

KEEP THE POST OFFICE PUBLIC

CWU RESPONSE TO THE HOOPER REVIEW

Introduction

1. The CWU welcomed the Hooper Review because we recognized from the outset the problems liberalisation and the system of regulation would bring to Royal Mail and the future of the UK's universal service (USO).
2. Hooper's interim findings published in May 2008 endorsed many of the arguments put forward by the CWU in our first submission to the Review Team¹. Against a backdrop of chronic under-investment in Royal Mail, a currently declining mails market and an unfair regulatory and pricing regime, the Report acknowledged that competition has worsened service provision for millions of small businesses and domestic customers, stifled product innovation and created financial problems for Royal Mail which has raised serious questions about the company's long term commercial viability.
3. Hooper's final report *Modernise or decline* was published on 16 December 2008. The CWU agrees with this report on many of the challenges facing Royal Mail. We welcome a number of his recommendations, most importantly the maintenance of the universal service obligation; the recognition of Government responsibility for the pensions deficit; and the need for a new relationship between Management and the Unions in order to cope with the modernisation of Royal Mail.
4. The final Report does suffer from some notable weaknesses. It fails to assess the significance of the recession upon Royal Mail. It fails to provide any new data or analysis of the postal industry. It proposes the privatisation of Royal Mail although it provides no convincing arguments for this.

Doubling the cost of stamps ?

5. Despite Hooper's commitment to an open, evidence-based review the Report offers no new analysis or data on the postal industry. Indeed, throughout the Report, Hooper himself is critical of Royal Mail's lack of cost transparency and admits there is no agreement between the company and the Regulator about "the definition of the postal market, Royal Mail's performance against efficiency targets and the size and distribution of Royal Mail's costs". It also says there is insufficient cost data to determine whether or not Royal Mail subsidises downstream access competitors via the access price.²
6. Despite the lack of cost transparency and a shortage of new, independently verifiable data, Hooper argues that Royal Mail is less profitable and less efficient than many of its European counterparts. It says TNT and Deutsche Post make an average operating profit of 13.5% compared to 0% at Royal Mail. This is attributed to Royal Mail's 'oversized' mail centre and delivery network, a lack of automation in relation to walk sequencing and Royal Mail employees' higher pay and pensions

¹ CWU Submission to the Government Review of Liberalisation, March 2008

² *Modernise or Decline: Policies to Maintain the Universal Postal Service in the United Kingdom*, p14, December 2008

and restrictive working practices.

7. But Hooper's international comparisons on profits and efficiency rest on highly questionable data and ignore vital differences in the investment, pricing and regulatory arrangements in different EU countries which, in large part, explain Royal Mail's relative profitability. Hooper's analysis on efficiency discounts the impact of:
- **greater levels of Government investment in overseas postal operators prior to EU liberalisation.** Between 1981 and 1999 Royal Mail was forced to hand over £2.4 billion in profits to HM Treasury via the External Financing Limit (EFL). But while Royal Mail's profits were being taken by the Exchequer, Governments in countries like France, Italy, Germany and Holland were pumping millions into modernising and automating their postal operators;
 - **lower prices charged by Royal Mail compared to overseas operators.** Hooper acknowledges that "prices in the UK are low relative to many other European countries"³. Figure 18 in the report shows that, unlike its major European counterparts, Royal Mail not only charges the same first class stamp price for all weight categories but this is considerably lower than the prices charged in comparable countries like Belgium, Germany, Holland, France and Italy. For example, Deutsche Post and TNT deliver 100g letters at around three times the price of Royal Mail and 50g letters at about twice the price (see appendix 1).
 - **price is ignored as a measure of efficiency by Hooper.** Yet for many customers this is decisive to their choice of post over other means of communications. Royal Mail's great success in providing the lowest prices of any major provider in the EU with high quality service statistics is simply ignored by Hooper. This suggests the Report has been tailored to support a policy of privatisation regardless of the impact upon domestic prices.
 - **differences in EU regulatory regimes.** Across the EU, the form and timing of postal liberalisation has varied considerably between member states. The UK, for example, has seen full competition well ahead of many EU countries. Hooper's profit comparisons are unfair as they cover a period during which (unlike Royal Mail) neither TNT nor Deutsche Post faced full liberalisation in their domestic markets. TNT, for example, have retained a monopoly of mail below 50 gr. Hooper makes no comment on how this impacts upon TNT's profitability, which is otherwise singled out.
 - **the UK is also the only European country to operate the peculiar form of downstream access arrangements which lead to Royal Mail subsidising its competitors.** Hooper refuses to take a view on this, deferring all pricing issues to a future examination by Ofcom, after the current price control ends.
 - **differences in countries' geography, population spread and delivery infrastructures.** Hooper's comparisons in relation to network requirements are flawed. The Report proposes a radical reduction to Royal Mail's network arguing that international experience shows the universal service could be delivered with half the current number of mail centres and one-third fewer delivery offices. But Hooper's assertion is an unfounded guesstimate and not a real evidence-based

