

BERR | Department for Business
Enterprise & Regulatory Reform

**THE FUTURE OF THE UNIVERSAL
POSTAL SERVICE IN THE UK**

FEBRUARY 2009



The Future of the Universal Postal Service in the UK

Presented to Parliament by The Secretary of State for
Business, Enterprise and Regulatory Reform
by Command of Her Majesty

February 2009

© Crown Copyright 2009

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

For any other use of this material please write to Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU or e-mail: licensing@opsi.gov.uk

ISBN: 9 78 010175 6020

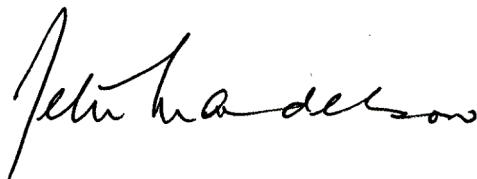
THE FUTURE OF THE UNIVERSAL POSTAL SERVICE IN THE UK

FOREWORD BY THE RT HON LORD MANDELSON

The Royal Mail is part of the fabric of the country and the lives of the millions of people who use it every day. Uniquely it has the network of people and sorting offices spanning the country that can deliver to every household and business at one price, six days a week. But the future of this network is under threat as people increasingly switch to digital technology as their preferred way of communicating.

In the face of this challenge, I am determined to protect the universal service by ensuring we have a world class Royal Mail. That requires us to act today to secure the Royal Mail's future. The policy we are proposing will keep the Royal Mail in the public sector, while equipping it for modernisation. It spells out in legislation the primacy of the universal service. We will place the universal service as the overriding objective of a new regulatory system for postal services. And by tackling the pension deficit we will protect services and pensions. The Government believes this plan represents the best way forward for Royal Mail, the universal service and the whole country.

This document sets out further detail of how we intend to take forward our policy. The proposals are a coherent package of measures. They include new support for the universal service. No single action will resolve the challenges facing Royal Mail. Some will object to individual parts of the package or will suggest delay. But we firmly believe that all of the reform proposals, acted on now are what is needed if we are to ensure the future of the universal service and to fully restore a publicly owned Royal Mail to good health.

A handwritten signature in black ink, reading "Peter Mandelson". The signature is written in a cursive, flowing style.

PETER MANDELSON

1 THE NEED FOR CHANGE

The importance of the universal service in a changing postal services market

- 1.1 The Government is firmly committed to the universal postal service; the ability of 28 million homes and businesses across the country to receive mail six days a week, with the promise that one price goes everywhere. The universal postal service connects and binds us together as a country. Its social importance is matched by its importance to business and commerce. It is the lifeblood of many of our companies, big and small.
- 1.2 The Royal Mail is uniquely capable of delivering the universal service. Its network of people and sorting offices spans the whole country. Its staff deliver 99% of letters through the letter box. A strong universal service needs a strong Royal Mail.
- 1.3 However, the Royal Mail's ability to deliver the universal service is under threat. The volume of mail being sent is falling as people and businesses switch to digital communication. For many, e-mail has become the preferred way to communicate. And we sent sixty billion text messages last year, while we posted five million fewer letters per day than two years ago.

The challenges for the Royal Mail

- 1.4 In recognition of the scale of the changes happening in the postal market and the depth of the challenges facing the Royal Mail, the Government commissioned in December 2007 an independent review of the postal market. Led by Richard Hooper, with Dame Deirdre Hutton and Ian Smith, its report – “Modernise or Decline”¹ – published last December (referred to as the Hooper Review throughout this document) found:
 - **Performance.** Royal Mail's performance does not match that of the best European postal operators. By its own estimation it is 40% less efficient than its European counterparts. Its distribution network and mail centres remain largely unchanged and despite the launch of a Renewal Plan in 2002, Royal Mail has not automated to the same extent as other leading EU operators. It has not therefore benefited from important efficiency savings. And without those savings it struggles to find the resources to invest in the business for the future and to secure the universal service.
 - **Pension deficit.** Royal Mail's historic pension deficit is one of the largest in the UK. At the time of the last triennial valuation in 2006 the deficit was calculated at £3.4bn, with estimates in March 2008 placing it at £5.9bn. The deficit is expected to continue to grow. It places a

