant spending on universal postal services is diminishing in spite of price increases, due to the decreasing usage by private households.

Germany

- There are legal criteria for assessing affordability with a distinction made between specific universal postal services.
 1. Prices for universal service letters at the single-piece tariff are considered affordable if the average expenses of a private household for these services do not exceed the average real expenses of such a household in 2023. Priority letter services are not within the scope of the universal service; these prices do not need to be affordable.
 2. Prices for other universal services such as bulk letters and consumer parcels are considered affordable if they have been approved by the regulator in ex ante price regulation (price cap). Prices for universal services outside the scope of ex ante approval must comply with the requirements of ex post regulation, i.e. they must be non-abusive.

Ireland

- There is no legal criterion to assess affordability.
- ComReg does not have any statutory power to regulate the prices of universal postal services on an ex ante basis (since 2017). Consequently, An Post can set

prices without prior approval but ComReg monitors compliance with universal service tariff principles, including affordability, ex post (ComReg, 2017).

- However, ComReg monitors household expenses for universal service products in relation to the income of low-income households, complemented by user surveys (ERGP, 2024). ComReg also monitors affordability for business users based on surveys, but the approach remains vague.
- In practice, An Post offers a voluntary scheme enabling residents of nursing and care homes to send national letters free of charge, and also their family and friends to send freepost to such homes (see case study 2 in the annex).

The Netherlands

- The Netherlands do not require universal postal services to be affordable.
- In its price decision practice, the regulatory authority checks whether PostNL is making excessive profits (return on sales) from providing the universal service. A return on sales (before tax) is considered excessive if it is higher than 9%. This was not the case in the last price decision (ACM, 2024).

Portugal

- There is no legal criterion to assess affordability.
- In its price cap decision for the current period (2023-2025), the regulator has approved price increases beyond the level of inflation, by taking changes in letter volumes and costs into account. However, to limit the impact on consumers, the price increase for a 20g domestic letter is capped at 4 Eurocents per year (Anacom, 2022).

Sweden

- Swedish postal law does not require universal postal services to be affordable. PostNord's licensing conditions require prices to be cost-oriented and non-discriminatory, but not to be affordable (PTS, 2024). The regulatory authority PTS follows these principles but does not monitor affordability. Until 2019, the main objective of postal price regulation was to ensure the affordability of consumer prices. This was achieved by including only an inflation rate in the price cap. However, since the price regulation mechanism was amended in 2019, this objective has been removed. Consequently, prices increased beyond the level of inflation.

3 Identifying key principles of discount schemes

This report analyses discount schemes in four sectors: the postal sector, the energy sector, the water sector and the telecommunications sector. WIK-Consult researched schemes in other countries for the postal sector and only schemes within the UK for the other sectors. In total, more than 50 schemes were researched. A comprehensive list is included in the Annex 2: List of researched schemes . Only four postal discount schemes were identified, in contrast to the numerous non-postal schemes. This could be related to different approaches to social security which may manage affordability issues more indirectly or the affordability of universal service tariffs in other countries, or it could be a consequence of postal communication becoming less significant in everyday life, resulting in households spending less on postage.

From our analysis of the discount schemes, we identified six basic categories of scheme elements. Each scheme is designed using a specific combination of elements from these categories:

1. Type of discount
2. Target group
3. Application procedure
4. Services covered
5. Sales channels
6. Funding

The following sections outline these categories and their potential elements. The extent and clarity of the information that companies publicly disclose on their discount schemes varies. For example, some companies do not specify the level of capping or the percentage discount available. Therefore, the scope and level of detail of the information in the following sections may differ for each scheme.

3.1 Types of discount

The discount schemes in the four sectors show a range of different types of discounts. Users can receive the following discounts or benefits, provided they are eligible (see Chapter 3.1.5 on target groups and eligibility).

3.1.1 Water sector

Water companies offer the following types of discount.

- WaterSure: Water Sure is available in England and Wales (WaterSure Wales). The scheme caps water bills at a defined level, regardless of the actual use of water.

- Bill capping: some providers offer bill capping to users who are ineligible for the WaterSure scheme. Some providers offer one level only, while others have several.
- Percentage discount: some providers offer only one, some several discount tiers. Percentage discount level start at around 15% and go up to 90%, depending on the provider. Very few providers restrict the discount to a period of three years.
- Water Charges Reduction Scheme (Scotland): households receive a discount of up to 35% on their water and sewerage bill, relative to their Council Tax Reduction. A household receives the maximum discount of 35% if the Council Tax Reduction is 100%. If the Council Tax Reduction is e.g. 50%, the household receives 50% of the maximum water and sewerage discount ($50\% \times 35\% = 17.5\%$)
- Exemption for Full-Time Students (Scotland): free service for qualifying accommodation (technically, the charges exemption is granted to providers of student accommodation residencies, not directly to students).

In addition to these schemes, most providers offer debt reduction schemes and/or payment plans to help users who are struggling to pay their bills. In Northern Ireland, water services are provided free of charge to all private households.

3.1.2 Energy sector

- Warm Home Discount (WHD): a one-off discount of £150 applied automatically to the bill.
- Energy Company Obligation (ECO): grants for insulation and heating upgrades.
- Winter Fuel Payment: either £200 (if born between 23 September 1944 and 22 September 1948) or £300 (if born before 23 September 1944).
- Winter Heating Payment (Scotland): a one-off payment of £58.75.
- Cold Weather Payment: a payment of £25 for each 7-day period of very cold weather between 1 November and 31st March.
- Affordable Warmth Scheme (Northern Ireland): grants for energy efficiency improvements.
- The Great British Insulation Scheme: suppliers fund insulation measures. The scheme obligates providers (medium and large energy companies).
- Hardship Funds (various energy providers such as British Gas, EDF Energy, E.ON, Scottish Power): debt reduction or payment plan.

3.1.3 Telecommunications sector

From our analysis it seems that UK telecommunications service providers offer various types of discounts through targeted schemes known as social tariffs for landline, broadband and mobile internet access. These mainly focus on offering services at a reduced fixed monthly cost compared to standard rates.

- Reduced fixed-price tariffs: Providers offer set monthly rates that are significantly lower than their standard prices, and these prices are often guaranteed not to increase during the contract period. Call-only plans, for example, start at £10 per month, while broadband tariffs start at £12.50 per month. The highest price we identified is £24 per month.
- Data, calls, or text allowances: Some schemes include unlimited internet usage and phone calls/texts at no extra cost for the contracted period. Schemes like VOXI For Now provide unlimited data for an initial number of months before reverting to a capped data allowance on the same tariff.
- Add-on features: some providers offer combinations of broadband and mobile tariffs, or add-on features. For instance, Virgin Media enables TV streaming to be added.

3.1.4 Postal sector

We identified four types of postal discount schemes in five countries:

- Australia Post Concession stamp scheme: fixed reduced price for national stamps (see case study 1 in the annex).
- An Post/Free Post to Nursing Homes: a free service for residents living in nursing or care homes, as well as for senders writing to them (see case study 2 in the annex).
- Christmas stamps (Australia Post and PostNL): a bulk discount is offered on Christmas cards and greetings sent during the festive season. The minimum number of stamps varies (20 in the Netherlands and five in Australia). While these stamps cannot be used outside of the festive season in Australia, PostNL allows users to add a stamp to cover the price difference to the standard rate outside of this period.
- Royal Mail Redirection Concession scheme (UK) : a fixed lower price for the Royal Mail redirection service. The scheme offers different options for the length of time (redirection for three, six, or twelve months), and prices depend on how many people aged 16 years or over live in the household (Royal Mail, 2025a).

3.1.5 Conclusions on type of discount

The type of the discount is central for the design of any scheme. We identified nine key types of discount applied in the four sectors.

Direct payment to households: This type of scheme only exists in the energy sector where it is government-led.¹⁰ As a specific form of payment to households, the amount may also be paid to the service provider (e.g. the Warm Home Discount).

Providing a service for free: There are examples of free service provision in two sectors. In Northern Ireland, water services are provided free of charge to all private households. In Scotland, full-time students living in student residences are exempt from water charges for (Scottish Water, 2025). Irish An Post offers a postal scheme with free service provision. Post to and from residents in nursing and care homes in Ireland can be sent as freepost.

Fixed low price: A fixed low price for a service is usually called a social tariff. Such tariffs are offered by most telecommunications service providers for broadband and mobile services, and by BT and KCOM for landline services.

Bulk discount: Bulk discounts offer a reduced price when a minimum quantity of a service is purchased. We have identified examples of this in the postal sector. Stamps sold in booklets are one such example, with Christmas stamps in the Netherlands being sold in quantities of at least 20 as a form of bulk discount.

Percentage discount: Some water suppliers in England and Wales offer a percentage reduction, as does Scottish Water under the Water Charges Reduction Scheme.

Bill capping: Customers who are eligible for a bill capping scheme do not pay according to their actual usage; their bill is capped at a defined level instead. This is common in the water sector.

Investment grants: This type of scheme is typical of the energy sector and aims to reduce household consumption by investing in efficiency measures. Such grants include Government-led schemes like the Energy Company Obligation scheme, but also hardship funds supporting customers to replace old or broken down household appliances by more energy efficient equipment.

Debt reduction schemes and payment plans: These schemes support customers who are struggling to pay their bills. Some of these schemes require customers to be in debt, while others set boundaries for how much debt is acceptable. Typically, customers are

¹⁰ Winter Fuel Payment, Winter Heating Payment, and Cold Weather Payment (Gov UK, 2025; Scottish Government, 2024; and Gov UK, 2024)

rewarded with debt relief if they pay reduced monthly charges to demonstrate their commitment to reducing debts or arrears.

Non-financial support: In addition to financial measures, the Priority Services Register provides support for users of water, electricity and gas services.¹¹ This provides targeted support for customers with special needs, e.g. due to a medical condition, disability or mobility issues. Customers may require priority assistance or other forms of support, e.g. for those with limited eyesight. Similarly, telecommunications service providers are obliged to enable persons with disabilities to access electronic communication services that is comparable to that of people without disabilities.¹²

3.2 Target groups and eligibility

Users may access the discount schemes if they meet the specified eligibility criteria. The following sections present the criteria for each scheme, grouped by sector.