³ Ibid, p56

assessment of postal network requirements in different countries. It ignores vital differences in countries' geography and topography, the spread of population and the state of the wider (road, rail and air) infrastructure on which deliveries depend.

From red to black – Royal Mail's finances

8. Hooper's analysis of Royal Mail's finances fails to take account of a number of factors which lead one to very different conclusions about the company's future profitability. It ignores the potential impact of removing the additional pension contributions of around £280m pa. We assume the "Government taking responsibility for the deficit" means in financial terms that Royal Mail will save around £280m a year for the next 15 years. Far better to keep the company wholly in the public sector and let it use the extra £280m for future investment and mechanisation. That would allow Royal Mail to stand on its own two feet and give it the financial breathing space it needs to modernise and meet the new market challenges it faces.
9. In relation to future investment, Hooper also overlooks the estimated £600m Royal Mail still hasn't spent on capital investment provided for under the terms of the Commercial Agreement with Government. Neither does it make any allowance for the £2.6bn Royal Mail has lost in revenue (over the course of the current five-year price control) as a result of Postcomm's mistaken forecasts about future mail volume growth.
10. Hooper's assessments of Royal Mail's future profitability also discount the impact of the recent 3p tariff increase as well as possible changes to the access pricing regime which could stem the loss of revenues to private competitors resulting from unfair competition rules.
11. The CWU believe that a combination of a reduction in pension contributions, the 3p tariff increase and changes to the access pricing regime would transform Royal Mail's future finances - turning all Hooper's projected profit forecasts from red to black⁴.
12. Royal Mail's latest financial results (3rd quarter 2008) show that profits in the year to date rose to £255 million compared to £162 million for the whole of 2007/08. Despite all the challenges it faces the company is still on course for an annual profit nearly double the level it achieved last year. The results also reveal that for the first time in almost twenty years, all business units within the Royal Mail Group recorded a profit. We believe these results should not be seen as an invitation to privatise but rather prove the viability and sustainability of a wholly-publicly owned Royal Mail.

Like for unlike - labour market comparisons

13. Another major problem with the Hooper report is the comparisons of Royal Mail's labour costs which simply don't compare like with like. Hooper argues that Royal Mail employees are paid "above average market rates" - a view which echoes Postcomm's belief that Royal Mail should embark on a 'race to the bottom' with private competitors on pay and conditions.