¹ *Modernise or Decline: Policies to maintain the universal postal service in the United Kingdom*, December 2008, <http://www.berr.gov.uk/files/file49389.pdf>

significant financial burden on Royal Mail and is inhibiting investment in its core business. The company currently has to pay £280m a year towards recovering the deficit. Without action this number can be expected to grow significantly and swallow any profits the company might make in the future.

- **Pricing.** Increasing postal prices would not generate sufficient revenues to counteract falling volumes, as previous price increases have demonstrated. Consumers have either used electronic media or reverted to second class postage, and companies have given their business to competing operators.
- **Industrial relations.** Industrial relations in the Royal Mail need to improve. In 2007, 60% of all the days lost in the whole economy through industrial action were accounted for by Royal Mail. In total more than 600,000 days of work were lost. Since then further strikes have been threatened over pension reforms and mail centre closures.
- **Relationship with the regulator.** The relationship between Royal Mail and its regulator, Postcomm, has also been a difficult one, owing largely to the regulator focussing on one company. This has distracted management from responding to the needs of its customers, the challenges of increasing competition from electronic communication, and the opportunities offered by e-fulfilment.

Hooper's recommendation: The status quo is untenable

1.5 The Hooper report concluded that the “status quo is untenable” and that the universal service cannot be sustained under present policies. To sustain the universal service, it argued that the Royal Mail needs to be able to respond quickly to the structural decline in the letters market. And this requires it to tackle its performance, the pension deficit, and the difficult relationships between the company, unions and regulator. The Government has accepted its analysis and recommendations.

The time for action is now

1.6 Having accepted the Hooper Review analysis and recommendations, the Government now proposes to:

- Put in place a new regulatory framework including the transfer of responsibility for regulation from Postcomm to Ofcom.
- Tackle the pension fund deficit.
- Invite other postal or network operators to come forward with proposals for developing a strategic partnership with the Royal Mail, including taking a minority stake in the company's letter and parcels business. Post Office Limited is not to be part of a potential partnership.

1.7 We accept these recommendations as a package in the way they were proposed. We are not going to select one to the exclusion of another. Tackling pensions on their own would not be a panacea for Royal Mail's difficulties. Indeed it would be irresponsible for the Government to tackle the pensions alone without the policies in place to ensure that Royal Mail can transform quickly to compete in a fast changing market. Modernisation is at the heart of what the Hooper Review highlighted is needed and Government agrees with Hooper that modernisation at the pace and level required for Royal Mail will only be achieved by partnering with a third party. The Royal Mail and its people can only be expected to take responsibility for improving the company's performance, if they are confident that there is a fair regulatory framework.

Post Office Limited

1.8 The network of local post offices combines a unique set of commercial, public and social roles. In recognition of this, the network would not be part of a new partnership. However, a healthier Royal Mail letters business will be good for the Post Office, and the recommendations we are taking forward will help underpin our existing commitment to the post office network and secure its future.

2 REGULATION

A new regulatory regime

- 2.1 The Government's first priority is a strong universal service. Competition can bring important benefits for many customers, but it needs to be fair and not at the expense of the universal service. The Government is therefore proposing to legislate for the first time to make it explicit that protection of the universal postal service takes precedence over competition.
- 2.2 Following the digital revolution, it will also be important to place postal regulation within the broader context of the communications market and the full range of choices it offers to consumers. We therefore propose Ofcom's responsibilities should be extended to cover regulating the postal market. Ofcom has a proven track record of effective regulation of markets undergoing rapid technological change.