3.2.1 Water sector

In addition to the legally required WaterSure scheme, which has defined eligibility criteria, water companies offer their own discount schemes, each of which has specific criteria. In Northern Ireland, all consumers are eligible for free water services.

WaterSure: Users must have a water meter installed (or have applied for one and be waiting for it, or it must be impossible to install a water meter at the premises). They must also receive certain benefits and have a high essential use of water due to a medical condition (e.g. renal failure or a skin condition), or if they have at least three children under the age of 19 who are in full-time education living in the household.

Provider-led schemes in the water sector (providers may apply one or several criteria from the list below):

- Low income: Most schemes target low-income households and use income thresholds to determine eligibility. These range between £12,000 (e.g. Welsh Water for a single person household) and £26,000 (e.g. Northumbrian Water) annually, depending on region and provider. Allowances for child dependents are usually added.
- Water expenses: Some schemes require an income-to-bills ratio test (e.g. spending more than 3–5% of net income on water).
- Benefit-related eligibility: Many schemes accept applicants receiving means-tested benefits (e.g. Income Support, Universal Credit, Pension Credit).

¹¹ See <https://www.thepsr.co.uk/>.

¹² Such regulations are made under General Condition C5 (Ofcom, 2025b).

- Special groups protected: Several provider-led schemes target low-income pensioners. Their eligibility is often verified via Pension Credit. In Scotland, there is a scheme targeting full-time students, although technically the exemption from water charges applies to student residences accommodating full-time students.

3.2.2 Energy sector

- Warm Home Discount (WHD): low-income customers with high energy costs in England and Wales, and in Scotland according to each supplier's criteria; the discount is not available to consumers in Northern Ireland.
- Energy Company Obligation (ECO): This discount is targeted at households meeting specific energy efficiency and benefit status requirements. Households must have a low income (qualifying benefits include e.g. Child Benefit, Tax Credits, Universal Credit) and live in private or social housing which must be energy inefficient (rated D-G for owners, or E-G for renters).
- Winter Fuel Payment: individuals born before 23 September 1958 who receive benefits including Pension Credit, Universal Credit, or certain tax credits. Residents of care homes are only eligible if they have lived there for less than 13 weeks within a qualifying period.
- Winter Heating Payment (Scotland): Scottish residents on qualifying benefits, with specific conditions applying to Universal Credit, Pension Credit, Income Support, Jobseeker's Allowance, and Support for Mortgage Interest. It is only available in Scotland to those meeting the strict benefit-related criteria.
- Cold Weather Payment: recipients of Pension Credit, some Universal Credit claimants (with work limitations or young children), and those on certain income-related benefits with additional qualifying factors. The discount is only triggered by very cold weather (temperature-based), it is not available in Scotland.
- Affordable Warmth Scheme (Northern Ireland): low-income owner-occupiers or private renters in Northern Ireland with a total gross income below £23,000; not available to social housing tenants.
- The Great British Insulation Scheme: The scheme is targeted at low-income and vulnerable households with inefficient homes (rating D-G) and in specific council tax bands (A-D in England, A-E in Scotland/Wales). It is not available in Northern Ireland.
- Hardship Funds (various energy providers such as British Gas, EDF Energy, E.ON, Scottish Power): Applicants must be a customer (or a recent customer) of the specific energy company providing the fund. They must be experiencing financial difficulty or be on a low income, typically evidenced by their receipt of certain means-tested benefits (such as Income Support, Universal Credit, Employment and Support Allowance, Child/Working Tax Credits, Pension Credit, or similar). Most hardship funds require applicants to have difficulties paying energy bills or existing arrears, or

to be at risk of financial hardship in covering ongoing energy costs. All schemes expect or explicitly require that applicants have engaged with a recognised money advice or debt advice service before applying. Some funds set a cap on household savings (e.g., British Gas Energy Trust, £1,000).

3.2.3 Telecommunications sector

Eligibility for UK telecommunications social tariffs is mainly based on receipt of certain means-tested benefits. The most common benefits are Universal Credit, Pension Credit, Income Support, Jobseeker's Allowance, and Employment and Support Allowance. Some providers extend eligibility to recipients of non-means-tested or disability-related benefits, such as Personal Independence Payment (PIP), Disability Allowance, Attendance Allowance, Housing Benefit, Reduced Earnings Allowance, and Care Leavers' Support. These are less common but available from some providers, e.g. Vodafone, Hyperoptic, YouFibre, and VOXI.

Providers may apply additional credit checks to make sure eligible users will be able to pay their bills. Most researched schemes verify eligibility as per the API of the DWP. To be able to do that, providers ask for a National Insurance number or direct consent for DWP checks.

3.2.4 Postal sector

- An Post/Free Post to Nursing Homes (see case study 2 in the annex): the eligibility is on all residents of nursing or care homes, as defined by the sending or receiving address on the envelope.
- Australia Post Concession Stamp Scheme (see case study 1 in the annex): the scheme targets low-income consumers receiving certain benefits (as proven by holding a Federal Concession Card such as the Pensioner Concession Card or Health Care Card). In practice, the scheme is available to consumers on low incomes for various reasons including students, young people, those receiving parenting benefits, job seekers, and people with mobility limitations or disabilities.
- Christmas stamps (Australia Post and PostNL): there are no criteria that customers need to meet; the tariff is available to anyone sending Christmas greetings.
- Royal Mail Redirection Concession scheme (UK): the scheme is available to recipients of Universal Credit, Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, and Pension Credit.

3.2.5 Conclusions on target group and eligibility

Most discount schemes in the water, energy, and telecommunications sectors primarily target low-income persons or households, who are mostly identified by their receipt of means-tested benefits. However, some schemes target more specific groups, such as pensioners, students or large families. In these cases, specific eligibility criteria are applied, reducing the size of the target group. In the postal sector, there is no common eligibility principle across the four identified schemes. The Australia Post scheme and Royal Mail redirections concession scheme target low-income customers, while the others enable access for all consumers (although noting that the An Post scheme applies to letters to and from nursing and care homes).

3.3 Application procedures

The researched schemes feature three options for designing application procedures:

1) An active application may be required from customers.

Examples:

- Royal Mail Redirection Concession scheme
- the Australia Post Concession Stamp scheme
- all social tariffs in the telecommunications sector
- WaterSure

2) Customers could be automatically enrolled for a scheme.

Examples: (only applied in the energy sector for schemes that are legally required)

- Warm Home Discount
- Cold Weather Payment

3) There are schemes without application procedures, i.e. these are designed in such a way that an application is not necessary.

Examples:

- An Post Freepost to nursing homes scheme
- PostNL's and Australia Posts' Christmas stamps

Research into the Australian Concession stamp scheme, Royal Mail redirections concession and social tariffs for telecommunication services and in the water sector show that registration-based schemes have much lower take-up rates than schemes with automatic enrolment (see section 3.7 for more detail). This may also be due to low user awareness. Information campaigns could be useful in increasing both awareness and application numbers.

Eligibility checks are required for both active applications and automatic enrolment. These checks verify that a customer meets the conditions for accessing the scheme. These appear to be done in several different ways. Schemes which automatically enrol customers (e.g. Warm Home Discount) use government data e.g. DWP data on who is in receipt of specific benefits to identify eligible customers. Schemes with active application either require customers to prove their eligibility at the point of sale (e.g. Concession customers in Australia show their Concession card at the postal outlet) or confirm eligibility directly with government data e.g. DWP. This approach is common in the UK telecommunications sector, where a number of operators rely on the digital solution offered by the DWP where customers can use online, telephone or written channels to apply. From a consumer's perspective, automatic enrolment or proving eligibility via DWP confirmation is likely to be quicker and easier compared to manual checks which can be burdensome, particularly for those facing language or other barriers.

The application procedures for discount schemes in non-postal sectors in the UK may vary by region. For example, customers in England and Wales are automatically enrolled in the Warm Home Discount, whereas those in Scotland need to contact their energy provider.

3.4 Services covered

There are no insights to be gained from the water and energy sectors regarding services covered by a discount scheme, as the products in these sectors are homogeneous.

The researched discount schemes in the **telecommunications sector** include tariffs for landline services and fixed and mobile broadband internet access. As a general rule, these schemes offer the same or a comparable quality to standard tariffs. Users can choose from a range of options, including tariffs for calls and texts only and tariffs for mobile broadband internet access. Data volume allowances may vary by provider, with some offering unlimited data and others imposing limits. Some providers also include EU roaming services as part of their packages. Users can customise their packages by adding TV options or choosing bundles that combine broadband and mobile services.

In the **postal sector**, discount schemes typically only apply to domestic, single-piece, stamped postal services. These schemes are usually limited to letter services, although the Irish freepost scheme for care homes allows packages of up to one kilogram. Discounted stamps are usually sold in booklets (e.g. booklets of five under the Australian Concession stamp scheme or packs of twenty Christmas stamps in the Netherlands), meaning customers cannot purchase individual stamps. Postal schemes offer access to the standard service, i.e. the non-priority service (as in Australia) or the regular service if there is no two-class system, as in Ireland and the Netherlands. However, Concession customers in Australia can upgrade letters franked with Concession stamps to priority service by adding a priority sticker (see case study 2 in the annex).

3.5 Sales channels

For non-postal sectors, the sales channel (how a customer purchases services once they are enrolled on a scheme) appears to be the same as the application channel (how a customer gains access to a scheme). It is different in postal schemes. This difference is likely to be due to the non-contractual relationship between the postal service provider and its users. In practice, postal customers have multiple options for purchasing standard postal services; for example, they can buy stamps online or at supermarkets and other third-party locations. When it comes to discounted services, postal service providers may choose to offer the same variety of sales channels (Christmas stamps in the Netherlands, for example, can be purchased both online and offline) or limit them (Concession stamps in Australia, for instance, are only available in postal outlets).

3.6 Funding

The researched schemes are funded from one of two sources, government funding or funding by the provider. The latter typically involves cross-subsidisation to some extent between customer groups or products.

The energy sector is unique in having both government-funded schemes, such as the Warm Home Discount, Winter Fuel Payment, Winter Heating Payment and Cold Weather Payment, and cross-subsidised schemes. Examples of cross-subsidised schemes in the energy sector include the Great British Insulation Scheme, the Energy Company Obligation scheme, and hardship funds. The first two are legally required, but not government-funded.

