

Business, Energy and Industrial Strategy Committee

Oral evidence: Royal Mail and the Post Office, HC
1045

Tuesday 17 January 2023

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Members present: Darren Jones (Chair); Alan Brown; Ruth Edwards; Jane Hunt; Mark Jenkinson; Andy McDonald; Charlotte Nichols; Mark Pawsey.

Questions 1 - 22

Witnesses

I: Dave Ward, General Secretary, Communication Workers Union; Andy Furey, Assistant Secretary, Communication Workers Union.



Examination of witnesses

Witnesses: Dave Ward and Andy Furey.

Q1 Chair: Welcome to this morning's session of the Business, Energy and Industrial Strategy Committee for a one-off hearing looking at postal services in the UK. We have three panels today. First, we start with the Communication Workers Union, and then we are going to be listening to evidence from Royal Mail and Post Office.

Good morning to David Ward, who is the general secretary of the CWU, and Andy Furey, who is the assistant secretary of the CWU. Thank you for coming in this morning. Mr Ward, just to start, could you give us an update on the current status of your negotiations with Royal Mail, please?

Dave Ward: We have entered a period of talks—they are meant to be intensive negotiations—from 9 January through to 20 January. We want to come out of that with, at a minimum, a clear way forward, but hopefully we will resolve the dispute and all of the issues that are involved.

I have to say we are still not confident that we are in a place where we can reach that agreement. The union will be re-balloting its members because the six-month stage is coming up very soon. We are confident our members will continue to support us to try to get the right agreement, not just for our members, but also for the services we provide to customers and businesses, and for the future of the company.

We want to align the interests of workers, customers and the company in an agreement that modernises in the right way, very similar, I have to say, to what we already had, which was the Pathway to Change agreement, which the company has reneged on.

Q2 Chair: Andy Furey, what is the Post Office perspective?

Andy Furey: At Post Office, we are still in dispute about the pay freeze for 2020-21. A 5% offer has been made for 2022-23. Both of those have been rejected by our membership. We have now conducted two ballots for strike action. On both occasions there have been over 90% yes votes.

We currently have action short of strike action taking place, and unfortunately there are no talks planned. Last week I wrote to the chief executive, Nick Read, seeking a meeting with him. Thus far he has refused to engage in negotiations directly, which is regrettable. We have offered to call off the action, should that meeting get off the ground. We are looking to reach a settlement for the last two years, which are in dispute, and potentially this coming year.

We are looking at all the different bases to try to find a way through this, but our members are determined to find a resolution and are willing to take further action. Unfortunately, Post Office is not giving them due regard as keyworkers who worked through the pandemic. Clearly, it is



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not an issue of affordability, particularly as Nick Read himself doubled his income and earnings last year to £850,000 from the previous year. There is not an issue of affordability here.

Q3 Ian Lavery: Mr Ward, the CWU has been in negotiations, discussions, consultations or whatever you might call it with Royal Mail for months and months now with regard to the current dispute. Can you give the Committee a bit of a flavour of what is happening here? People are very much unaware of what is happening behind the scenes. What will it take to resolve this industrial dispute?

Dave Ward: It is important that the Committee recognises the scale of what we say is the most brutal attack on any group of workers the UK has seen for decades. It really is a fight for the future of every postal worker's job, for the future of their terms, conditions and pay, and for the future of the services that Royal Mail provides to the public, most notably the universal service.

Our concern is that the company's whole strategy is not about, in our view, modernisation. It is a phrase that is often used to put workers and unions on the back foot, as though we are not up for change. We had a change agreement called the Pathway to Change. It would have brought in a 24/7 network.

We accepted that it would bring in changes to try to capture parcel growth going forward, but crucially it also had a strategy to try to minimise letter decline. There was a recognition then that, despite the fact letters are declining, there are so many businesses and members of the public that rely on those services.

Importantly, it was also an agreement that said we would expand the role of postal workers to bring in new products and services that would help to grow businesses in the UK and help to grow the UK economy, with more tailored services at a local level. Postal workers were meant to be part of that agreement.