Ofcom's role in protecting the Universal Service

- 2.3 In assuming responsibility for the regulation of the postal service, Ofcom's primary duty will be to ensure the continued provision of the universal postal service: an affordable one price goes anywhere service on six days a week for letters. This will be enshrined in the legislation.
- 2.4 Ofcom will have the power to decide which products should form part of the universal service. This is to ensure that the range of products within the scope of the universal service continues to reflect customer needs as the market develops.

A future fund for the Universal Service

- 2.5 The universal service has a cost. It has a price that needs to be paid. Our belief is that a rejuvenated Royal Mail and fairer regulation will enable the company to meet the cost of the service from within its own resources. However, we are aware of the risks that competition may erode the Royal Mail's ability to do so. We will therefore take a new power to create a levy and fund to finance the universal service should it be needed in the future.

The role of competition

- 2.6 Competition will continue to play an important role in the development of postal services. It has already brought benefits to the large commercial users of the mail service. And it will provide a spur to the Royal Mail and others to innovate and develop new services. A modernised and effective competition regime is therefore important for the development of our postal market.

2.7 We propose that postal services should in future be subject to the same competition rules as other media. Ofcom will therefore be granted concurrent competition law powers for the postal market. This will enable Ofcom to investigate anti-competitive behaviour, without having to set in advance detailed rules constraining what individual companies can do. Ofcom will be able to apply significant penalties on companies found to have engaged in anti-competitive behaviour, thus providing incentives on companies not to do so. Ofcom will need to impose fewer ex ante constraints. And the Royal Mail and others should be better able to respond effectively to competition. Ofcom will conduct a formal market analysis to determine the extent to which postal services are in competition with digital media.

The access regime

2.8 We believe that mail operators having access to each other's network can bring real benefits to consumers. The access regime determines the terms (including price) on which Royal Mail's competitors can access its network to carry letters for part of the journey. At present, Royal Mail is subject to licence conditions which require it to provide third parties with access to its network on request. The Government proposes that a new access regime be introduced. It should ensure that the terms on which other operators access the Royal Mail's network does not amount to a subsidy. The regime should be objective, transparent and proportionate.

Reducing the regulatory burden

2.9 Government also supports reducing the bureaucratic burden on business, and the new legislation will seek to do this by moving from an individual licence regime to one of general authorisations. This is consistent with the Postal Services Directive.

2.10 Ofcom's general authorisations enable regulatory requirements to be met, but do not require individual negotiation. Under the existing licensing regime, postal operators cannot launch new products and services without Postcomm's prior consent. Under the new regime, an operator will be able to innovate and introduce services provided it is consistent with any general conditions under its authorisation.

Information powers

2.11 Ofcom will have new powers to develop effective analytical tools so that it can properly fulfil its duties in relation to the postal sector. These will allow the regulator to ensure cost transparency, including developing a system of separate accounts for different parts of Royal Mail's network, and to build its own model of detailed costs, in consultation with Royal Mail. Information powers will also enable Ofcom to determine quality and price for the benefit of consumers. These measures are designed to ensure that there is a clear and agreed basis on which sound regulatory decisions can be made. This will minimise the scope for unnecessary

regulatory debate and delay, and provide a basis for well-founded agreements between Royal Mail and third parties on the terms of access to its network.

Legislation

2.12 To give effect to the changes set out in this policy document, the Government is today introducing legislation to Parliament. It will:

- Transfer responsibility for regulation the postal services market from Postcomm to Ofcom.
- Enshrine the universal service at the heart of the regulatory system.
- Provide for financial support for the universal service.
- Create general authorisations under which postal operators can carry out their business, subject to any conditions applicable to them.
- Extend Ofcom's current competition law powers to post.
- Give specific provision for the regulation of access.
- Provide necessary information gathering powers to Ofcom.