The researched discount schemes in all other sectors are cross-subsidised. Providers neither receive compensation from governments for offering discount schemes or social tariffs.

3.7 Take-up

There is no comprehensive data available on the take-up of discount schemes across sectors. For the purposes of this report, 'take-up' is defined as the proportion of eligible users who access a scheme. This section provides an overview based on the available anecdotal evidence.

In the **water sector**, around 1.6 million UK households are supported either through social tariffs or the WaterSure scheme in 2024/25 (WaterUK, 2025). The vast majority of these households benefit from social tariffs, while take-up of WaterSure remains relatively low. There also appears to be a low percentage of households accessing hardship funds. In England and Wales, 9% of households are on water social tariffs, while 15.6% of households were considered to be in water poverty in 2022/23, using a 3% income

threshold (Castro/Bradshaw, 2025). In Scotland, 52% of the 2.6 million households benefit from some form of financial support scheme (Scottish Water, 2025a). Looking ahead, Water UK anticipates that the number of households on social tariffs could increase by 600,000 in 2025, following a projected average price increase of £133. This could potentially reach 2.2 million households in the UK and over 2.5 million by 2030 (WaterUK, 2025).

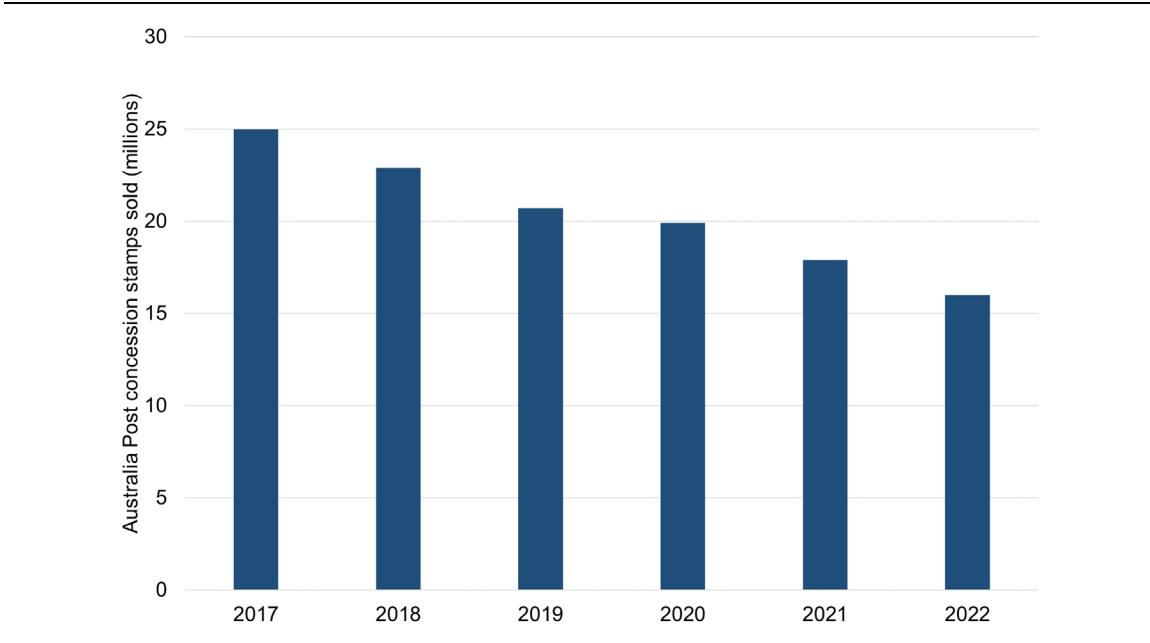
In the **energy sector**, the Warm Home Discount has reached a new record with 3.1 million households receiving the benefit (Gov UK, 2025a). Of these, 956,000 are pensioner households across the UK, including 91,000 in Scotland. Furthermore, 2.19 m low-income households in England and Wales received support through the scheme in 2023/24, representing an increase of around 600,000 compared to the previous year.

The take-up of social tariffs for **telecommunications** services has increased significantly between 2023 and 2024, with an increase of more than 30% enrolled customers. As of June 2024, Ofcom reports nearly 506,000 social tariff customers (Ofcom, 2024b, p. 58). The majority of these customers use fixed broadband social tariffs, mobile social tariff users represent a minority share, according to Ofcom. Despite this growth, the overall proportion of eligible customers on social tariffs remains low (Ofcom, 2024b).

In the **postal** sector, information on the take-up is only available from Royal Mail. Royal Mail stated it received 4,700 applications to the Redirection concession scheme in 2022-23. Since the relaunch of the scheme in November 2021, Royal Mail has received 5,400 applications. (Royal Mail, 2023). Neither PostNL nor Australia Post publish the number of Christmas stamps sold. Similarly, An Post does not provide any information on the take-up of its freepost to care homes scheme.

While no household take-up figures are available for Australia Post's Concession stamps, the volume issued has declined by 36% between the 2017 and 2022 financial years, as illustrated by Figure 2 (Australia Post, 2022). This decline occurred despite stable Concession stamp prices and an increasing gap between the basic postal rate and the Concession stamp price, which grew from 0.10 AUD in 2014 to 1.10 AUD in 2025. From our analysis it seems the decline in demand is most likely due to digitisation and changing communication habits, as Australia Post's total letter volumes also declined, though even stronger (see Australia Post, 2025a, p. 74 for total letter volumes between 2019 and 2024). Other reasons such as declining awareness, could also play a role.

Figure 2 Take up of Australia Post Concession stamps



Source: Based on Australia Post, 2022.

The findings in this section highlight the importance of the application procedure. Schemes with automatic enrolment such as the Warm Home Discount, have much higher take up rates than schemes that require active registration.

3.8 Conclusions on discount scheme elements

A wide range of discount schemes exist across different sectors. While these schemes differ in design and characteristics, there are core categories that each scheme must consider. Figure 3 below highlights the key characteristics across sectors. The white boxes on the left-hand side of the figure label the six categories of discount scheme elements. The dark blue boxes indicate the potential options within these categories.

Figure 3 Overview on potential discount scheme elements

Type of discount	Direct payment to households	Free service	Fixed reduced price	Percentage discount	Bulk discount	Bill capping	Investment grants	Debt reduction schemes and payment plans
Target group	All consumers	Low-income consumers	Care home residents	Medical condition	Families/ young children	Pensioners / older people	Other definitions (e.g. other low-income consumers)	
Application process	Automatic enrolment	Registration						
Services covered	Basic services	Value-added services						
Sales channel	Offline (phone/mail/ outlet)	Online						
Funding	Cross-subsidisation	State funding						

Source: WIK-Consult.

The postal and non-postal discount schemes considered in this report encompass a variety of **types of discounts**, ranging from direct payments to capping bills or providing free services. Across the four sectors, we identified nine key types of discounts.

There is no homogeneity in terms of the target group among the postal discount schemes. Three out of five postal discount schemes can be used by all consumers, including the freepost to nursing homes scheme in Ireland. However, the total number of postal discount schemes is too low to derive a general principle from this. Most non-postal discount schemes focus on low-income customers as the **target group**. A common **eligibility criterion** for non-postal discount schemes is persons receiving means-tested benefits. Some schemes target more narrowly defined groups with specific vulnerabilities, e.g. low income and age (energy), or medical condition (water).

The design of **application or registration** procedures ranges from schemes with automatic enrolment to those schemes where more or less action is required from eligible customers. The fewer actions required, the lower the barriers to applying. In general, automatic enrolment mechanisms result in higher take-up rates than non-automatic options. For schemes with registration, information campaigns might be required to increase user awareness. Providing digital and non-digital application channels improves accessibility. There are two approaches to verify eligibility, either in a non-standardised way which can be burdensome for users, or based on digital solutions (with customer choice of the communication channel) to reduce effort and time for both consumers and providers.

In terms of the **services covered**, discount schemes including post discount schemes provide an equivalent service to those at full price. However, we note that discount postal schemes have restrictions in place or limit the number of postal services which are included. For example, the Australia Concession stamp scheme exclude parcels and priority services from the discount on offer, but users can purchase priority labels (at full

price) to add to any letter with a Concession stamps on it. The An Post scheme limits the provision to specific addresses only (i.e. freepost to care homes scheme in Ireland).

For energy, water, and telecommunications services, the application channel is typically the same as the **sales channel**. However, for postal services, there could be different channels for applying to a scheme (to verify eligibility) and for sales (of stamps, when they are needed).

The two basic **funding mechanisms** in non-postal sectors are cross-subsidisation and state funding, but the latter only applies if there is a legal requirement for state funding in place. There are no postal schemes that are state-funded.

4 Potential elements of a UK discount scheme for postal services

As set out previously in this report, this report is based on publicly available information and our own analysis. Royal Mail was not contacted or consulted in the preparation of this report.

4.1 Relevant elements

Having identified potential elements for targeted discount schemes in section 3.8, this section discusses potential elements of a UK targeted discount scheme for postal services. Not all of the elements identified in the previous chapter are relevant to or transferable to a targeted postal discount scheme. Figure 4 presents the elements that are relevant to a potential postal discount scheme.

Figure 4 Relevant elements for a postal discount scheme

Type of discount	Direct payment to households	Free service	Fixed reduced price	Percentage discount	Bulk discount
Target group	All consumers	Defined consumer group			
Application process	Automatic enrolment	Registration	No registration required		
Services covered	All universal services	Selected services	To be determined		
Sales channel	Post Office	Online order	Phone / mail order	No sales channel required	
Funding	Cross-subsidisation				

Source: WIK-Consult.

Certain types of discounts commonly used in other sectors, such as bill capping, investment grants and debt reduction schemes are not considered further as they do not appear feasible for the postal sector.

Two elements of Figure 4 have been adapted compared to Figure 3 in the previous chapter, in order to improve their alignment with the postal sector. First, the potential definitions of the target group have been simplified to 'all consumers' and a 'defined consumer group', with the latter being a subgroup of the former, in order to avoid overly specific discussions. Second, the relevant sales channels in the postal sector naturally include sales in Post Offices, as well as other offline options (order by phone or mail) and online purchases.

In the following section, we discuss in more detail per category the impact of the identified relevant elements on the impact of any scheme, for example in terms of costs, user impact and potential challenges.

