



Letter from Adam Crozier to MPs and Peers - 16 October 2009

Dear

I hope you don't mind me writing to you again with a further update on the continuing industrial action being taken by the Communications Workers Union against essential change and modernisation in Royal Mail, and on their announcement of two days of national strikes this coming Thursday and Friday. I also wanted to assure you that we will be doing everything we can to keep the mail moving and minimise the impact of strikes on customers, including using management volunteers and bringing forward some of the normal contingency arrangements we use every year to help us handle higher volumes of mail at Christmas.

Earlier this week the CWU issued Royal Mail with a fresh set of threats and demands, including more money and an absolute veto over any future change and modernisation, which I believe is something no company, could give. Royal Mail has no option whatsoever but to modernise in the face of increasing competition not least from the accelerating trend away from post to electronic communications, which has helped drive the number of letters sent in the UK down by almost 10% this year.

The CWU's continued and determined opposition to much-needed modernisation, particularly in London, is in spite of the fact that all the changes we are making were agreed by the CWU under the 2007 Pay and Modernisation Agreement in the presence of the TUC – and have already been implemented successfully in units around the UK. All we are asking our people to do is to work the hours they are paid to work, and to work flexibly, using the tools we give them to do the jobs – a way of working which has been the norm in most if not all other UK industries for decades.

The CWU says publicly it is up for modernisation when the reality is that it is actively instructing its branches to oppose change on the ground. And although the CWU has repeatedly offered a moratorium on strikes in return for a period of no change, it has reneged on that promise despite us telling them three weeks ago that we would make no further efficiency changes at Royal Mail between now and the New Year. Instead of honouring their no-strike promise, the CWU has since then actually called strikes in more than 150 delivery offices and, as you know, has now announced a two-day national strike. Indeed, in the last six years the CWU has authorised around 950 strike ballots, which is hardly a sign of a union that is truly up for change.

No-one disputes the fact that Royal Mail urgently needs to complete its modernisation so our efficiency improves and we can compete and thrive in today's intensely difficult market – and continue to support the all-important Universal Service on which so many depend. So we are appalled that the CWU leadership continues its drive to hurt customers and undermine confidence in the entire postal industry in the UK, and that it refuses to believe that mail volumes are falling, not just in the UK but in markets around the world. The facts remain:

- UK mail volumes are falling by up to 10% year on year.
- Mail markets around the world are also falling with declines of 14% in the USA, 6% in the Netherlands and 14% in Norway.
- Every 1% of lost mail volumes in the UK costs Royal Mail £70 million in lost revenue.

- In London where most of the recent strikes have been focused, 20% less mail is being delivered than two years ago.
- Royal Mail is paying more than £800m every year in cash into the pension fund including some £300m to fund the historic deficit which is expected to more than double when it is revalued this year from its last valuation at £3.4 billion three years ago.
- The CWU claims publicly to support modernisation and change, yet it writes to its branches telling them that its policy is to actively oppose change on the ground.
- All we are asking our people to do is to work all the hours for which they are paid, and to work flexibly, using the tools provided to do the job.
- Royal Mail has around 140,000 postmen and women of whom around 80,000 have not voted to go on strike.

Our door is always open and we continue to meet with the union leadership. Mark Higson, the Royal Mail Letters Managing Director, and his team has held around 80 meetings with the union in recent months and I have continued to extend an invitation – made repeatedly since the start of this year – to meet one-to-one with the CWU General Secretary, Billy Hayes, but have not yet been offered a date.

We also apologise wholeheartedly to our customers who are being hurt by the CWU's strike action. We are again urging the CWU to honour the commitments they have made, both under Pay and Modernisation 2007 and in their recent promises of a moratorium on strikes and get back to delivering the service our customers deserve.

Our customers are Royal Mail's number one priority and concern, and we will be doing all we reasonably can to deliver our customers' letters as quickly as possible. For that reason, we will be bringing forward our plans to hire fully vetted temporary workers, who would normally join for the Christmas rush, to help us keep the mail moving. Given the seriousness of the situation, we plan this year to hire up to 30,000 fully vetted temporary workers, compared with the normal 15,000, as well as set up five special centres to help us handle parcels and packets.

We always seek to engage with our people, to consult with them and we honour – fully – existing agreements. With their support we know we can build a world-beating company that excels in customer service and innovation while at the same time providing the Universal Service to 28 million addresses around the UK.

But there can be no half-way-house on modernisation if Royal Mail is to have a future. We are already on track with Royal Mail's £2 billion transformation plan and have already invested £900million in equipment including new automated sorting machines, new delivery vans and motorised trolleys, and new handheld devices to help us track our customers' mail. Modernisation is already working – it's helping Royal Mail become more efficient and competitive and, in spite of the huge decline in mail volumes, allowing us to maintain our performance and to keep on supporting the Universal Service. To let the CWU throw all that away just when modernisation is taking hold would be insane.

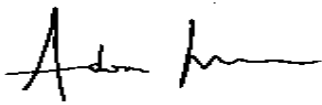
That's why we will keep on meeting the union and will keep on asking them to support rather than act to destroy the modernisation of this business, and to support a bright future for Royal Mail. We

have told the union that we are willing to keep on talking for as long as it takes to resolve this dispute.

I am attaching for your information a recent letter from Mark Higson, Royal Mail's Managing Director, to Dave Ward, Deputy General Secretary of the CWU and a fact sheet setting out our progress on modernisation so far.

Thank you for taking the time to read this update. I hope you find it useful and, as ever, please do not hesitate to contact me if you require further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adam Crozier', with a stylized flourish at the end.

ADAM CROZIER