3 PENSIONS

- 3.1 The size and volatility of the Royal Mail's pension fund deficit is a major challenge for the modernisation of the company. As part of the comprehensive package of reforms, Hooper recommended that action should be taken to reduce substantially the burden of Royal Mail's historic pension liabilities.
- 3.2 The Government has therefore decided to address the pension issue. Our proposed approach is to take responsibility for all the historic pension liabilities within the Royal Mail Pension Plan incurred prior to 16 December 2008 – the date of our announcement to Parliament. All future service liabilities after this date will remain with Royal Mail. As a result of these actions, Royal Mail will end up with a scheme that has a much improved funding position.
- 3.3 As these proposals involve Government support to Royal Mail, the final arrangement will have to be notified in advance to, and approved by, the European Commission.
- 3.4 Under these proposals, all members of the scheme with accrued rights earned before December 2008 will have complete security that their entitlements will be honoured in full. This is a significant improvement for scheme members on their current position given the funding level of the Royal Mail Pension Plan. The Government will ensure that this protection for past entitlements is enshrined in primary legislation, so that no member's historic rights are adversely affected by the changes. This will provide comfort to scheme members that the benefits they have earned through past service are protected and cannot be reduced. In addition, taxpayers will have the certainty that it is Royal Mail that will bear the full cost of future pensions provision for its current employees and costs relating to future salary increases.
- 3.5 To achieve this objective, the Government proposes to create a new Government pension scheme comparable to the NHS, Teachers and Civil Service schemes. The historic liabilities transferred to Government from the Royal Mail Pension Plan will be met from this scheme, and the Government will pay members the accrued benefits they would have received from the current Royal Mail scheme. We anticipate that the new scheme will have around 450,000 members, of whom 175,000 will be pensioners, and 275,000 will yet to have reached their retirement age. We estimate that the total liabilities of the scheme will be approximately £29.5bn calculated on the basis of the scheme's existing assumptions.
- 3.6 Future pensions liabilities accrued after 16 December 2008 for the current 160,000 employees (including liabilities resulting from salary increases) will remain within the Royal Mail Pension Plan, and will be much smaller than the current scheme. The Government will ensure that sufficient assets remain with the scheme so that at the date when the historic liabilities are transferred to the new pension scheme, the assets that

remain in the Royal Mail Pension Plan are sufficient to meet its liabilities. There will be no change to the arrangements for employees who joined the company after April 2008, who will continue to participate in a defined contribution scheme.

- 3.7 Once the amount of the assets required to meet this funding level has been agreed, the remaining assets will be transferred to Government. We estimate that approximately £23.5bn assets will be transferred, meaning that Government will absorb a deficit of £6bn. These assets will only be sold over a number of years to protect value for money for the taxpayer.
- 3.8 As the Post Office will not be part of a partnership, new arrangements will be made for Post Office Ltd to become the sponsoring employer in relation to future benefits accrued by its staff.
- 3.9 Any changes will only take effect at the time EU state aid clearance has been obtained and a partnership agreement is concluded – probably in the first half of 2010. The Government will continue to work closely with the Royal Mail Pension Plan Trustees and the Pensions Regulator on the planned changes, so they are confident that members' interests will be protected.
- 3.10 A decision to take on responsibility for historic pension liabilities is a significant commitment, both for taxpayers and for members of the scheme. For this reason, the Government agrees with Hooper's recommendation that it should be linked to the agreement of a partnership that places the company, and the universal service, on a sustainable basis going forward. If it proves impossible to conclude a partnership agreement, the Government will not proceed with this change to the pension arrangements. This is the choice we all face.

Legislation

- 3.11 With regard to pensions, the Postal Services Bill will:
- Provide powers to establish a new Government scheme.
 - Provide powers to transfer accrued rights of members to the new scheme.
 - Provide powers to amend the existing scheme, including the creation of a new section for Post Office Ltd employees.
 - Provide powers to transfer assets from the scheme to Government, whilst leaving the future scheme and the Post Office section adequately funded.

- Placing a duty on the Government to ensure that no member of the pension scheme is adversely affected in respect of their accrued rights by the changes.