4.2 Discussion of the relevant elements of a scheme

The relevant elements identified in Figure 4 above and their impact on user value, costs, and take-up will be discussed in this section along the relevant categories for a potential targeted discount scheme for universal postal services. If a postal discount scheme is introduced, there will be interdependencies between these categories and their impact. For example, the costs may be impacted by the type and level of discount, but also by the size of the eligible target group and services covered.

The following sections consider the potential impacts on users, Royal Mail, and third parties who may be involved in the organisation of any scheme, for example Ofcom or DWP.

4.2.1 Type of discount and discount levels

Different types of discounts result in different levels of cost and benefit. The level of cost is also determined by the definition of the target group and the chosen application procedure, which can result in higher or lower levels of take-up. The total ongoing costs of a scheme depend on (1) the discount level and (2) the number of items sent. The latter depends on the target group, eligibility criteria, application process and services covered. For this reason, this section discusses the impact of discount types on costs per item rather than total costs.

There are five types of discount that could be applied in a postal discount scheme (see the list below). The discount level for the last three types needs to be determined. The level of discount is crucial for the scheme's perceived value from the perspective of potential users.

1. Direct payment (e.g. stamps or receive a credit to buy stamps with) to households: discount level 100%
2. Free services: discount level 100%
3. Fixed reduced price: discount level to be determined
4. Percentage discount: discount level to be determined
5. Bulk discount: discount level to be determined

Direct payment (stamps) to households: In non-postal schemes, direct payments are made to households under government-led schemes. The equivalent in a postal scheme would be providing households with free stamps or credits. In this case, the maximum

amount of revenue foregone would be equivalent to the credit or number and value of stamps provided. Where stamps are used, a challenge would be determining the appropriate services, number and value of stamps needed to meet the needs of the target users. While this option could be highly beneficial to users, there is an inherent risk of misuse, particularly as eligible users could exploit arbitrage opportunities by selling these stamps.

Free services: Like the direct payment scheme, this option would result in high foregone revenues per item. Free letters would be a very attractive offer for potential users. Therefore, the definition of the eligible target group, the services covered, and the application procedure would be key to keeping costs under control and limiting potential misuse risks for this type of discount. Providing a free service could require technical adaptations, such as solutions to verify eligibility and to secure revenues, which would result in additional costs and potentially more preparation time.

Fixed reduced price/percentage discount: Stamps could be sold at a reduced price, either as a percentage off the regular price or at completely new prices. Challenges would include determining the appropriate services, the number of stamps and their value, to meet the needs of the target users. The foregone revenue per item is related to the difference between the standard price and the reduced price.

Bulk discount: This type of discount would allow users to purchase stamps at a reduced price, but only if they bought a minimum number of stamps, such as 10 or 20. While this type of discount might be attractive for users sending many letters, it also has several disadvantages. Users who are financially struggling might not be able to buy a large number of stamps at once, which could exclude them from the scheme. A high minimum purchase also carries the risk of misuse, as users may not require all the stamps and could sell the remainder to ineligible users.

As a measure to minimise potential misuse, similar to the Australian Concession stamp scheme, differently designed stamps could be used in a scheme, except for the free service. Even though a different design does not technically prevent ineligible users from sending letters with such stamps, it may have some element of social control. For example, ineligible users might not be willing to use this type of stamps for social letters such as greeting cards, so the receiver would know they cheated on the scheme. On the downside, this requires finding a balance between social control of misuse and social stigma for users of a targeted scheme. Designing and printing different stamps would increase set-up costs and the time required before any scheme could be made public.

Additionally, offering a targeted discount scheme would require adaptations to accounting systems to allocate revenues correctly. New price lists and customer information would also be a source of set-up costs and preparation time.

From our research we note that Royal Mail offers different stamps depending on the format and weight, and specific stamps are needed to send First Class mail rather than Second Class and for priority services like signed for or special Delivery (Royal Mail, 2025).¹³ Royal Mail also offers cheaper online prices than those for stamps sold in Post Offices. Other postal operators, such as Australia Post, apply more flexible price systems, including e.g. priority labels for faster delivery can be purchased as an add-on or a price system that allows different stamp types to be combined to send heavy or large letters.

4.2.2 Target group and eligibility

When designing a postal discount scheme, a decision needs to be made on how to define the target group. This decision must take into account a number of factors, including the following:

1. The larger the target group, the higher the ongoing costs could be, for two reasons. First, foregone revenues could increase in proportion to the size of the target group, assuming a higher number of people would be enrolled or registered. Second, a larger target group could result in higher costs for managing applications and verifying eligibility.
2. An eligibility criterion should be easy for consumers to understand and clearly communicate the requirements for application, to encourage those who are eligible to apply and prevent ineligible people from doing so. Clear eligibility criteria would also be easier to verify, whether by digital processes or manual checking by staff. If the scheme uses the same eligibility criteria and mechanisms as those used by energy, water or telecommunications companies for their discount schemes, this might reduce ongoing costs, be implemented more quickly and require less preparation time.
3. If a specific group is targeted, consideration should be given to their actual postal needs and specifically the affordability risks they face in order to design a relevant and useful scheme for them.

4.2.3 Application procedure

Schemes with automatic enrolment do not require user action. According to experiences from other sectors, schemes with automatic enrolment have a higher take-up than those without, e.g. below 10% of eligible customers are using social broadband tariffs (see

¹³ Royal Mail offers stamps that customers can only use for a specific formats, weights, and classes, as well as make-up values of stamps that can be used for any letters. See Royal Mail's online shop at <https://shop.royalmail.com/postage-and-packaging/stamp-books> and <https://shop.royalmail.com/postage-and-packaging/make-up-values> [25 September 2025].

section 3.7). Consequently, such a scheme would offer greater value to users than any scheme requiring registration.

Taking into account the value for the whole group, registration procedures could therefore limit the value for users. Alternatively, there could be schemes without a defined application procedure, provided that other elements of the scheme are designed to allow users to self-select. One example is the An Post freepost scheme for nursing homes, which does not require an application.

From the view of Royal Mail, automatic enrolment could result in higher costs in terms of foregone revenues than schemes that require user registration. Verifying eligibility criteria could incur costs for Royal Mail and third parties. Verification could be organised via online or offline channels (contacting Royal Mail by phone or in writing, or visiting a Post Office branch), and incur different costs per channel.

Eligibility checks based on automated procedures could be less costly than manual checks via offline channels. Using eligibility mechanisms already in place in other UK sectors could reduce the time and cost of setting up the scheme and ongoing verification. However, verifying eligibility could be costly if non-standardised proof of evidence is required or if the eligibility criteria are too vague.

For example, verifying the eligibility criterion of 'income below £20,000' would place a greater burden on users and Royal Mail than applying the eligibility criterion of 'persons receiving Universal Credit, Pension Credit, or Jobseekers' Allowance', for which standardised processes are in place. The latter is a common practice in the telecommunications sector for users applying for social tariffs. It could be done for applications by phone, online, or in writing.

4.2.4 Services covered

In principle, a scheme could cover all universal postal services or a selection thereof. The option chosen could affect the perceived value of the scheme, take-up and costs. While a scheme covering all universal postal services would be more relevant and valuable to users, it would also incur higher costs for Royal Mail than a scheme covering only a subset of services.

The amount of revenue foregone by Royal Mail would primarily depend on the combination of services covered, the level of discounts offered and the take-up of the scheme. The highest revenues would be foregone for a scheme entitling users to free

postage of all universal postal service or a selection thereof, although this might not necessarily be true of the total cost of the scheme.

Under the condition that demand remains unchanged, foregone revenues would be the higher,

- the higher the weight limit / the bigger the format of the postal items covered (large items are more expensive than small ones),
- the faster the services covered, for example First Class,
- the more value-added services are covered, for example if 'Signed for' is included.

It is unclear whether offering a targeted discount scheme would result in higher processing and delivery costs for discounted items, due to the mixed effects of foregone revenues and potentially positive demand. In Ofcom's monitoring of the postal market, 63% of customers report that they sent fewer letters due to the cost of (Ofcom, 2025e). Assuming that eligible users would send more, demand could increase under any discount scheme. If all universal postal services were covered by any scheme, users could also be incentivised to send more items as First Class, Signed-For or Special Delivery than they normally would. Under a direct payment or freepost scheme (100% discount), however, this would result in maximum costs due to foregone revenues. Under a fixed reduced price/bulk discount scheme (less than 100% discount), the net cost of foregone revenues and the additional revenue due to higher demand would be lower.

If a new design of reduced-price stamps were introduced, the cost of designing and producing the stamps would double if both First and Second Class stamps were included. As discussed in section 4.2.1 on the types of discount, the price system that is already in place might also impact the cost of services covered.

4.2.5 Sales channels

In addition to application channels, postal discount schemes require sales channels. Despite the fact that users have a requirement for physical letter services, they may wish to purchase these services online. Royal Mail offers stamps and postal service labels via its online shop and app. These channels could also be used to offer discounted services.

Offline channels include phone and mail order, as well as sales through Post Offices and stamp agents. Ordering by phone or mail involves costs for the physical delivery. This option is particularly important for users with limited mobility. We expect Royal Mail's sales partners would require to be compensated for each transaction made at Post Office branches or stamp selling agents. However, the costs of these sales channels are not necessarily higher under a scheme.¹⁴ Higher costs would only be incurred if scheme

¹⁴ Royal Mail Group and Post Office Ltd are two separate organisations. However, this does not represent a fundamentally different starting point compared to other posts, which typically organise sales via third

users purchased from a sales channel with higher costs than before, or if they made more purchases than they would have done without the scheme.

Any scheme requires adaptations to the IT infrastructure so that sales of discounted products can be accounted for and eligible customers identified at the point of sale. The higher the number of universal services included in the scheme and the more sales channels offering them, the higher the IT costs.

4.3 Conclusions

In designing a potential future UK postal discount scheme, consideration should be given to the fact that the design of the scheme impacts both the value it provides to users and its take-up, and the cost to Royal Mail of setting up and running the scheme. The impact on consumers could also extend beyond these direct effects, given the cost of the scheme would need to be recovered; the indirect impact on all consumers could therefore be broader. However, as we cannot at this stage quantify the cost of any scheme, the indirect impact on consumers will not be discussed in more detail.

