



Communication Workers' Union

The Communication Workers' Union (CWU) represents people across communications industries that have seen massive change over the last 20 years.

Globalisation, and the ongoing digital revolution, have affected our members more than almost any other group of people. Our members know that in the modern world, change is the only constant. They are ready to embrace necessary modernisation.

The Royal Mail is a trusted company with deep rooted and enduring public support. It is part of the fabric of local communities up and down the country. The Universal Service is in tune with British values, performs a valuable social function, and is underpinned by a political consensus. Our members are not only Royal Mail employees, but consumers of Royal Mail services.

From the beginning of this debate we have listened to our members, to the public, and to decision makers. We know there is no panacea; no magic wand or quick fix. But we also know that the Royal Mail can have a prosperous future.

That's why CWU members want a three month moratorium, so that together the Union, management, and government can give Royal Mail a fresh start.

We need to shape a new consensus that gives the Royal Mail the governance structure, culture, finances, and financial freedoms it needs to create a modern and dynamic company.

In this document we provide fresh thinking. We make the case for modernisation wholly within the public sector; a case supported by our members, by the public, and by a growing number of decision makers.

BILLY HAYES
General Secretary

DAVE WARD
Deputy General Secretary

ROYAL MAIL > a fresh start

Modernisation within the public sector

As the Hooper report states, the Universal Service is part of our economic and social glue. It has widespread political support. The public debate about the Royal Mail needs fully to recognise the cost to the taxpayer of providing this service. It also needs to appreciate the three way trade-off between service level, the cost to consumers, and the cost to taxpayers.

The debate about the Royal Mail should be careful to distinguish between the organisation's social and commercial objectives. It should also avoid international comparisons that conflate the cost of providing the Universal Service with the cost of investment necessary to facilitate commercial opportunities.

By offering a specific solution, involving part privatisation, the Hooper report sought to make this a debate around just one possible means to an end. Previous rushed privatisations, such as Railtrack, have shown us what can happen when starting from the assumption that privatisation is the only means to an end.

Diverse regulatory regimes, geography, and different histories make international comparisons fraught with difficulty. In other markets, liberalisation has gone neither as fast nor as far as in the UK. Moreover, in

most markets, consumers simply pay more for their letters. For example, TNT delivers 100 gram letters at nearly 3 times the price of Royal Mail. As comprehensively demonstrated by expert academics in the Compass document "Case Not Made", the Hooper report often presented statistical comparisons without understanding these real differences.

For the Royal Mail, commercial opportunities are growing, not shrinking. The new digital age may mean fewer personal and business letters, but it also means far more fulfilment opportunities as more people order online. It also means more international opportunities, as international barriers to trade come down.

The Royal Mail is modernising and we want to see this modernisation go further. We want to see a Royal Mail that is ambitious in its desire to seize the opportunities that the new digital age presents.

We support the development of a more dynamic range of products and services, focusing on the opportunities that exist through fulfilment, tailored services and more community based activities that will help grow local economies.

We support innovation and investment in new forms of hybrid and intelligent mail arrangements (data collection and home collection).

We recognise that the negative, short-term industrial relations of the past have to change.

We believe that this can only be done if the CWU, Royal Mail management, and the government seek consensus around a long term, transparent and de-politicised framework that will enable Royal Mail to flourish.

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> The CWU therefore recognises that:

- Further efficiency savings are necessary and desirable. Royal Mail employees need to continue to adapt their working practices.
- The Royal Mail needs to embrace the introduction of new automation and technology, including sequencing more mail by machine.
- There will be a reduction in the number of employees associated with those parts of the Royal Mail service that need mechanisation, including those carrying out central mail sorting.
- Modernisation - particularly exploiting new opportunities - can bring about more rewarding employment for employees with better long-term prospects for all our workforce. In return for adapting work practices, employees should be given greater job security, and an opportunity to share in the benefits of success. Modernisation can also mean employment growth in many areas of the company.
- Our aim is to align the long term interests of consumers, employees, and the company as a whole.

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Modernisation must bring about improvements to the Universal Service.

- Modernisation must bring about improvements to the Universal Service, in terms of both reliability and timing of delivery.
- Modernisation must bring about improved services for small businesses, who cannot access the economies of scale that can be provided to larger businesses.

To achieve these changes, we believe that the Royal Mail should be given a level playing field on which to compete with major European mail and parcel providers. Providers that use the Royal Mail infrastructure should pay a fair price.

After recognising explicitly the cost to the taxpayer of providing the Universal Service, under certain conditions the Royal Mail should be free to raise capital on the open market.

In the modern economy, particularly for large complex organisations like the Royal Mail, partnerships can help provide new and better services. Post Office Limited has already collaborated with the Bank of Ireland, and where collaboration can be shown to be mutually beneficial, the CWU will support this.

> New economy, new opportunities

The recent global economic difficulties have demonstrated that a simplistic resort to private sector solutions is an inadequate response to the major challenges that we face. The consequences of the meltdown in financial services have affected all of us in every community. A return to prosperity and the future success of the economy will be underpinned by modern communications, both physical and online.

New means of electronic communication do not simply replace previous modes of communication, such as the traditional postal service, but change the balance of opportunities. In many cases, an online order for a service leads to the production and delivery of physical material (fulfilment). Because we represent people across the communications industry, covering both the electronic and the physical sides, we can see these changes happening and want to see integrated, modern services that can keep up.

In fact, we are frustrated by the slow pace of modernisation, and are at the forefront of pressing managements across the organisations in which we have members to take earlier action in seizing new opportunities.

The public sector US Postal Service (USPS) is one of the global leaders in embracing new technology. For example, the USPS has introduced intelligent mail systems where bulk mailings can be individually tracked and traced from collection to delivery.

There are plenty of other innovations that the Royal Mail could adopt. 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.