What we have now is nothing more than an asset-stripping agenda. It is the next stage of breaking up the company. It is a levelling-down agenda in everything—in the value of the jobs postal workers do. It is about replacing the existing workforce over time with a new model, which we have seen across the UK, based on self-employed workers. They have to take the burden of paying for their own vans; they do not get holiday pay; they do not get sick pay; they do not get pensions. It is all of the stuff we have seen in this country for too long.

This debate is about prioritising the shareholders over keyworkers. During the pandemic, our members were categorised as keyworkers. They kept the country connected; they kept Royal Mail going. They got Royal Mail to a position during that period where they made £758 million profits. Those profits were posted in May 2022.



Our concern is that the company has made two catastrophic decisions. If they are going to say they are now fighting for survival financially, which we expect them to say today, they need to face up to and be held to account for the terrible decisions they have made under what we have called gross mismanagement. The two key decisions they made back in May were, first, to give shareholders £567 million of that profit through shareholder dividends and buy-back schemes; and, secondly, to end the cross-subsidy of GLS, which is the international company that Royal Mail owns. If they are in such serious trouble, but still chose to make those decisions when they knew that there was a cost of living crisis and a downturn was expected across the UK economy, we say that amounts to gross mismanagement.

What workers are facing now, compared to the agreement we had previously, is an attack on the number of jobs the likes of which we have never seen. The company has said to shareholders and to the markets there are 10,000 jobs. We believe there are thousands upon thousands more jobs at risk here than the 10,000 the company is putting forward.

As I said, the company wants to replace the existing workforce. They are waging war on the current workforce, with intimidation and psychological bullying, to try to make the job not worth them staying. They want to force people out of this business and replace them with a different workforce, including agency workers and new entrants on 20% less overall pay, terms and conditions. That is why we say this is a levelling-down agenda.

They want to shrink the infrastructure. Another of our major concerns is that we believe the company is deliberately running down the universal service. One of their proposals, which will affect postal workers' work-life balance, is to change attendance patterns by up to three hours. In some of our big mail centres, they are talking about early shifts that previously started at 6 am not starting until 11 am.

We say that is a fatal flaw in their strategy for growth in the future. It will mean they abandon the am delivery period. We expect competitors to move into that period once Royal Mail moves out of it.

The strategy of deliberately running down the USO is because they see it as a burden, not as an advantage. We say that, when a company in the postal sector has a reach of 32 million addresses every single day of the week, if you cannot use that competitive edge, you should not be running a business like Royal Mail.

Our concern here is that, if we do not modify or significantly change the plans Royal Mail is putting forward, this will be the end of Royal Mail as one of the iconic UK companies.

Q4 Mark Pawsey: Mr Ward, I heard you just say the company is trying to get rid of the workers. We have taken evidence from business after business that is short of people. We have heard evidence from some



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public sector employers, such as the NHS, that employees are going to work for Amazon and other such businesses because the wages there are higher. If that is the company strategy, where are they going to find these workers that you think are going to replace your members?

Dave Ward: It is an excellent question. Their strategy is in the agreement they are putting in front of us, which they call their best and final offer—although they have moved away from that in a number of significant areas in the last week or two. They want unlimited numbers of owner-drivers, self-employed workers, to come in.

Q5 **Mark Pawsey:** They do not exist. They are not in the workforce. We know that.

Dave Ward: That is exactly the point we are making. It is time to put trust—

Mark Pawsey: They want to shrink the business, essentially.

Dave Ward: They want to shrink the infrastructure of the business. They want to shrink the workforce. They are saying that is because they are in financial trouble. We say that decent, hard-working postal workers across the UK play a pivotal role in the UK economy and in their relationship with communities. Trust on the doorstep, which we own, is being given up because they have a strategy.

Q6 **Mark Pawsey:** You accept, though, that there is not this pool of workers available to replace your members, if they do what you are suggesting, which is to try to get rid of your members.

