

## EMAIL RESPONSE

**Date: 06/10/2007 16:40:37**

**Subject: Re: access margin review**

Tony,

Here is my 'formal response'.

I have been a full-time reserve delivery postman in the Northants NN8/9 area for about four years now. I am Downstream Access (DSA).

It is in nobody's interest that Royal Mail (RM) should fail as an operation and the USO must be maintained and protected at all costs.

Having read through the Interim Review (IR) my reaction is astonishment but perhaps I am out of my depth in this world where £82m of cost differences can go 'unexplained' (3.14).

The most telling paragraph is 5.34 which points out that RM will make a 2007/8 loss on access of some £20m, and in which not only does Postcomm point out inefficiencies in RM's revenue collection procedures but it also 'punishes' RM by not adjusting access prices (presumably upwards) due to RM's sub-standard figures.

I am astonished that much of the data provided by RM and upon which many predictions and proposals are based is deemed inadequate or inaccurate (5.14 / 5.15 / 5.19 / 5.22) - they came to the party but didn't bring the bottle. This is the more astounding because pretty much the entire future of postal services in this country hangs on the outcome of Postcomm's reviews and RM's handling of the competition. Attempts to justify and predict future costings and revenue, and therefore business strategies and policy, based on out of date or insufficient information (5.23) are meaningless. Furthermore, for RM to have provided such poor data in the first place (Foreword 13) makes one wonder what their game is and if they are taking it seriously. It was of little comfort to read the IR's comments on similar (un)reliability of data from the three competing applicants (5.40). As for the competitors asking for a reduction in headroom (Foreword 11), well they would wouldn't they?

I am also astonished that RM is not scraping absolutely every penny available from its entire range of products and services (5.30 / 5.32). That Postcomm can even suggest there is room to increase prices highlights a failure of RM management and accountants to identify areas where revenue is available but uncollected. Postal workers are actively encouraged to rectify postage deficiencies, so to learn that some initial pricing is insufficient is galling to say the least, especially regarding the IR's comments at 2.21. We patch up the ship's bows but the sails remain tattered and there's a problem on the bridge.

I am further astonished that RM provides goods and services at only break-even point or actually at a loss (Foreword 15 / 5.11). Surely the top priority of any business and first financial rule is to maximise income, which course of action RM has evidently failed to adopt (Foreword 17 / 5.30 / 5.32). This again is galling. During the industrial action in June/July 2007 RM sent a letter to employees (dated 20 July) in which they explained their determination and reasons for not compromising or giving in to the CWU's demands over pensions, modernisation and pay. Talking about the latter Messrs Leighton and Crozier wrote . . . "there is, and will be, no more money available for pay." Yet money evidently goes begging every day.

I was very interested to read how in America USPS have handled the competitive market (Foreword 20) and I would suggest that studies be made in European countries to see how the long-established national carriers have adapted to the introduction of rival mail companies. Previously I held the opposite view but I now agree with comments (5.6 / 5.37) that working together in an expanding market rather than fighting over a shrinking one is preferable and may be the only successful way forward. With the right vision and leadership we can all profit.

Still and all, you can publish all the tables you want to show this or that but let's not lose sight of the reality on the street. The bottom line to me is that those running any business might offer their very best customers a 20 to 25% discount; taking the 34p 1C stamp as the guide, RM are effectively allowing their rivals 50 - 60 % off depending on whose figures you take as DSA cost-per-letter (3.3 / 5.22 / 5.23). Even though RM do not process and collect this mail, business logic tells me the maximum headroom ought to be much less than 50%.

There is much bad feeling toward TNT et al among delivery postmen and women who want nothing whatsoever to do with the rivals' mail. "They want it delivered - let them do it themselves," is often heard on the RM floor. During my rural village delivery, as I walk 'the final mile' or five, I deliver on average 100 competitors' letters per day - I know because I have counted them. Personally I would feel a whole lot happier if I knew that RM, and therefore I too, were making much better money on each and every one.

Based on the above, an immediate and severe tightening of RM income procedures is my first suggestion. This and the maximum possible increase in access prices alongside frequent talks with competitors aimed at mutually beneficial progress ought to generate enough revenue to at least pay for the inflation equivalent pay rise postal workers expect and deserve. Then, with fuller wallets and bellies, we might be more willing to achieve a compromise on some of the many other issues troubling RM's future.

Best wishes,  
Simon Rickman