The discussion of scheme elements in previous chapters shows that each option has its own advantages and disadvantages and will involve trade-offs. The final value for users, the associated cost and the time required for a specific scheme depend on the combination of options discussed for each element. Figure 5 provides an overview of the implicit trade-offs involved in designing any scheme.

For example, experience in other sectors shows that automatic enrolment schemes have a higher take-up than schemes that require eligible users to register. However, a higher take-up would presumably result in more postal items being sent within the scheme, leading to higher costs for Royal Mail (mostly foregone revenues).

parties. Examples include Australia Post with licence partners and PostNL with postal outlets in shops and supermarkets. These two operators also have to compensate their sales partners for transactions.

Figure 5 Impact of the discount scheme design on users and Royal Mail

		Value for users and take-up	
		Set-up and ongoing costs for Royal Mail	
		Lower	Higher
Type of discount		Limited discount	Free services
Target group		Subgroup of consumers	All consumers
Application process		Registration	Automatic enrolment
Services covered		Selection of universal services	All universal services
Sales channels		Single sales channel	Several sales channels

Source: WIK-Consult.

5 Illustrative examples for any postal discount scheme

This chapter provides illustrative examples of targeted postal discount schemes to enhance understanding of how elements can be combined and work together, and to demonstrate trade-offs. It is important to note that these examples do not suggest a specific design, should not be interpreted as recommendations, and do not represent all possible options or considerations.

The first example, the 'Freepost Scheme', is inspired by the An Post example and provides living proof of its practical feasibility. Its specific value lies in its simplicity for users and Royal Mail alike. The second example, the 'Free Stamps Scheme', is an adaptation of schemes from other sectors for use in the postal sector. We have chosen this example to illustrate a scheme that would address the issues of low user awareness and take-up. The third example, the 'Discounted Stamp Scheme', is modelled on the Australia Post Concession Scheme. It places more emphasis on customer choice, particularly for senders with above-average postal needs. All of the examples are assumed to be cross-subsidised by Royal Mail using revenues from other services and/or profits.

Each of these illustrative examples is discussed along the factors for consideration shown in Table 1.

Table 1 Factors for consideration

Users	Explanations
Size of the target group	This includes the estimated size of the target group (number of eligible persons) and potential limiting factors.
Appropriate eligibility criteria	The criteria are well defined, easy to understand and verify. The criteria match the target group.
Ease of access and application	The easiness of accessing the scheme and using its services from the view of users, including impact on the value of the discount.
Value of the discount	The monetary value of the discount for users (as a percentage), the relation to users' needs, and any limitations.
Challenges	This includes any challenges that users may have in accessing or using the scheme.
Access fees for users	Whether users need to pay a fee to get access
Royal Mail	
Technical issues	This includes any type of technical issues from the view of Royal Mail, for example technical adaptations in Royal Mail's operations or IT systems.
Risk of misuse / fraud	The risks of users fraudulently accessing the scheme, and/or misusing it.
Set-up costs	The types of costs incurred when preparing, setting up, and introducing a scheme.
Ongoing costs	The types of costs incurred when running a scheme.
Time required before a scheme can be made public	The activities that must be carried out by Royal Mail before the discount system can be introduced.

Third parties	
Challenges	Potential challenges from the view of third parties include technical, administrative, and legal barriers.
Costs or benefits for third parties	The types of costs incurred for e.g. establishing application mechanisms. As a side-effect of the introduction of a scheme by Royal Mail, third parties could also benefit financially.
Time required before a scheme can be made public	The activities that must be carried out by third parties before the discount system can be introduced.

5.1 Example: Freepost Scheme

A potential objective of a freepost scheme could be to create a scheme that is easy to use and offers good value for people who write frequently to the included addressees. If the objective were to support low-income users, the scheme could include organisations frequently contacted by low-income households. In this case, the targeting would be via a self-selection mechanism steered by the eligible addressees. One or several of the following organisations¹⁵ could be eligible addressees, each with their own advantages and disadvantages:

- NHS: this could mainly benefit persons with a medical condition.
- DWP: low-income individuals applying or receiving DWP benefits are likely to send more often to the DWP than those not receiving benefits.
- HM Revenue and Customs: regular interaction with HMRC is likely for persons with children or irregular earnings is likely, but also other persons might have regular interaction with HMRC.
- Jobcentre Plus: this option could benefit mainly persons seeking for employment.

The scheme design is illustrated by Figure 6. Boxes highlighted in red mark the relevant elements that a freepost scheme could have.

¹⁵ In addition to or as an alternative to a targeted discount scheme run by Royal Mail, the State could base a freepost scheme on existing Royal Mail services, such as the Freepost Plus or Business Reply service. These services involve sending postage-paid return envelopes to customers or users, who can then use them to communicate with the organisation providing them.

Figure 6 Discount elements of a Freepost Scheme

Target group	All consumers	Defined consumer group			
Type of discount	Direct payment to households	Free service	Fixed reduced price	Bulk discount	Percentage discount
Application process	Automatic enrolment	Registration	No registration required		
Services covered	Basic services	Value-added services	To be determined		
Sales channel	Post Office	Online order	Phone / mail order		No sales channel required
Funding	Cross-subsidisation				

Source: WIK-Consult.

The scheme could be designed as follows:

- Target group and eligibility: All consumers, with self-selection via addressees
- Type of discount: Free service
- Application procedure: No application procedure, users would need to write 'FREEPOST' on the envelope
- Services covered: This would need to be determined. The scheme could cover all or selected universal postal services.
- Sales channels: No sales activities required

Discussion

Table 2 Freepost Scheme: potential impact on users

	Users
Size of the target group	<p>Although all consumers would be able to use the scheme, the number of individuals sending letters to eligible organisations may be lower.</p> <p>From a consumer perspective, the addressees included should have a high correlation with low-income groups and receive substantial amounts of letters from low-income consumers.</p> <p>The larger the number of addressees included in the scheme, the larger the group of actual users. Depending on which organisations are included, the scheme could benefit specific groups of users, such as those with a medical condition or those seeking employment.</p>
Appropriate eligibility criteria	<p>Eligibility is linked to the selection of the addressees.</p> <p>Restricting the freepost scheme to a subset of users would be technically very difficult and costly.</p>
Ease of application	<p>Very easy to benefit from the scheme.</p> <p>The scheme is easy to understand and has very low access barriers for users.</p>
Challenges	<p>There could be three challenges:</p> <ol style="list-style-type: none"> 1) How to raise awareness of the scheme among users. 2) This scheme would only benefit users who communicate with the authorities by letter. Users who rely on the post to communicate with family and friends would not benefit, even if they are on a low income and send letters frequently. 3) The needs of users and addressees must be considered together. The services covered should match these needs. For example, users may typically need to send letters to organisations as First Class due to their urgency or as Signed For due to their nature (e.g. for originals). <p>An alternative to including all or more costly universal services could be to limit the scheme to a basic service (First and/or Second Class) and to allow users to purchase a label to upgrade to a service such as Signed For or Special Delivery, or First Class if the scheme covers Second Class only. However, this is not compatible with Royal Mail's current pricing system and would necessitate technical adaptations in mail processing, IT and at the point of sale.</p>
Value of the discount	<p>The discount is potentially the highest possible, given that the service is free. However, the overall value of the scheme depends on the services covered and the addresses included.</p> <p>For example, a potential freepost scheme would enable users to send letters to the NHS as freepost. If these letters are transported as Second Class by Royal Mail, users who use First Class to send items to the NHS (e.g. time-sensitive medical samples) might be excluded, or they might be forced to use a slower service. Therefore, the value of the scheme is higher if it covers all user needs.</p>
Access fees for users	<p>There would be no access fees for users</p>

Table 3 Freepost Scheme: potential impact on Royal Mail

	Royal Mail
Technical issues	<p>Royal Mail may be able to extend their existing Business Reply or Freepost Plus services to verify the eligibility of addressees to send First/Second Class items unfranked.</p> <p>However, if the option to combine a basic Freepost service with upgrades such as Signed-For or Special Delivery was chosen, it is unclear how this could be included in Royal Mail's operations.</p>
Risk of misuse/fraud	<p>As the scheme is intended for consumers only, technical adaptations may be necessary to prevent businesses from using the scheme to send letters to eligible recipients. For example, consumers could send post to non-eligible addressees without being identified by Royal Mail.</p> <p>The greater the number of eligible addressees in a freepost scheme, the higher the risk of misuse or fraud, as more effort would be required to verify items. These risks are expected to increase substantially if private institutions, such as banks and insurance companies, were to be included.</p>
Set-up costs	<p>The costs of setting up the scheme are due to the adaptation of Royal Mail's system to check the eligibility of addressees (see the discussion of technical issues). Further technical adaptations may be required to mitigate the risk of misuse.</p> <p>A national information campaign is considered essential, as is ongoing user information via online and offline channels, including printed material in post offices and online information. The campaign could contact users via various channels, including mailings to all households. Staff training would be required to answer users' questions about the scheme.</p>
Ongoing costs	<p>The main ongoing cost associated with this type of scheme is foregone revenue (1). Depending on the services covered, additional operational costs (2) may also be incurred if the scheme results in demand shifts.</p> <p>(1) The amount of foregone revenue depends on the number of letters sent to eligible recipients and the services covered. To get a better estimate of these revenues, Royal Mail could be asked to provide information on the number of letters delivered to potential addressees.</p> <p>There are three potential sources of foregone revenues from</p> <ol style="list-style-type: none"> postage paid for by consumers sending to eligible addressees, postage paid for by consumers sending to non-eligible addressees, and not being identified by Royal Mail, postage paid for by the eligible organisations, as the organisations stop using Royal Mail's Business Reply or Freepost Plus services. This could include Government organisations such as the DWP. As a consequence, costs that are currently borne by others will be transferred to Royal Mail. <p>(2) A freepost scheme could trigger demand shifts, provided the scope of services covered is broad. In particular, a shift to value-added services could occur if these were included. For example, users who would send a letter as First Class if they had to pay for it, could switch to First Class Signed For if this service was included in a freepost scheme. This could result in extra cost for the different treatment of the item during processing and delivery, compared to mail processing and delivery without the scheme.</p>

Royal Mail	
Time before a scheme can go public	<p>Activities that require preparation time include:</p> <ul style="list-style-type: none"> • making technical adaptations to Royal Mail's existing freepost system; • training staff; • preparing user information; <p>Planning and organising an information campaign to be timed with the start of the scheme. This could also be carried out by third parties (see the table discussing the impact on third parties).</p>

Table 4 Freepost Scheme: potential impact on third parties

Third parties	
Costs for third parties	Another organisation, such as Ofcom or the DWP, could organise and fund the collection of user information and a campaign to introduce the scheme. In that case, the costs of a national campaign, as well as online and offline informational materials, could be shared or borne by that organisation.
Benefits for third parties	The addressees covered by the scheme benefit from lower expenses for services with postage paid.
Time before a scheme can go public	Activities that require preparation time from third parties include planning and organising an information campaign to be timed with the start of the scheme.