⁴ Ibid, Figure 19, p59

14. Since Royal Mail constitutes the vast majority of the UK postal market and employs the vast majority of postal workers, it's statistically invalid to suggest the pay rates of a few smaller private competitors constitute the average market rate. If there is a market rate of pay then surely it's the pay of the dominant market provider.
15. Hooper says the pay differential relates to "comparable job roles across all sectors"⁵. But it's highly questionable that we're comparing like for like jobs. Since Royal Mail is the only company to employ tens of thousands of delivery workers (who undertake delivery and sorting duties) it's not clear what workers we're actually being compared to.
16. In relation to pensions, Hooper says a quarter of the difference in operating profits is down to Royal Mail paying pensions 4.3% above private sector rates. But this does not compare like for like and ignores major differences in occupational and state pension provision across the EU. In Germany, for example, occupational pensions are generally lower because the basic state pension is far greater than the UK.
17. A fair comparison on pensions should not look overseas, but compare Royal Mail's pension scheme to other UK public sector workers who enjoy final salary provision (not to defined benefit schemes in the private sector).
18. We don't accept Hooper's clichéd portrayal of the CWU as "obstructive and "defending our privileges". As a trade union, the CWU accept that unionisation in Royal Mail has delivered better pay and pensions than in the largely non-unionised private postal operators. This reflects a broader labour market trend. Latest figures from the Office for National Statistics show that unionised workers receive an average hourly rate of pay around 15% higher than unorganised workers.⁶
19. As a unionised workforce we believe Royal Mail should set the pay benchmark for others to follow. Instead of proposing a worsening of our members' pay and conditions the Government should accept the right of unionised workers to influence the labour market. Neither do we see how cuts to our members' pay and pensions is in keeping with the Government's explicit manifesto commitment to provide Royal Mail employees with "rewarding employment".

The real cost of competition

20. Since the passage of the Postal Services Act 2000, the CWU have argued that the form and timing of UK liberalization introduced by Postcomm would create serious imbalances in the UK postal market. The cherry-picking by Royal Mail's competitors (which face no obligation to price uniformly or maintain a fixed network to deliver next day to every address point) has put the economics of the USO at risk.
21. Hooper's Report rightly acknowledges the vital economic and social role of the UK's universal service and the fact that Royal Mail is still the only company in the UK capable of providing it. But the report seriously underestimates the costs of postal competition to date and the risks this poses to the future USO.

⁵ Ibid, p51

⁶ ons.gov.uk

22. The Interim Report said competition had brought “no significant benefits to millions of small businesses and domestic customers” and posed a “substantial threat to Royal Mail’s finances and the USO” and endorsed all the key arguments put forward by the CWU about the impact of liberalisation to date. But the tone and content of Hooper’s report on the impact of competition (which were central to its interim findings) have been played down in the final version to support a policy of privatisation.
23. The company’s latest accounts for 2008 show that the universal service products made a loss of around £100m. This may well be an underestimate, yet illustrates how the selective function of competition has unbalanced Royal Mail finances.
24. On the question of the USO, Hooper rightly concludes that there should be no deterioration in current levels of provision (with a continuation of a uniform tariff and 6 day a week deliveries). But our fear is that the privatization and break up of Royal Mail will dilute the company’s public service obligations and lead to a worsening of universal service provision as Royal Mail seeks to cut the costs in the name of efficiency. Indeed, it’s worth noting the actual words in the Hooper Report say “now is *not the time* to reduce the USO” which clearly doesn’t discount the option in the future.

Nationalise the debt, privatize the profits

25. The CWU reject Hooper’s recommendation for the sale of a minority stake in Royal Mail to a private strategic partner. In our earlier submissions we argued that the question of Royal Mail’s ownership was ‘ultra vires’ and out with the Review Team’s own published terms of reference (see appendix 2).
26. It was unwise of the Government to have immediately accepted the recommendations of the Report through the statements of Pat McFadden MP, to the House of Commons and Lord Mandelson to the House of Lords. A period of calm debate on this much delayed Report, would have allowed for a more fruitful outcome. Certainly any legislation now brought forward by the Government carries the taint of having pre-empted a public consideration of the Report.
27. The CWU welcomes Hooper’s recommendation that the Government should take over responsibility for Royal Mail’s pensions deficit. It was Government legislation which permitted the irresponsible “holiday” on pensions contribution for the employer. This does need to be reversed if the company is to be allowed to operate with a viable financial balance sheet. The Government benefited from this “holiday”, so the reform is overdue and appropriate.
28. Yet Hooper proposes a solution which reproduces a policy that the Government rejected when Northern Rock was nationalised. That is, a proposal for the debt to be transferred to the state, and for the profits to be transferred to a private company. As pointed out earlier, on current repayment schedules, the deficit involves an annual payment of around £280m per year for a total of 17 years. If Hooper’s recommendation is accepted, the tax payer will be providing a £3.4 billion subsidy under current valuation arrangements, for a private company to take over Royal Mail.