4 PARTNERSHIP

- 4.1 The Government's ambition for Royal Mail, as set out in our 2005 Manifesto, is to see a publicly owned Royal Mail restored to good health, providing customers with an excellent service and its employees with rewarding employment. As the only postal operator currently capable of providing a universal service throughout the UK, Royal Mail is vital to our commitment to a universal postal service at a uniform tariff and affordable price.
- 4.2 Royal Mail has made real progress over the past decade. The Government has supported significant investment and modernisation, including through providing £3.5bn of funding. The company is meeting or exceeding most of its existing quality of service targets. But it still lags significantly behind some of its main European counterparts and competitors. For example, the leading postal operators in Europe use automation to sort 85% of mail in the order that the postman makes his deliveries ("walk-sequencing") whereas in the UK all sorting of this kind is done by hand. As importantly, the rapid change in the postal market requires Royal Mail to improve its performance at a much faster pace than it has achieved over the past decade. We believe that a strategic partner is required to achieve that.
- 4.3 We will expect the new partner to be actively involved in the management of the business. It will inject new capital but, just as important, new ideas, skills and business opportunities.

What do we mean by 'strategic partnership'?

- 4.4 The Government believes that Royal Mail entering into a partnership with an experienced postal or network operator is a necessary ingredient for successful modernisation.
- 4.5 A partner will deliver corporate experience of major transformation of a network business. This is needed at all levels of Royal Mail's business, enabling the rapid adoption of best practice based on proven experience, and increased access to the skills required to manage the transformation process. This will not only reduce the current risks to successful modernisation, it will enable it to accelerate to help the company respond faster in rapidly changing markets. A partner will also open up opportunities to introduce new capital into the company.

Implementing Partnership

- 4.6 There are a number of potential routes to establishing a partnership for the Royal Mail. Equity could be swapped, businesses merged or a partner could take a direct equity interest. The different routes each have merits and drawbacks. We will look to prospective partners to make proposals. The key issue is making sure the partner has a real stake in making a success of transforming the performance of the business.

- 4.7 Agreeing a partnership will be a tough commercial negotiation and the Government will need to demonstrate clear value for money.
- 4.8 The legislation will make it clear that the Royal Mail will be publicly owned – majority owned – by the Crown. And that this could only be changed by primary legislation. It has been suggested that a further step could be to vest this shareholding in a public interest trust. This could, however, raise significant issues of accountability and control. Were a direct equity investment in the Royal Mail to be the route to a partnership, we expect the partner would take around a 30% interest.
- 4.9 The Government believes partnership is the best route to achieving real and lasting improvement in the Royal Mail's performance. We believe it will be more effective than spending large amounts of money on management consultants. And while recruiting more good people to join the company's management is desirable, it will not be sufficient to bring the scale of change needed.
- 4.10 The Government sees no contradiction between the involvement of a strategic partner in the Royal Mail and the delivery of the universal service. That service will be set by legislation and regulation. Our proposal is for strong and fair regulation focussed on delivering the universal service. Within this legal and regulatory framework, the Royal Mail and its partner will decide on how best to organise the business commercially to deliver the prescribed level of universal service.
- 4.11 *Britain has widespread experience of partnerships delivering public services. The Post Office network itself is a very long standing partnership involving many thousands of small businesses running individual post offices. The country's air traffic control service – NATS – is provided by a partnership of government, staff and private sector. At NATS, this ownership structure has provided the impetus, expertise and investment for modernisation and increased efficiency. NATS also pays a dividend to its shareholders, including Government. This has been achieved while improving NATS' safety record. Unlike with NATS, the Government proposes to retain a majority share.*

Engaging with the workforce

- 4.12 Improving the Royal Mail's performance will only be possible with the full engagement of the workforce. In identifying a suitable strategic partner for Royal Mail, we will give weight to proven experience in successful business transformation and workforce engagement. We will look to a partner to bring experience and expertise in workforce development and working with trade unions.
- 4.13 Royal Mail currently operates an employee incentive scheme – "ColleagueShare" – a non-equity based share scheme. The Government will be interested in discussing with prospective partners the scope for giving incentives to employees to help improve the business.

