

Baroness Wilcox

Parliamentary Secretary for Business,
Innovation & Skills

Lord Whitty
House of Lords
London SW1A 0PW

15 June 2010

Dear Larry

QUEEN'S SPEECH DEBATE – ROYAL MAIL

I would like to respond to the points you raised regarding the Government's plans for Royal Mail during the Queen's Speech debate (*4th day*) of Wednesday 2 June 2010.

I appreciate your concerns about the need for clarity around the future of the Royal Mail and my Government's policy in this regard. Royal Mail is a business with fundamental and longstanding problems, as all sides of the House agree, and it faces huge challenges which require action. My Government wants to safeguard its future and that of the Post Office network so that its employees can have a secure future and consumers and businesses can have a service they can depend on.

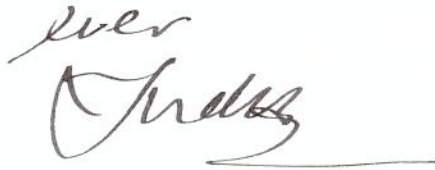
This will require a different strategy for Royal Mail and for Post Office Ltd, as they are different businesses facing different issues. For Royal Mail, our strategy includes seeking an injection of private capital into Royal Mail and exploring options for employee engagement, to enable the management and the workforce to work together to meet those significant challenges the company faces and to allow all to share in future success. For the Post Office network, we must recognise the important social and economic role played by post offices in communities throughout the UK, and we will retain Post Office Ltd in public ownership.

My Government is determined to confront the issues around Royal Mail as a priority and deliver a long-lasting solution for the company, its workforce and postal users. If we don't transform Royal Mail it will be dragged down by a fatal combination of falling mail volumes, low investment and potentially one of the worst pension crises for employees in UK history. That is why we announced a new Postal Services Bill, aimed and modernising the Royal Mail in partnership with employees and we expect the new Bill to cover the following main elements:

- Provisions to enable the disposal of shares in Royal Mail to third parties, which could enable Royal Mail access to private capital and disciplines for future investment, transformation and diversification;
- Retention of Post Office Ltd in public ownership;
- Measure to resolve the problems surrounding Royal Mail's pension deficit; and
- Potential changes to the regulatory framework for postal service.

We are not simply reviving the previous Government's Postal Services Bill introduced by the noble Lord, Lord Mandelson. We want to look at the situation with a fresh pair of eyes before announcing our detailed plans, though it is clear that the issues raised in the recent Hooper report are still valid. As my noble friend Lord Henley responded during debate – Government are now looking at the detail of how to ensure that the Royal Mail can benefit from private sector capital and discipline and how it can modernise in partnership with employees. We will announce details of our plans in due course.

I am placing a copy of this letter in the House of Lords library.

A handwritten signature in cursive script, appearing to read 'Baroness Wilcox', with a long horizontal flourish extending to the right.

BARONESS WILCOX