Minority shares but complete control

29. Having proposed the part sale of Royal Mail, the Hooper Report is short on details about the terms of any strategic partnership, how this would operate in practice and the financial implications for the UK taxpayer. Hooper's report says "the precise nature of such a partnership and its detailed terms should be a matter for Government to negotiate"⁷.
30. However, the Government has recognized that the proposal to privatise Royal Mail does create a conflict with commitments made to the electorate, and the Labour Party's internal democratic processes. The 2005 General Election Manifesto promised the electorate that Royal Mail would remain in the public sector (see Appendix). The 2008 Labour Party Conference carried the agreements made at the Party's National Policy Forum Meeting at Warwick in July 2008. This included "a vision of a wholly publicly owned, integrated Royal Mail Group" (see appendix 3)
31. In the PLP brief circulated by Lord Mandelson on 14th January, we are told that the Manifesto commitment is met by: "bringing in a partner through a minority stake in Royal Mail's postal business will help to deliver that goal."
32. The argument being that a "minority stake" – anything less than 50% - means that Royal Mail is not privatised. The CWU finds it hard to believe that anyone, including the Ministers involved, doubt that privatisation by installment is not privatisation by another name.
33. However there is no reason to doubt the future direction of Royal Mail under this arrangement. Control of the industry, if not majority ownership, would pass into the hands of a strategic partner. Hooper's Report is quite explicit that the ability to run a modern Royal Mail does not exist in the UK. Mandelson's previously mentioned PLP briefing also make the point clearly: "Yes to outside investment and management expertise in Royal Mail. Yes to a partnership with another major European postal company so that Royal Mail is able to compete and lead internationally."
34. Both Hooper and Mandelson's PLP brief give the direction and management of Royal Mail to the strategic partner, regardless of whether this is a majority or minority shareholder. The role of the Royal Mail Board becomes ceremonial if the "strategic partner" is providing the operational direction and day to day management policy.
35. The Hooper Review began by noting the failures of liberalisation and the inadequacies of competition. The Report concludes with a proposal to hand over the direction of Royal Mail to a competitor.

Crisis - what crisis?

36. Support for Royal Mail's future development needs to be set in the context of the Government's wider interventionist strategy to defend jobs and support the UK economy. The CWU believe the Government is facing both ways on the issue of ownership - on the one hand promoting and enacting State intervention in private

⁷ Ibid, p14

industries but then embracing a private sector solution for a vital public service like Royal Mail.

37. Arguments that only the private sector can provide additional financing ring increasingly hollow when the Government has intervened on an unprecedented scale in other sectors and poured billions of state funds into bailing out the private banking and automotive sectors.
38. We believe it is perverse timing to be embracing further marketisation when the free market ideology on which it rests has been called into question like never before. Hooper analysis ignores the lessons of the credit crunch about the failures of marketisation, the experience of privatisations in other public utilities like energy and the railways, the problems associated with costly Private Finance Initiatives and contracting out (in areas like the NHS) and the mounting list of costly errors made by private companies involved in the provision of other public services (such as the recent loss of 8 million child benefit records by TNT and the breakdown of the SATS testing system in schools).
39. The Government's decision to back privatisation also runs counter to recent trends we're now seeing in other parts of Europe. A recent report by Union Postale (an agency of the United Nations) argues "it is not a good time for postal companies to seek cash-rich investors". It says private equity firms have been hit by the economic crisis and reports that in some countries we could see a reversal of privatisations. The Danish Government has brought back the 22% stake in Post Danmark that it sold to the private equity firm CVC. The French Government has put on hold its plans to privatize *La Poste*.⁸

Forgetting the recession?