The Government as shareholder in the future

4.14 With a partner, the Royal Mail will continue to be in the public sector with the Government the majority shareholder. As we do now, we will expect the company to operate commercially and for the company's board, managers and staff to take responsibility for making the business a success. The operation of the business and its commercial decisions are the responsibility of the company, not Government. As the majority owner the Government will, of course, continue to exercise key rights such as appointing the Chair, approving other appointments to the Board, and approving the long-term strategy it prepares.

The Partnership Framework

4.15 Following the Government's statement in December, we have begun a competitive process to identify potential partners for the letters business. It is not appropriate in this document to list those who have expressed an interest as this is commercially confidential information. TNT, the Dutch postal operator, has, however, already declared its interest publicly. All parties will be treated on an equal basis in this competitive process.

4.16 The criteria against which Government will judge potential partner's suitability will include:

- The price offered for a minority stake or partnership and their ability to finance the investment.
- Ability to add value to Royal Mail as a whole, including by assisting in the transformation of Royal Mail's letters business and the modernisation of its network.
- Capacity to manage stakeholder issues successfully, including relations with trade unions.

4.17 We aim to sign legally binding agreements by summer 2009. Shares can only be sold after new primary legislation is brought into force and any necessary European Commission clearances, including state aid, have been completed. The payment for the shares in Royal Mail will not be made until then.

4.18 The Government intends to use the money received from the minority share sale to benefit Royal Mail Group including Post Office Ltd. It may be used to partially offset the cost to Government taking on the pension deficit and potentially to make available capital into Royal Mail to increase the investment available for modernisation and diversification. The Government will inform Parliament of the payment for the shares and how it will be distributed when the consideration is received.

Legislation

4.19 In relation to Royal Mail, the Postal Services Bill will:

- Ensure that any Royal Mail companies providing the universal service will remain in the public sector.
- Enable a minority sale of shares in Royal Mail Group Ltd.
- Ensure that further primary legislation would be required for a Government to ever sell more than a minority stake in the company.
- Enable the necessary transfer of assets to facilitate the transaction or connected Group reorganisation.
- Require the Royal Mail Group to lay its accounts before Parliament each year.

5 POST OFFICE LIMITED

Introduction

- 5.1 Royal Mail Group Ltd and the Post Office Ltd are separate organisations though they are part of the same group.² They provide different services to the public, and face different challenges.
- 5.2 Post Office branches are a vital point of access to the postal service for consumers and small businesses. They provide advice about products and services, sell stamps and act as a collection point for letters and parcels.
- 5.3 But the Post Office plays a much broader social and economic role in our communities. It offers access to cash and a wide range of banking and Government services. With over 23 million customers a week most of the UK public use the Post Office for some services. But for the most vulnerable (such as elderly or disabled persons), particularly in rural and deprived urban communities, it provides vital access to services. It also has a strong economic role, providing SMEs with access to postal and banking facilities. And in many communities it supports the last remaining retail outlet.
- 5.4 A purely commercial network would be around one third of its current size, but that is not the Government's policy. The network does not exist for commercial reasons alone. Post Offices play a crucial social and economic role in the communities that they serve.
- 5.5 We are committed to a stable and sustainable network of post offices. We have provided £1.7bn to support a network of around 11,500 branches to 2011. And we have made clear that we will continue to subsidise the network beyond that time.

Post Office services

- 5.6 To deliver a stable and sustainable future for the network, we are exploring new business opportunities for it. Further Government and financial services can build on the Post Office's trusted brand, the geographical and demographic reach of the network and the face-to-face contact that it offers. In the current economic and financial climate, the Post Office is needed more than ever.