5.2 Example: Free Stamps Scheme

A potential objective of this kind of scheme could be to ensure that all eligible users have access to a scheme's benefits. This example is based on elements found in energy sector schemes, such as direct payments to households and automatic enrolment. Under the free stamps scheme, stamps are provided to eligible individuals free of charge. These stamps are delivered by mail, for example annually, biannually or quarterly. Eligible individuals could be identified via the DWP database as part of the automatic enrolment process. The stamps could then be sent out by either the DWP or Royal Mail.

The scheme design is illustrated by Figure 7. Boxes highlighted in red mark the relevant elements that a free stamps scheme could have.

Figure 7 Discount elements of a Free Stamps Scheme

Target group	All consumers	Defined consumer group			
Type of discount	Direct payment to households	Free service	Fixed reduced price	Bulk discount	Percentage discount
Application process	Automatic enrolment	Registration			
Services covered	Basic services	Value-added services	Stamps		
Sales channel	Post Office	Online order	Phone / mail order	No sales channel required	
Funding	Cross-subsidisation				

Source: WIK-Consult.

The scheme could be designed as follows:

- Target group and eligibility: a subgroup of consumers. For example, this could be people on a low income who receive certain DWP benefits
- Type of discount: a limited number of free stamps, to be delivered by mail to eligible persons once/twice/four times per year
- Application procedure: Automatic enrolment for target groups that can be identified via the DWP benefits database
- Services covered: to be determined. As Signed-For and Special Delivery 1 pm require specific labels, the scheme could cover stamps for First and Second Class Letter and Large Letter services only. As different values of stamps are required for First and Second Class letters and large letters of different weights, the number of stamps of each value to be provided needs to be determined. For example, the scheme could provide eight stamps for Second Class letters and five stamps for First Class letters, of which two could be for Large Letters up to 500 g per year.
- Sales channels: No sales channel required

Discussion

Table 5 Free Stamps Scheme: potential impact on users

	Users
Size of the target group	<p>The target group needs to be determined. In contrast to the example of a Freepost Scheme, the Free Stamps Scheme would require a clearly defined target group with matching eligibility criteria. For instance, if the objective were to support consumers who are struggling to pay for daily expenses due to a cost-of-living crisis, a potential target group could be low-income consumers. If the objective were to support the elderly, for example, a potential target group could be people aged 65 years or older. Other target group definitions are possible within the DWP environment.</p>
Appropriate eligibility criteria	<p>The eligibility criteria should be aligned with the target group.</p>
Ease of application	<p>It would be very easy to benefit from the scheme, as it would ensure that all eligible individuals receive the benefit. The advantage of this scheme is the automatic enrolment alongside user information when the stamps are delivered. An accompanying letter could explain why users are receiving the stamps and how, when and how often they can expect to receive free stamps in future. Although an advertising campaign would not be necessary, some additional user information could be useful.</p>
Challenges	<p>The main challenge is to align the scheme with actual user needs. For example, eligible customers who send lots of post or have a need for value-added universal postal services such as Signed For, which would not be included in the scheme.</p> <p>Users may also find it challenging to handle such stamps practically, as they may lose them or not have them to hand when needed. This could be particularly problematic if stamps are only provided once a year, as this may not coincide with when users need to send letters.</p>
Value of the discount	<p>The discount value per letter would be the maximum possible (100%), since users would receive free stamps. However, the total value (or number of stamps) would be capped.</p> <p>The value to users would also be impacted by the frequency of stamp provision for two reasons: (1) People can move on/off benefits relatively frequently. (2) It is easier for users to manage stamp allocation if they receive stamps more regularly.</p> <p>A simple calculation illustrates the value of the scheme for users (see below):</p> <p>If an eligible user receives ten stamps per year, the scheme's value depends on Royal Mail's letter prices and the stamp values chosen. In this example, the total value would be £19.71 (based on stamp prices in Post Office branches at Royal Mail prices valid from April 7, 2025, rather than online prices, see the table below). Clearly, the value of the discount for users would be reduced or increased by a lower or higher number of free stamps per user.</p>

		Users					
		Service	Format	Weight	Price (GBP)	Number of free stamps	Value (GBP)
	First Class	Letter	100g	1.70	3	5.10	
	First Class	Large Letter	500g	3.60	2	7.20	
	Second Class	Letter	100g	0.87	3	2.61	
	Second Class	Large Letter	500g	2.40	2	4.80	
	Total					10	19.71
<p>The value of the scheme could be limited if users urgently needed value-added universal postal services, such as Signed For or Special Delivery. Similarly, if the scheme only covered Second Class stamps, its value would be reduced for users who needed to use First Class. Eligible users who needed more postal services than the number of stamps provided would not have the option of obtaining additional discounted stamps; these users would have to pay the list price.</p>							
Access fees for users	There would be no access fees for users						

Table 6 Free Stamps Scheme: potential impact on Royal Mail

		Royal Mail
Technical issues		The scheme sends out First and/or Second Class stamps to users, so we do not expect technical issues in mail processing and delivery.
Risk of misuse/fraud		Consumer research in the UK conducted in 2024 shows that users have very different postal needs. Around one in four adults living in a household where at least one member receives benefits claim to send letters at least once a week (23%), but 45% of them send letters a few times a year or less often, or never (Ofcom, 2025a, Table 42). Under the Free Stamp Scheme, stamps would be sent to all of these consumers, regardless of their actual need. This could lead to misuse, for example, by selling or transferring unused stamps to others. This could be made less of an issue by capping the number of stamps given out each year and/or per provision, in cases where users receive stamps more frequently than once a year.
Challenges		As all eligible persons would receive a fixed number of stamps, irrespective of their postal needs, some of these stamps might remain unused during the financial year. Royal Mail would then have to set aside reserves in their general ledger. However, it is unclear whether this would pose a threat to Royal Mail. Users may lose, throw away or simply forget about some of the stamps provided to them, meaning they would never be used. If this were considered a financial risk to Royal Mail, it could be mitigated by using stamps with an expiry date. However, such measures are costly in themselves.

	Royal Mail
Foregone revenues	<p>The amount of foregone revenue is determined by the volume of stamps used for services covered by the scheme.</p> <p>An example calculation for foregone revenues can be set up based on the example for the value of the scheme. This assumes receipt of means-tested benefits as an eligibility criterion. Due to the overlap between benefits, we will focus on people receiving Universal Credit, as this is the largest group.</p> <p>Starting with a per-person scheme value of £19.71 (as calculated in Table 5) and multiplying this by the number of people receiving Universal Credit (7.8 million as of April 2025 according to the DWP), the upper limit of foregone revenues for Royal Mail would be £153.8 million per year for the scheme (at Royal Mail prices valid from April 7, 2025).</p> <p>Any further price increases would increase this amount. This calculation is based on the assumption that all stamps would otherwise be purchased at their list price. However, users might choose not to send all these letters in the absence of a scheme, as they may wish to avoid the expense. Consequently, the revenues foregone by a scheme could be lower.</p>
Set-up costs	<p>The costs of setting up the scheme include:</p> <ul style="list-style-type: none"> Preparation of data sharing between Royal Mail and the DWP (see also the discussion on legal challenges in Table 7). If specific stamps were used, they would need to be designed and produced. Basic user information would be provided, even though an accompanying letter would be sent to eligible users. This information could be provided to potential users to inform them of what to expect once they are eligible. Staff training would be required to answer users' questions about the scheme.
Ongoing costs	<p>While a national information campaign might not be necessary, users still need to be informed through other channels. This could be an explanatory letter that goes with the stamps, and extra information for users who haven't got it yet.</p> <p>If Royal Mail were to send out the stamps itself, the associated cost would include</p> <ul style="list-style-type: none"> preparing and printing an explanatory letter; if considered, printing specific stamps (potentially with an expiry date); sending out the stamps. To ensure that eligible persons receive the stamps, they could be delivered as 'Signed For', which would be even more costly. The cost would be impacted by how frequently stamps are provided.
Time before a scheme can go public	<p>Activities that require preparation time from third parties include:</p> <ul style="list-style-type: none"> solving legal challenges for data sharing between the DWP and Royal Mail; preparing the technical procedures for such data sharing; planning and organising basic user information and training staff.

Table 7 Free Stamps Scheme: potential Impact on third parties

	Third parties
Challenges	<p>A main challenge could be the legal requirements for this type of scheme to be implemented. As we understand it, data protection rules prevent the DWP from providing the addresses of eligible individuals to private organisations such as Royal Mail.</p> <p>There are two possible solutions to this issue. The DWP could play a key role here by taking the decision to send out stamps instead of Royal Mail. This would help to prevent the need to transfer sensitive personal information. Alternatively, the problem could be addressed legally and the regulatory framework adapted.</p> <p>The DWP may not volunteer to take on this task and would not have the necessary budget. Therefore, the government may need to take action. Political considerations could complicate this process.</p>
Costs for third parties	<p>If the DWP were to send out the stamps, the costs of the explanatory letter and stamp delivery would likely be borne by the DWP.</p> <p>Additionally, the DWP would incur costs to identify eligible users. If an eligibility criterion was defined that was not based on existing mechanisms, these costs could be much higher.</p>
Time before a scheme can go public	<p>Activities that require preparation time at third parties include:</p> <ul style="list-style-type: none"> • solving legal challenges for data sharing between the DWP and Royal Mail; • preparing the technical procedures for such data sharing; • provided that the DWP or another third party takes on the task of user information, planning and organising basic user information. <p>Provided that the legal challenges can be overcome, this type of scheme could be prepared in a relatively short time due to the minimal technical adaptations required and the fact that a broad information campaign would not be necessary.</p>

5.3 Example: Discounted Stamp Scheme with registration

A potential objective of this kind of scheme could be to control costs for Royal Mail while enabling users to choose the number and class of stamps. Such a scheme could be modelled on the Australian Post Concession Stamp Scheme and is also similar to social tariffs in the UK telecommunications sector. Users would need to register before they could buy discounted stamps, which would enable Royal Mail to monitor usage more effectively. Naturally, registration would require some activity from consumers, which may limit usage to those who find it worth the effort.