40. The impact of the recession upon Royal Mail is not analysed by Hooper. But clearly the decline in letters volume is going to include an element which represents the broader decline in the economy. Certainly the experience of previous recessions upon Royal Mail indicates that the industry tended to enter the recession early and exit it early. The high percentage of traffic related to advertising triggers this process. Failing to analyse this process at all means that Hooper's projection on future volumes appears unconnected to the movement of the wider economy.
41. This unbalances Hooper's Report which generally identifies volume decline as a process of e-substitution. There is no disagreement from the CWU that there is a changing pattern in mail, including some e-substitution. But in a period of recession it is extremely unwise to transpose current decline into permanent decline.
42. This also leads Hooper to underestimate the problems of modernisation facing Royal Mail. The CWU has argued for many years that Royal Mail suffers from under investment. Until recently, the CWU was alone in raising this analysis. Hooper accepts that investment is a problem. He refers to the comparable sorting rates between Royal Mail and TNT/Deutschepost which are linked to historic underinvestment in Royal Mail. Certainly the delays in the deployment of walk-sequencing machines by Royal Mail are a serious indictment of recent management activity.

⁸ 'In post we trust', Union Postale, p9

43. The dangers which Hooper misses is that having been bypassed on one generation of technology, Royal Mail is potentially missing out on the next. Here the comparison with the US postal service (USPS) is most appropriate. The USPS is introducing new technology which creates "intelligent mail." This is a system where bulk mailings can be individually tracked and traced from collection to delivery. At the moment, Royal Mail shows little sign of following this lead. There are other innovations which Royal Mail is not following. These include "hybrid mail" whereby a customer provides computer data to the service provider who then prints, envelopes and delivers the data in hard copy letter form. Even some of Royal Mail's UK competitors are ahead on this, although generally UK competitors to Royal Mail show no real innovations in the market.
44. The USPS has better adapted to the new future core mail in the context of the revolution in information technology. Their 5 year strategic plan "Vision 2013" published in October 2008, offers an outline of an innovative industry far removed from the clichés about Royal Mail's permanent decline. Yet the experience of the US is dismissed by Hooper as irrelevant. Is that because the decision of the US Congress not to liberalise, and to retain USPS as a public service, does not fit with privatisation dogmas?
45. If the Government drew the same conclusion about Royal Mail that it is drawing on other industrial problems then it can correct this weakness in Hooper. By bringing forward public investment in future generations of postal technology, Royal Mail can be modernised in the public sector. This both contributes to overcoming the current recession, and equipping Royal Mail to take advantage of the next upturn in the economy.

An uneven playing field

46. The CWU has been a consistent critic of the regulator Postcomm. We believe it has elevated the pursuit of competition above its main statutory duty to maintain the USO and created an un-level competitive playing field for Royal Mail leading to worse service provision, mass post office closures and cuts to our members' pensions.
47. While we see the logic in moving postal regulation within the ambit of a broader communications regulator, it's unclear, at this stage, what benefits the transfer of regulatory duties to Ofcom will bring. We welcome the fact that Ofcom (like Postcomm before it) will still have a primary duty to maintain the USO but it is not clear how the implementation of this duty will differ in practice. Our concern is that the move to Ofcom could actually lead to less focus on postal matters and more vociferous competition within the postal sector.
48. The CWU are disappointed that since the Report's publication the discussion on regulation has largely centred on the transfer of duties to Ofcom and not on Hooper's failure to recommend any material changes to the current regulatory and pricing regime which is damaging Royal Mail's finances and its ability to sustain the USO.
49. To end unfair competition and ensure a level playing field in the UK postal market the CWU are calling for two key regulatory reforms:

- a change to the damaging access pricing regime (to stem the losses to Royal Mail's competitors); and
- the establishment of a Universal Service support fund (as provided for under the EU Postal Directive) to ensure that all operators who use and benefit from Royal Mail's national infrastructure pay a fair price towards its upkeep.