² Royal Mail Group Limited (RMG) is responsible for the collection, sorting, transportation and delivery of mail (letters, packets and parcels), using the Royal Mail and Parcelforce Worldwide brands.

Post Office Ltd is responsible for the network of some 12,000 Post Office branches. Just fewer than 400 of these are directly owned and managed by POL. All others are privately owned and operated by subpostmasters or franchise partners.

- 5.7 The Post Office has been progressively and successfully introducing new products and services in recent years, and it has a range of additional new services in development.
- 5.8 We have been working with Post Office to see what new prospects there might be to develop all areas of their business. We are discussing options across Government and will make further announcements.
- 5.9 We are delighted that the Business and Enterprise Committee has also agreed to consider what further services the Post Office could offer, and we look forward to hearing their conclusions in due course.

What does a Royal Mail partnership mean for Post Office?

- 5.10 A partnership for Royal Mail will not impact its commercial relationship with the Post Office. The Post Office will continue to offer Royal Mail's products and services throughout its network. However, it will provide a new opportunity for Post Office to focus on its own challenges and create a vibrant future for the network.

100% owned by Government

- In light of the essential social and economic services offered by the Post Office, and because the network does not exist for commercial reasons alone, it will continue to be 100% owned by Government. We will repeal the existing power in the Postal Services Act 2000 for the Secretary of State, subject to Parliamentary approval, to dispose of shares in Post Office Ltd. Instead, the Bill will set out a new requirement that Post Office Ltd must at all times be wholly owned by the Government. This will not affect the Post Office's commercial freedom to enter into joint ventures and other collaborative arrangements where appropriate to maintain and further develop its range of products and services. But it will ensure that it is no longer possible to sell shares in Post Office Ltd itself.

Group structure

- To ensure that Post Office Ltd remains 100% Government owned, and remains wholly separate from a minority investor in Royal Mail Group, changes will be made to the current group structure.
- Post Office Ltd will move to become a sister company of Royal Mail Group Ltd with equal status to the letters business within the Royal Mail group of companies. It will therefore sit directly under the ultimate parent company, Royal Mail Holdings plc. A partner will invest in Royal Mail Group Ltd, and therefore have no involvement in Royal Mail Holdings Plc or Post Office Ltd.
- We will also create a new Board for Post Office Ltd, separate to the letters business, with a non-executive Chair. This will provide a new

level of support and challenge for the Post Office's management team. It will also allow Royal Mail and the Post Office to focus on the very different challenges they face.

Post Office Ltd staff

5.11 A partnership for Royal Mail will require technical changes for Post Office Ltd's staff.

TUPE

- Staff who work in Post Office Ltd are currently on secondment from Royal Mail and not formally employed by Post Office Ltd. In order to implement the Royal Mail partnership, they will be transferred to become direct employees of Post Office Ltd on exactly the same terms and conditions of employment as they enjoy now. The Bill includes provisions to confirm that TUPE³ will apply to their transfer.
- All affected staff will be fully consulted on the proposals, in line with the TUPE provisions.

Pensions

- As the Post Office will not be part of a partnership, new arrangements will be made for Post Office Ltd to become the sponsoring employer in relation to future benefits accrued by its staff.

Accountability

5.12 A number of stakeholders, notably the Business and Enterprise Select Committee, have commented on the lack of public transparency of Post Office Ltd's finances. Post Office Ltd receives significant Government funding (£2bn between 1999 and 2006 and up to £1.7bn more to 2011) and we agree that Parliament should have appropriate oversight of how this funding is spent.

5.13 The Bill therefore proposes a new statutory requirement for Post Office Ltd to lay its accounts before Parliament each year.

Legislation

5.14 In relation to Post Office Ltd, the Postal Services Bill will:

- Ensure Post Office Ltd remains in 100% Government ownership, and separate to the Royal Mail Group Ltd.

³ The Transfer of Undertakings (Protection of Employment) Regulations 2006



Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone Fax & E-Mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/ General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other Accredited Agents

Customers can also order publications from

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