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> A Royal Mail Charter

The Royal Mail is part of the fabric of this country and that should be recognised in its institutional arrangements.

The vital role of the Royal Mail in the economy, and in the local communities it serves, requires that the company's social obligations should be included in legislation along the lines of the BBC Charter. This would ensure that a public service ethos is at the heart of everything the company does.

Under a Royal Mail Charter, the Royal Mail Group would remain as a wholly publicly owned and integrated company with the ability to act as an end-to-end service provider. This is a model that serves the BBC well, and the process of drafting and debating the charter will help increase understanding and engage all stakeholders in the Royal Mail's future.

It also provides an opportunity to see the Universal Service Obligation (USO) in a new light. In the same way that open source protocols are developed to enable collaboration in online communications, the USO could be seen as the fundamental building block for the board to develop initiatives with local communities across the country to enhance community cohesion.

Initiatives like the Post Bank, and collaboration with local government and smaller, more isolated communities, could be seen as part of the new expanded USO. The Post Office Network should provide a 'shop front' for government services. In this context, the synergies between Royal Mail and Post Office Limited will enable us to deliver integrated and innovative services as one organisation.

In the longer term, a strengthened local connection could also lead to the piloting of initiatives where local stakeholders, mirroring proposed national governance arrangements, could have more say on the development of local services. A partnership between local stakeholders and Royal Mail employees could see new services developed that are relevant to specific local communities.

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> A new governance structure

If we are to build transparent and collaborative approaches into the DNA of the Royal Mail, this needs to be facilitated by the company's governance arrangements.

We want to see a model of governance based on the best elements of Network Rail, the BBC, and not for profit models.

A new governance board should be made up of a balanced number of non-executive directors, representing the different stakeholders: consumers, union representatives and community representatives, as well as outside business expertise. Such an approach would help increase engagement with stakeholders, embed modernisation based on consensus rather than confrontation, and bring in new ideas.

It would also enable a fuller appreciation of how to marry together Royal Mail's commercial needs with the maintenance and enhancement of its Universal Service Obligation.

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> Investing in our future

Royal Mail accepts that the current round of modernisation can be completed within the existing government loan agreement. The current debate therefore presents an opportunity to address the long-term financial issues that would otherwise hold back the future development of Royal Mail.

We have argued from the beginning of this debate that the government should accept its responsibility to take on the historical pensions deficit. This will transform the company's finances, and is the major plank in placing Royal Mail on a sound financial footing for the foreseeable future. There is widespread acknowledgement that the Royal Mail needs ongoing investment to underpin further modernisation and take full advantage of the expanding commercial opportunities available.

However, the Hooper report implied that the only means by which the Royal Mail could access further capital was by part privatisation. The government has been willing to look at various financial models for other parts of the public sector. For example, Network Rail is widely seen as a success story. It is able to access capital markets and this borrowing does not count as part of the Public Sector Net Cash Requirement.

In the context of a more arms' length relationship with government, and a clear understanding of the difference between the universal service provision and commercial roles of the Royal Mail, the company should also be given selective ability to raise capital in the open market.

For the Royal Mail to have a prosperous future, it also needs:

- **A continuation of existing government loans that have already secured substantial efficiency savings.**
- **A fair and balanced regulatory regime that recognises the costs to the Royal Mail of other service providers using Royal Mail infrastructure.**
- **A long term agreement on prices and service levels for the Universal Service, including service provision for small businesses.**

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> A modern Royal Mail

A new industrial relations culture is a prerequisite for the successful modernisation of Royal Mail.

This can be addressed in part through our proposal for a new governance structure, but also requires a new managerial culture and managers with a proven track record of engaging with the Union and workforce.

Therefore, as well as modernising the governance and finances, we want to seize the opportunity to modernise the internal culture of the organisation. Collaborative approaches require goodwill on both sides.

■ **For the Union, this will require quicker and improved decision making, and the CWU is working to reform its internal structures to facilitate this. It will also require a strong desire to adapt working practices to take advantage of the new opportunities.**

■ **For management, this will mean accepting the right of the Union to negotiate and reach agreements on major change, with a clear focus on substance. It also means a new culture, and greater transparency and engagement with the Union at all levels, from the beginning of decision making processes.**

■ **For both parties it will mean national agreements being delivered consistently across the country.**

The CWU is willing to engage immediately in the process of restructuring industrial relations to achieve these objectives. We are also willing to explore the involvement of a third party to facilitate improved industrial relations across the business. To give Royal Mail an opportunity for a fresh start, we want a three month moratorium. This should provide the breathing space for the Royal Mail and CWU to bring forward the successful transformation of the business.

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> Building employee support through long-term commitment

Royal Mail staff are committed to the business. Many devote a lifetime to the service.

Retaining and harnessing this long-term commitment of staff will help the Royal Mail prosper in the future. That means appropriate remuneration and decent pensions. The CWU is willing to explore long-term pay and modernisation deals, that will give the Royal Mail, and its employees, stability.

We have proposed governance arrangements that give employees a direct stake in the future. The government has said that it might be willing to offer employee shares. For a wholly public sector company this would not be appropriate.

However, we want to continue to explore genuine ways whereby employees can be more involved in the decisions that affect them, without undermining the ability of staff to organise and represent themselves through the union. To start this process, government should review the existing ColleagueShare scheme to ensure that a new scheme can help facilitate change and genuinely incentivise the workforce.

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There is strong public support for the Universal Service Obligation and for a Royal Mail wholly within the public sector.

Conclusion

There is strong public support for the Universal Service Obligation and for a Royal Mail wholly within the public sector. We believe that this document shows not only how we can maintain and enhance the principles of public service, but also how we can give the Royal Mail the structure, culture and means to modernise.

It's time for a fresh start.