Modernization not marketisation

50. The CWU believe modernization of Royal Mail is vital to secure the company's long term future. All industry stakeholders recognize that we need a healthy, profitable and efficient Royal Mail going forward. While we welcome Hooper's call for a new relationship between management and unions, the Report offers no specific policy proposals or recommendations on how this could be delivered in practice.
51. To deliver modernization we want Royal Mail to work in with the CWU and honour the agreements made in recent years to deliver change. The union believes a new agreement on modernisation is essential if the workforce is to be carried with the changes needed.
52. The Secretary of State has argued that the UK doesn't have the management expertise to modernize Royal Mail. We reject this view. It represents a tacit admission that the Government's own appointment of Allan Leighton and Adam Crozier as Chair and Chief executive has failed to deliver required modernisation. Yet it is also an unfounded and uncharitable view of UK management in a country that founded the very concept of a national postal service which has been used as a model by the rest of the world.
53. The CWU believe the UK has the management expertise – what we need is people appointed to run Royal Mail committed to the principles of a modern public enterprise, with experience of public service provision and who are prepared to sit down and negotiate change with the recognised trade union. .
54. A central element of any modernisation has to involve the development of new products and services for customers (something the Union has been campaigning for over decades). The Union Postale Report noted that with innovation many postal operators could "neutralise some of the negative effects of the current crisis with gains in other areas".⁹

An integrated whole – no to POL separation

55. The CWU believe a national integrated postal service is essential for the continued provision of the UK's universal postal service and the long-term success of the Post office network. Post Office Ltd. (POL) plays an integral role in the provision of a universal postal service in the UK and its future success, along with that of the Royal Mail Group, depends on the maintenance of an integrated national network. We therefore reject Hooper's proposal that Post Office Limited, while remaining 100% publicly owned, should be split off from the rest of the Royal Mail Group. We believe any move to separate POL from the rest of Royal Mail is unnecessary, will

⁹ Ibid, p5

threaten the future of the network and undermine Royal Mail's ability to meet its Universal Service Obligation (USO).

56. Hooper's arguments in relation to the Post Office are inconsistent. It acknowledges the vital role played by the Post Office network in providing access to the universal service but then excludes the Post Office from the terms of its report. It seems incongruous that a review based on the central question of maintaining the universal service should exclude any reference to one of the key areas on which the future USO depends.
57. Neither does Hooper's Report make any reference to the potentially vital role a revitalised Post Office network could play in supporting small and medium sized enterprises (SME's) and the wider UK economy during a sharp economic downturn.
58. Separation of POL would be costly, damaging and time consuming. It would undermine operational efficiency and compound Royal Mail's current problems by requiring it to focus its energies on internal organisational matters instead of improving the service to its customers.
59. Since maintenance of the USO should have been the Review Team's primary focus we fail to see how separation of part of Royal Mail's operations can support this wider objective.

A Positive Future for Royal Mail

60. The CWU believe there is a positive future for Royal Mail that delivers greater investment, exploits new technologies and adapts to market changes with better products and services for customers and more support for UK businesses.
61. Privatisation and separation of Royal Mail is unpopular and unnecessary (see latest poll in Appendix 4). Added investment, modernisation and regulatory changes can all be delivered under public ownership. None are contingent on privatization. It will signal the end of the UK's vital integrated national network and threaten future universal service provision.
62. At a time of deepening economic recession Royal Mail has a vital role to play in supporting the UK's economic and social life. The CWU believe there is a credible and costed alternative to the prescription for managed decline set out by Hooper based on the following:
 - **Royal Mail to remain 100% publicly owned with a new board and management team committed to delivering a successful modern public enterprise;**
 - **A new financial package for Royal Mail that:**
 - delivers greater investment (through better use of the £600m still unspent from the Commercial Agreement with Government);**
 - allows Royal Mail to keep the money it would save on servicing its pension deficit (£280m a year for 15 years);**

changes the access and pricing regime (to end unfair competition and stem the loss of revenue to Royal Mail's competitors); and

establishes a Universal Support Fund (as provided for under the EU Postal Directive that ensures all operators who use Royal Mail's national infrastructure help pay a fair price towards its upkeep).

