

“Modernise or decline”?

The NFSP's **Paul Hook** looks at the recent report by the Hooper Review and its implications for subpostmasters and their businesses



Richard Hooper: he believes there is a positive future for mail as long as reform takes place

The long awaited report into the future of the UK postal service was published on December 16. The recommendations within the report, which is referred to as the Hooper Review after the Chair of the review panel Richard Hooper, have already provoked significant debate about the future of Royal Mail, including its relationship with the Post Office.

BACKGROUND

The review was commissioned by the government at the end of 2007 to look at the future of postal services in the UK. The review panel took two sets of evidence from stakeholders, including the NFSP, and published an interim report in May 2008, with the final report published shortly before Christmas.

Hooper states that the purpose of his report's recommendations is to maintain the Universal Service Obligation (USO) – the 'one-price goes anywhere' scheme which guarantees collection and delivery of letters to the 28 million UK business and residential addresses, six days a week,

which Hooper describes as "part of our social and economic glue".

Mail volumes are falling year on year for the first time on record and with the economy in sharp decline could fall by up to 5-7% a year. Meanwhile, Hooper estimates that Royal Mail lost £500m last year to other forms of communication such as email and text messaging – five times the amount it lost to other mail competitors.

The report concludes that the USO cannot be sustained under present policies and that the "status quo is untenable" but that now is not the time to reduce the USO, but instead for action to be taken to help preserve it. The title of the report – "Modernise or Decline" – reflects the stark choice now faced in the UK, but it is emphasised that there is a positive future for mail provided that reform takes place.

The government immediately accepted all of the report's proposals, and said a full statement of government policy would be issued in the early part of this year.

THE RECOMMENDATIONS

The report makes a series of recommendations on action required and Hooper makes clear that these come as a package. The key is to modernise Royal Mail as the only company currently able to provide the USO. The proposals include:

- **Strategic partnership** – in order to deliver the capital and expertise required to transform the business, Royal Mail should form a strategic partnership with a private sector company with experience of transforming a major network. Ministers have suggested that this should take the form of the sale of up to a third of Royal

Mail to a foreign postal operator, with Dutch postal operator TNT cited as a potential partner.

- **Delivery offices** – the report emphasises that Royal Mail must increase its efficiency and modernise its operations. Experience of other European postal operators suggests that this may include the closure of a significant reduction in the number of delivery offices. Currently, 900 mailwork sub post offices provide premises, facilities and supervision for Royal Mail delivery staff.

- **Industrial relations** – Hooper notes that relations between Royal Mail and the Communication Workers Union (CWU) must improve. The report predicts that the transformation required within Royal Mail will lead to a significant reduction in jobs over time.

- **Pension deficit** – Hooper points out that Royal Mail's pension deficit is highly volatile and currently estimated to be at £7bn. The report recommends that the government assumes responsibility for the pension deficit.

- **Regulation** – Hooper calls for a new regime and recommends that regulation of the postal sector is transferred from Postcomm to Ofcom, the communications regulator, to reflect the fact that mail is now in competition with broadcast media, telephony and the internet.

- **Post offices** – Hooper makes clear that the post office network is largely outside of the scope of his review.

The report acknowledges that post offices provide vital access points to the Universal Service for residential and small and medium enterprise (SME) customers

Hooper claims his proposals will safeguard the Universal Service, which guarantees a uniform price for mail across the UK

and that to safeguard this, there would need to be a long-term agreement between POL and Royal Mail.

However, unlike the postal services regulator Postcomm, Hooper does not explicitly call for a demerger of POL from Royal Mail Group. Instead, he simply states that POL should remain wholly within public sector ownership, given the post office network's wider social role.

NFSP VIEW

The NFSP immediately responded to the report by calling on ministers to provide further clarification on the impact of the proposals on the post office network and for a series of safeguards to protect the network from any potential loss of business resulting from the new arrangements.

George Thomson, NFSP General Secretary, says: "Subpostmasters are ever more dependent on Royal Mail transactions, with over a third of POL's and subpostmasters' income now coming from mail services.

"To lose some or all of that work would be catastrophic. The post office network must therefore be protected from any loss of business.

"We are calling for urgent clarification from the government on how the Hooper Review's proposals will affect the post office network, including the 900 mailwork sub post offices which provide premises and supervision for Royal Mail sorting and delivery staff.

We are also looking for cast-iron guarantees which safeguard the network's existing Royal Mail work and give sub-

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GEORGE THOMSON

postmasters the opportunity to take on significant new work streams."

The key guarantees called for by the NFSP are:

- a minimum 10-year exclusive deal for POL to handle Royal Mail and Parcelforce transactions
- the creation of a Postbank
- new work from all levels of government
- safeguards to protect mailwork sub post offices.

George also points out that while the government highlighted TNT as one potential partner for Royal Mail, Hooper did not state that the strategic partner had to be a foreign postal operator – only that it should be a private sector company with experience of transforming a major network business.

"There are many British companies capable of delivering both the capital and expertise required and particularly in current economic circumstances, surely it is in the interests of UK plc not to sell off any more of our vital national infrastructure to

View the NFSP's evidence to the Hooper review in the Research and Policy section at www.nfsp.org.uk

overseas competitors which enjoy the protection and support of their government?" he asks

RESPONSES TO HOOPER

Ministers' support for the report's recommendations has provoked an angry response from many Labour MPs, with press reports claiming that up to 100 are preparing to rebel against the government on any partial sale of Royal Mail to an overseas postal operator.

Royal Mail Chief Executive Adam Crozier welcomed the report, stating that the recommendations offered "a strong and secure future for Royal Mail and Post Office Ltd" and would help secure the future of the USO.

The CWU said it was "incredible" that the government needed another European postal service to rescue Royal Mail and warned that this "would open the floodgates for full-blown, damaging privatisation".

Postcomm stated that it agreed with the report's overall conclusion that the status quo is not tenable and that the universal service is under threat. Consumer Focus concluded that "this is an opportunity to address years of under-investment in Royal Mail".

● Have your say on Hooper's recommendations. Take part in our quick survey – just log onto the members-only homepage on the NFSP website to vote in our poll.

Modernise or decline

Policies to maintain the universal postal service in the United Kingdom.
18 December 2008

Hooper – key proposals

- Government to take over responsibility for Royal Mail's pension fund deficit
- Royal Mail to enter a strategic partnership with a private sector company
- Ofcom to take over postal regulation from Postcomm
- POL to remain fully in public ownership