The scheme design is illustrated by Figure 8. Boxes highlighted in red mark the relevant elements that a discounted stamps scheme with customer-led enrolment could have.

Figure 8 Discount elements of a Discounted Stamps Scheme

Target group	All consumers	Defined consumer group			
Type of discount	Direct payment to households	Free service	Fixed reduced price	Bulk discount	Percentage discount
Application process	Automatic enrolment	Registration			
Services covered	Basic services	Value-added services	To be determined		
Sales channel	Post Office	Online order	Phone / mail order		
Funding	Cross-subsidisation				

Source: WIK-Consult.

The scheme could be designed as follows:

- Target group and eligibility: A subgroup of consumers, as assessed by those facing the greatest affordability risk. For example, this could be low-income individuals who receive defined DWP benefits.
- Type of discount: Fixed price lower than the list price for the services covered. The fixed lower price would need to be determined.
- Application procedure: Registration by users.
- Services covered: To be determined. The scheme could cover either all or a selection of universal postal services. Royal Mail would need to decide whether to design discounted stamps that are instantly recognisable as such, or to sell standard stamps at a reduced rate.
- Sales channels: Consumer research by Jigsaw indicates that consumers in receipt of benefits value being able to choose between different sales channels e.g. offline and online (Jigsaw, 2025). Sales channels could therefore include online and offline options.

Discussion

Table 8 Discounted Stamp Scheme with Registration: potential impact on users

Users	
Size of the target group	<p>The target group would need to be determined. For example, if the objective were to support financially struggling consumers, one potential target group could be low-income consumers. Similarly, if the objective were to support the elderly, the target group could be defined as people aged 65 years or over. Other target group definitions are possible.</p>
Appropriate eligibility criteria	Eligibility criteria should match the target group.
Ease of application	<p>In this example, the application process would be led by users. This means that users would need to take action to gain access to the scheme. Experience in the telecommunications sector shows that the simplest eligibility check would be via the DWP API. This would spare consumers the need to provide detailed evidence of eligibility, such as a DWP letter or other proof of benefit, which could be burdensome and create accessibility barriers, particularly for non-native speakers and those with limited literacy skills. As users would need to consent to the use of the DWP API, such checks could be carried out online or over the phone.</p> <p>Another option would be an in-person application at a Post Office branch or by mail.</p> <p>The frequency of eligibility re-verifications for scheme users would need to be determined, e.g. they could be limited to once a year.</p>
Challenges	Creating awareness and informing users how to apply.
Value of the discount	<p>The discount value per letter needs to be determined. Royal Mail's current pricing system involves varying stamp values according to service (First/Second Class), letter size and weight. Additionally, online label prices are lower than stamp prices. This price system does not appear easily reconcilable with a percentage discount.</p> <p>For example, a 50% discount on a First Class letter would result in a price of £0.85, whereas the same letter sent Second Class would cost £0.435. Consequently, the discount percentage would need slight adjustment to arrive at prices payable in pence. Further, it would need to be determined whether the basis for the discount should be the online or offline price. Therefore, discounted prices would need to be set for each combination of size and weight.</p> <p>In addition, the needs of users and the range of services must be considered together. In order to provide value to users, the services covered should match these needs. For example, users may need to send some letters as First Class due to their urgency, or as Signed For due to their nature (e.g. originals). If the scheme did not cover Signed For items, for example, it would have limited value for users. Also, if users have a need for postal services beyond the capped amount, they will be required to pay the full price.</p>

	Users																																															
	<p>The value of the discount for users can be illustrated by a simple calculation example. It is based on the assumption that, on average, each user of the scheme would send one letter per month (12 per year), of which five would be First Class and seven Second Class, plus one First Class Signed-For letter. This totals 13 letters per year. If there were a 50% discount on standard First and Second Class prices, the discount per item (in GBP) and the total value of the scheme for users could be calculated using the following table. In this example, the total value of the scheme for the average user is £12.53 per year.</p> <table border="1"> <thead> <tr> <th>Service</th><th>Format</th><th>Weight</th><th>Discount (50%) in GBP</th><th>Number of letters sent</th><th>Value (GBP)</th></tr> </thead> <tbody> <tr> <td>First Class</td><td>Letter</td><td>100g</td><td>0.85</td><td>3</td><td>2.55</td></tr> <tr> <td>First Class</td><td>Large Letter</td><td>500g</td><td>1.80</td><td>2</td><td>3.60</td></tr> <tr> <td>First Class Signed-For</td><td>Letter</td><td>100g</td><td>1.80</td><td>1</td><td>1.80</td></tr> <tr> <td>Second Class</td><td>Letter</td><td>100g</td><td>0.435</td><td>5</td><td>2.175</td></tr> <tr> <td>Second Class</td><td>Large Letter</td><td>500g</td><td>1.20</td><td>2</td><td>2.40</td></tr> <tr> <td>Total</td><td></td><td></td><td></td><td>13</td><td>12.525</td></tr> </tbody> </table>						Service	Format	Weight	Discount (50%) in GBP	Number of letters sent	Value (GBP)	First Class	Letter	100g	0.85	3	2.55	First Class	Large Letter	500g	1.80	2	3.60	First Class Signed-For	Letter	100g	1.80	1	1.80	Second Class	Letter	100g	0.435	5	2.175	Second Class	Large Letter	500g	1.20	2	2.40	Total				13	12.525
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Total				13	12.525																																											
Access fees for users	There would be no access fees for users.																																															

Table 9 Discounted Stamps Scheme with Registration: potential impact on Royal Mail

	Royal Mail
Technical issues	<p>From a technical perspective, discounted stamps or services are considered new products. Royal Mail would need to create technical infrastructure and point-of-sale systems to manage user accounts and enable accounting for the newly introduced products. This would require adaptations to the IT systems at the point of sale and internally.</p> <p>We do not expect technical adaptions would be required in mail processing and delivery.</p>
Risk of misuse/fraud	<p>The risk of misuse could mainly occur in three ways:</p> <ol style="list-style-type: none"> 1) Application by non-eligible users: this risk could be mitigated by relying on DWP-approved eligibility criteria, such as whether individuals are receiving DWP benefits. 2) Fraud in scheme usage: users could present fake evidence of participation in the scheme when purchasing discounted stamps. 3) Another potential source of fraud is eligible users selling discounted stamps to ineligible users. It may not be possible to prevent such risks completely. <p>However, two measures could be implemented to prevent misuse. Firstly, the number of discounted stamps or the amount to be spent could be capped per year. For example, the number of stamps could be limited to 30, 40 or 50, taking into account all stamp values for letters of different sizes and weights. Secondly, discounted stamps could feature a different design.</p>

Royal Mail											
Challenges	If eligibility checks would involve the DWP and Royal Mail sharing data, the legal requirements for such procedures would need to be checked.										
Set-up cost	<p>If Royal Mail were to offer discounted stamps featuring a different design, the design and printing of these stamps would incur extra costs.</p> <p>The scheme would also require an identification mechanism for entitled users that works both online and offline. This could be in the form of an app or a physical identification card for users without smartphones.</p> <p>A national information campaign would be considered necessary to inform users and increase awareness. Set-up cost includes the cost of this campaign, along with ongoing user information via online and offline channels, including printed material in Post Offices. Staff training would also be required.</p>										
Ongoing cost	<p>The amount of foregone revenues is determined by the user take-up and scheme usage as well as mail class.</p> <p>Foregone revenues would be higher if First Class and value-added services were included in the scheme. The calculation example from above is used to illustrate foregone revenues based on simplified assumptions. Based on the average value per user per year, and a take up rate of persons on Universal Credit of 30%, the foregone revenues would amount to ~£29 million. However, the take up rate could be lower in practice, considering experiences with social broadband and mobile tariffs. For example, a take-up rate of 10% would result in foregone revenues of ~£10 million.</p> <table border="1" data-bbox="562 1073 1330 1298"> <tbody> <tr> <td>Value of the discount per average user</td><td>£ 12.525</td></tr> <tr> <td>Persons on Universal Credit</td><td>7,754,473</td></tr> <tr> <td>Take up rate</td><td>30%</td></tr> <tr> <td>Number of scheme users</td><td>2,326,342</td></tr> <tr> <td>Foregone revenues for Royal Mail</td><td>£ 29,137,432</td></tr> </tbody> </table> <p>Another ongoing cost would be creating and managing user accounts. These would be required to monitor eligibility at the point of sale and the number of stamps purchased by each user if a cap were to be introduced. We expect Royal Mail to have to adapt its existing IT systems, which would likely require considerable IT changes. While these costs could be substantial, in the absence of information on how prepared Royal Mail's systems are for such changes, we cannot develop a more refined estimate.</p> <p>The ongoing costs include those of sales channels. Royal Mail would need to pay a commission or fee for discounted services sold in Post Office branches or potentially other access points, such as supermarkets selling stamps. We expect this commission/fee to be similar to that charged for other Royal Mail services.</p> <p>If scheme users bought discounted services by mail or phone order, this could increase other costs, e.g. staffing at call centres and fulfilment costs. Such costs would be higher than those incurred when selling fully priced services if the usage of postal services increased as a result of the scheme.</p>	Value of the discount per average user	£ 12.525	Persons on Universal Credit	7,754,473	Take up rate	30%	Number of scheme users	2,326,342	Foregone revenues for Royal Mail	£ 29,137,432
Value of the discount per average user	£ 12.525										
Persons on Universal Credit	7,754,473										
Take up rate	30%										
Number of scheme users	2,326,342										
Foregone revenues for Royal Mail	£ 29,137,432										

	Royal Mail
Time before a scheme can go public	<p>Activities that require preparation time from Royal Mail include:</p> <ul style="list-style-type: none"> • making IT adaptations; • preparing user information and price lists as well as staff training; • developing a user identification mechanism at the point of sale; • planning and organising an information campaign, which should be timed with the start of the scheme; • if it were decided to base eligibility checks on data held by the DWP, time would be needed for legal checks, and potentially more time to find solutions in case the checks identify any barriers; • if applicable, connecting Royal Mail to the API of the DWP for eligibility checks; • finding an agreement with Post Office Ltd. and other sales partners on commissions paid for selling discounted services.