Dave Ward: I accept that, given the state of the UK economy at the moment and what you have said. I do not believe the company accepts that.

Q7 **Andy McDonald:** Mr Ward, you have talked a lot about the Pathway to Change, a comprehensive national agreement. You have attacked Royal Mail on gross mismanagement and its attack on jobs. Do you see this as an intentional dislocation by management from the Pathway to Change agreement? Is that, in your view, deliberately to mark a break-up of the organisation and a potential takeover? What is behind this?

Dave Ward: We are really struggling to understand the rationale that the company has put forward. We reached what was a ground-breaking agreement that would have seen the interest of workers, customers and the company totally aligned in a real modernisation agenda. It would have meant a lot of change; it could have still meant some people leaving the business on decent voluntary redundancy terms.

The company abandoned that process and that agreement. They have reneged on all aspects of that agreement. They wrote to the union in September 2022, ripping up pretty much every single agreement the union has that protects our members' jobs and their conditions, which we fought for over many years.



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The strategy now seems to be purely to deal with the financial problems they have created. It is a self-inflicted wound, and we are paying the price for it. Is there, sitting behind that, a potential takeover of Royal Mail in the future? We believe, yes, there is. The Government cleared the company Vesa, a private equity investment group based in Luxembourg, to increase its shareholding. Our understanding is that Vesa has continued to increase its shareholding in recent weeks. We do think that sitting behind all of this is boardroom politics and boardroom power struggles about who owns Royal Mail.

Our view is that the workers should have a greater say in a company they take great pride in and have worked for over many years. There are so many major problems here that sit behind this dispute. The frustration is that, whenever you deal with this dispute, all people want to talk to you about is pay. Pay is hugely important for our members. This is the worst cost of living crisis in living memory. We want a deal on pay as well; of course we do, but the changes Royal Mail is proposing, we are very clear, will shrink this company to a point where it will not exist as the Royal Mail we know today.

Q8 **Andy McDonald:** With that, is the universal service obligation under threat? We have heard about the attempts of the current owners of Royal Mail to degrade that further. We have been assured by the Secretary of State that that is not going to happen, but is that where this is headed?

Dave Ward: The company definitely does not see the universal service, delivering to 32 million addresses every day, as an advantage. They see that as a financial burden. We say that any company in this sector would give its right arm to be able to have that infrastructure. We say it is a fatal flaw in their plan to look to end the USO.

They have gone to the Government. They went to the Government initially behind our backs months before the official position. There has been a long running saga on this. Previous CEOs also tried to go to the Government to reduce the level of service under the universal service obligation.

We understand that the universal service cannot be sustained unless we innovate to develop new products and services. There is a role there for Ofcom as well. At the moment—we agree with the employer on this point—Ofcom is creating circumstances in which the universal service cannot continue economically. It is there for the future, if we see it as part of building growth in the future. Royal Mail should be able to track its parcels through that. Currently, Ofcom are denying it that opportunity.

Our view is that the company is deliberately running down the USO. There are stories coming out of every single delivery office in the country about how they prioritise parcels over letters. They tell postal workers to keep letters in the frame. They do not give our members overtime if there is a problem with backlogs. This is what is been going on for months and months.



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Performance-wise, in 2022, before the strikes had any impact, in the quarterly results, the delivery of letters was down to 80% from 95%. That is a deliberate attempt to run down the universal service in order to get the Government to agree to reduce service levels.

Q9 Ruth Edwards: Mr Ward, you said Royal Mail was waging war against its workforce and there was quite a lot of intimidation going on towards postal workers. That is a very serious accusation. Can you give the Committee a few examples of what you are referring to?

Dave Ward: Yes. We have had a situation where people, during and in the lead-up to this dispute, are being bombarded with communications that are clearly aimed at demoralising the workforce. There will be comments on the CEO's Workplace social media platform where he will say things that we say are goading the workforce. He will say things like, "If you do not like the change, go and find another job."