- **Royal Mail to deliver modernisation based on implementation of agreements negotiated with the CWU that treat the recognized union as a genuine partner in change;**
- **The Government to honour their moral responsibility as sole shareholder in Royal Mail to take responsibility for the pensions deficit and resolve issues about the pension cuts imposed to date;**
- **Amendments to the Postal Services Act which enshrine in law greater support for SME's together with a new delivery specification that guarantees customers a consistent and reliable service and provides a foundation for the development of other new products and services;**
- **More product and service innovation. Modernisation must mean delivering for customers. We don't underestimate the risks posed by changes in the postal market but we want Royal Mail to embrace these developments, exploit the new technologies and maximise the commercial opportunities they present;**
- **An integrated, national postal network with a revitalised Post Office providing a 'shop front' for Government services and a People's Bank with a full range of financial services that people can trust and rely on.**

APPENDIX 1: INTERNATIONAL STAMP PRICES

TNT delivers 100 gram first class letters at nearly 3 times the price of Royal Mail.

TNT delivers 50 gram letters at twice the price of Royal Mail.

TNT has a government guaranteed monopoly on mail of 50 grams and less.

Deutsche Post delivers 100 gram letters first class letters at more than 3 times the price of Royal Mail.

Deutsche Post delivers 50 gram letters at more than twice the price of Royal Mail.

For the three postal services in which CVC has a stake:

- Post Danmark delivers 100 gram first class at nearly 3 times the cost of Royal Mail
- Post Danmark delivers 50 gram letters at more at just under twice the cost of Royal Mail
- Post Danmark retains a monopoly sector
- La Poste Belgium delivers 100 gram first class at more than twice the cost of Royal Mail
- La Poste Belgium delivers 50 gram first class at 25% more expensive than Royal Mail.
- La Post Belgium retains a monopoly sector
- Posten Sweden delivers 100 gram first class at more than twice the cost of Royal Mail
- Posten Sweden delivers 50 gram first class at more than twice the cost of Royal Mail

APPENDIX 2: HOOPER REVIEW – TERMS OF REFERENCE

- To assess the impact of liberalisation on Royal Mail, alternative carriers and consumers;
- To explore trends in future market development and the likely impact of these on Royal Mail, alternative carriers and consumers; and
- To consider how to maintain the universal service obligation in the light of trends and market developments identified.

APPENDIX 3: LABOUR'S POLICY COMMITMENTS

Labour Party Manifesto 2005

As we said in our policy document *Britain is Working* we have given the Royal Mail greater commercial freedom and have no plans to privatise it. Our ambition is to see a publicly owned Royal Mail fully restored to good health, providing customers with an excellent service and its employees with rewarding employment. We will review the impact on the Royal Mail of market liberalisation, which is being progressively introduced under the Postal Services Act 2000 and which allows alternative carriers to the Royal Mail to offer postal services.

The Warwick Agreement II and 2008 Labour Party Conference Policy

Households and businesses in Britain should have access to reliable and high quality postal services underpinned by a strong universal service. We have set out a vision for a wholly publicly-owned, integrated Royal Mail Group in good health, providing customers with an excellent service and its employees with rewarding employment. The Government has established the Hooper Review to look at how the Royal Mail can succeed in a world where electronic and other forms of communication provide increasingly attractive alternatives to the mail and where there is more competition in postal markets.

The Labour Government has provided significant financial support to the Post Office network. We recognise its contribution to the life of many communities, but also understand that the network needs to adapt as peoples' lifestyles change. To help create a network that is more viable for the future the Post Office is undertaking a significant rationalisation of its size. This has involved tough and difficult decisions. For the future the network needs to continue to develop new financial service products and seek out new business opportunities, such as biometric ID management for passports, driving licenses and potentially ID cards.

APPENDIX 4: PUBLIC OPPOSITION TO PRIVATISATION

A public opinion poll (published Monday 9 February) showed the vast majority of the British public do not want the government to privatise part of Royal Mail.

In a phone poll of people across the UK, 75 per cent of those questioned disagreed with privatisation (with 33% strongly disagreeing). Selling part of Royal Mail to a foreign postal operator was opposed by 89% (with 58% strongly disagreeing). Only 6% of those polled were in favour of privatisation and just 3% supported a sale to a foreign company.