Table 10 Discounted Stamp Scheme with Registration: potential impact on third parties

	Third parties
Challenges	If the eligibility checks involved the DWP and Royal Mail sharing data, the legal requirements for such procedures would need to be checked.
Cost	Another organisation, such as Ofcom or the DWP, could be responsible for organising the information of users and a campaign to introduce the scheme. In that case, the costs of a national campaign, as well as online and offline informational materials, would be shared or covered by that organisation.
Time before a scheme can go public	<p>Activities that require preparation time at third parties include:</p> <ul style="list-style-type: none"> • planning and organising an information campaign, which should be timed with the start of the scheme; • if it were decided to base eligibility checks on data held by the DWP, time for legal checks is needed, and potentially more time for finding solutions in case the checks identify any barriers; • if applicable, connecting Royal Mail to the API of the DWP for eligibility checks; • finding an agreement with Post Office Ltd. and other sales partners on commissions paid for selling discounted services.

Annex 1: Case studies

Case study 1: Concession stamp scheme by Australia Post

This case study is based on the publicly available information taken from the Australia Post website (Australia Post 2025).

Background

There is no legal requirement in Australia for Australia Post to provide Concession stamps. The scheme is a voluntary initiative offered by Australia Post and not a statutory obligation. It should be noted that Australia Post is a fully state-owned company.

Australia Post initiated the scheme in 2014.

Target group and eligibility

The Australia Post Concession Stamp Scheme targets users on low incomes, defined as individuals receiving specific welfare benefits, such as pensioners, veterans, the unemployed, low-income families, and other low-income groups. Eligibility is determined by possession of a physical Concession Card, issued by the Australian government. Eligible individuals hold one of the following cards: Pensioner Concession Card; Health Care Card (all types); Commonwealth Seniors Health Card; Department of Veterans' Affairs Card; and Veterans' Repatriation Health Card. The Health Care Card in particular has broad eligibility criteria, including students, young people, persons receiving parenting payments, job seekers and people with mobility limitations or disabilities.

Type of discount

Concession card holders can purchase stamps at a fixed, reduced price. These are sold in booklets of five at AU\$3.00 (AU\$0.60 per stamp). Each customer is limited to a maximum of 50 concession stamps sold per year. The standard price of a stamp is currently AU\$1.70, meaning concession customers save AU\$1.10 on each stamp.

Application procedure

Users who wish to apply for Australia Post's Concession Scheme must follow a two-step application procedure. First, they must visit an Australia Post licensed postal outlet in person. There, they need to fill out a physical form with their personal details. Alternatively, the form can be downloaded, completed at home and printed, and then presented at the outlet. However, there is no online-only application procedure. Users must also present proof of eligibility (one of the concession cards listed above) to the postal staff at the outlet. The staff will verify eligibility and note on the form that this has been done. Secondly, once verification is successful, users will receive a 'MyPost' account card in the post. This MyPost Concession Card entitles users to purchase

Concession stamps on their next visit to a postal outlet. The Concession Card must be presented for each purchase.

Users who wish to purchase Concession stamps may do so at the time of application. In this case, postal staff will note the number of stamps on the application form. This means that there is no need to wait for the MyPost Concession account card to be delivered. Concession card holders must validate their eligibility annually at a postal outlet by presenting their government concession card to postal staff. Pension Card holders are exempt from this requirement as their eligibility will not expire.

Services covered

Concession stamps can only be used to send domestic letters weighing up to 500 g within the transit time schedule for regular letters. The regular letter service has transit time goals of D+3 to D+5 within the same state. For interstate destinations, the goals are D+4 to D+7. Concession senders can use the priority service by combining a Concession stamp with a priority label, at an additional cost of AU\$0.70. Transit time goals for priority services are up to D+3 for the same state and up to D+4 for interstate destinations.

Australia Post Concession and regular stamps have a single value. Several stamps can be used to send large, heavy letters:

- one stamp for letters up to 250 g,
- two stamps for large letters up to 125 g,
- three stamps for large letters up to 250 g,
- five stamps for large letters up to 500 g.

Sales channels

Concession stamps are only available at licensed post offices. An online buying option is not available.

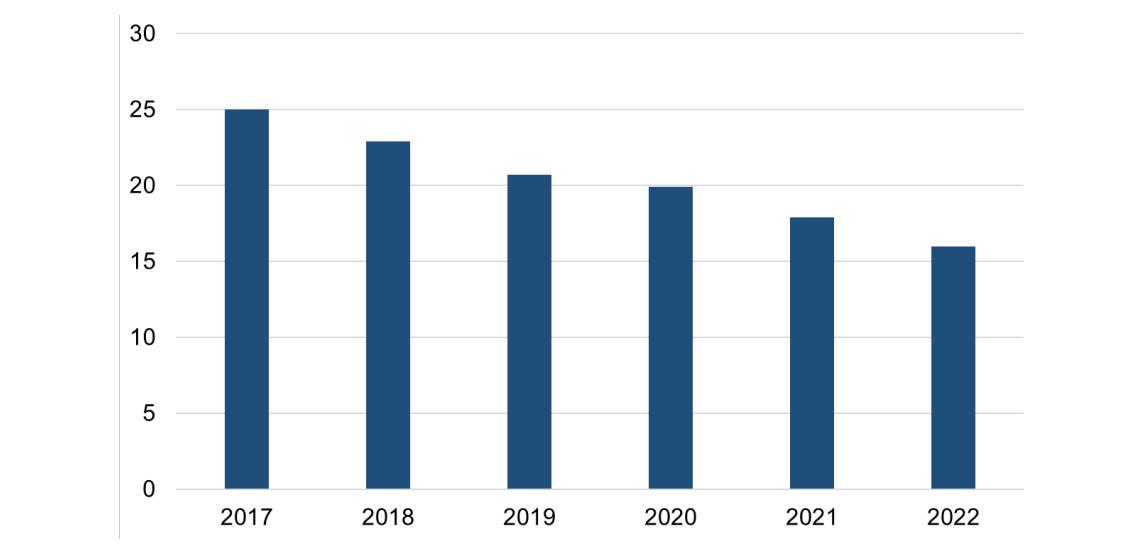
Funding

We have found no evidence that Australia Post receives funding or compensation from the State for any cost element of the Concession stamp scheme.

Take-up

According to information published by Australia Post in response to a consultation, the volume of Concession stamps has been decreasing since the 2017 financial year (FY) (by a total of 36% until FY 2022) (Australia Post, 2022). This is despite stable concession stamp prices since their introduction, resulting in an increasing gap between the standard postal rate and the Concession stamp price. At the time of introduction, the price difference was 10 cents, rising to 1.10 AUD by 2025.

Figure 9 Volumes of Concession stamps sold 2017-2022 (millions)



Source: WIK-Consult, based on data from Australia Post 2022

Challenges

From the responses to the ACCC's recent consultation on Australia Post's draft price notification (ACCC, 2025), it is clear that some Concession customers are dissatisfied with the annual cap of 50 stamps. There are also hints that some users may be using concession stamps fraudulently (ACCC, 2025a).

Case study 2: Freepost to care homes scheme by An Post

The case study is based on publicly available information.

An Post introduced a freepost scheme in October 2020 to support people living apart from their families during the pandemic. The scheme enables consumers to send letters, cards and small packages to nursing or care home residents free of charge. Similarly, residents of nursing or care homes can send such items to anyone without paying postage. The only requirement is to write 'FREEPOST' on the envelope. There is no application procedure or eligibility checks.

The scheme covers cards, letters and packages weighing up to 1 kg. Initially, the service included items weighing up to 2 kg, but this threshold was later reduced. The scheme was originally limited to one year, but has been extended annually since 2020. It is currently in place until the end of 2025.

There is no information available on take-up. When the scheme was first introduced, it received significant press coverage and public awareness, but after the pandemic ended, there does not seem to have been much public discussion about it. During Christmas, Carepack, an Irish volunteer organisation, runs a seasonal activity. It encourages the

public to send Christmas greetings to residents in nursing and care homes. The organisation provides an online matching tool to ensure greetings reach those who need them most. According to Carepack, around 22,000 residents received greetings or packages in 2023. It is unclear how many of these were sent under the An Post freepost scheme. Many schools and clubs participate in this social activity and typically put several cards in a single envelope or package. Consequently, the number of items sent as freepost could be much lower.

We have found no evidence that An Post receives compensation from the state or any other external funding. As far as we are aware, the scheme is cross-subsidised by An Post.

Annex 2: List of researched schemes

Water

- WaterSure
- Affinity Water
- Anglian Water
- Bournemouth Water
- Bristol Water
- Cambridge Water
- Dŵr Cymru Welsh Water
- Essex and Suffolk Water
- Hafren Dyfrdwy
- Northumbrian Water
- Portsmouth Water
- Water Charges Reduction Scheme (Scotland)
- Scottish Water (Exemption for Full-Time Students)
- Severn Trent Water
- South East Water
- Southern Water
- South Staffordshire Water
- South West Water
- SES Water
- Thames Water
- United Utilities
- Wessex Water
- Yorkshire Water

Energy

- Warm Home Discount (WHD)
- Energy Company Obligation (ECO)
- Winter Fuel Payment

- Winter Heating Payment (Scotland)
- Cold Weather Payment
- Affordable Warmth Scheme (Northern Ireland)
- The Great British Insulation Scheme
- Hardship Funds (various energy providers such as British Gas, EDF Energy, E.ON, Scottish Power)

Telecommunications

- BT Home Essentials
- NOW Broadband Basics
- Sky Broadband Basics
- Virgin Media Essential Broadband (Plus)
- Vodafone Fibre 2 Essentials
- 4th Utility Social Tariff
- Hyperoptic Fair Fibre
- YouFibre Social Tariff
- EE Basics
- O2 Essential Plan
- SMARTY Social Tariff
- VOXI For Now

Postal services

- An Post/Free Post to Nursing Homes
- Australia Post concession stamp scheme
- Christmas stamps (Australia Post and PostNL)
- Royal Mail Redirection concession scheme

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