There is a lack of engagement going on at a local level; changes are imposed on a daily basis. It is not just the days we are on strike that our members are under pressure. Clearly, strikes are difficult in the current climate. When they go back to work, they are denied normal levels of overtime. They are told to do this and to do that. They are threatened. If they do not complete work in the time they are supposed to take to finish the job, they are threatened with delaying the mail.

Many of them have been suspended. Over 200 reps of the union and members have been suspended. In our view, many of those charges were fitted up to target and intimidate people. It needs to be the postal workers themselves. We are just the voice of the postal workers. We have never seen this level of demoralisation, which we say is deliberately being done to force a lot of people out of the job.

Q10 Ruth Edwards: Just to clarify for my understanding, you seem to be saying there that there were some unofficial repercussions for workers as a result of strikes. Is it correct to interpret your remarks in that way?

Dave Ward: Yes. It is called the punishment charter. It is something they have been doing through this dispute. When people come back to work, they do not allow them to carry on working normally. They force them into doing different things. They do not give them the earnings they used to get previously.

They have attacked workers on sick pay. They start to make out that there is no sick pay. If you put in a sick note now, the company disregards it and automatically says that you should not get sick pay until you can prove it two weeks later. The whole basis of how we work has been ripped up by the company.

Q11 Ruth Edwards: You mentioned postal workers being punished for delays. I have heard anecdotal evidence from postal workers that walk routes have been reorganised and that some of them are now so large that it is impossible to deliver them within a shift and, as a result, mail is



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going back to the sorting office. Is that your experience, too?

Dave Ward: That is exactly what is happening. At the moment, the company is imposing change by what we call managerial executive action, with no input whatsoever from frontline postal workers.

They are changing their routes; they are adding to existing routes. We say this is an attempt to do two things: first, to get it into the minds of postal workers that change is inevitable and there is no point in fighting against it; and secondly, to demoralise them so they just accept the change.

We have never seen a situation where the entire workforce has lost confidence in the leadership of the company. We have had disputes in the past, but it has never been as bitter as this particular dispute.

Q12 **Ruth Edwards:** Mr Furey, at Post Office, how are the relations between Post Office and postmasters?

Andy Furey: Postmasters' morale is at an all-time low, unfortunately. We believe Post Office is sleepwalking into potentially thousands of closures. Postmasters are really struggling to make ends meet. The reward they get for their endeavours and labours is paltry.

Many of them are not even on the minimum hourly wage while they are self-employed. They are really struggling. We are hearing reports every single day where people are saying that they are just going to walk away from it and they cannot make a living from providing postal services.

The root cause of all these problems is Horizon and the inability of Post Office to deal with that and to pay compensation. It is going to need significant Government intervention to ensure there is a viable future for Post Office. We are at the tipping point. If something is not done quickly, we will see wholesale closures.

The postmaster's lot is a very difficult one. Post Office is not doing anywhere near as much as it should be doing to protect and safeguard those hard-working postmasters who, after all, are part of the fabric of society.

Q13 **Alan Brown:** Andy, turning to the Horizon scandal, the Criminal Cases Review Commission has contacted 326 individuals, but it has only received 39 responses. Of the 39, only 22 former sub-postmasters have been back in touch with them requesting information about how to challenge their convictions. That is only 7% of these potential wrongful convictions that are looking at going to the next stage at this moment.

We know some former Post Office workers might not be aware of the services of the Criminal Cases Review Commission. Others are traumatised; some are getting on in age from when the initial scandal happened. What other obstacles are there for former workers? More importantly, how can the Criminal Cases Review Commission reach more



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former workers to get them to challenge their convictions? Is there too much pressure on individuals to take this forward rather than getting more assistance?

Andy Furey: You accurately describe the ongoing situation there. Many of the postmasters that were victims—hundreds if not thousands of postmasters, some of them going back 20-odd years—may now be too elderly to pursue justice on their behalf. Many of these postmasters are in an ageing population. Many of them will not have the financial and legal support to pursue justice through the CCRC.

Both Post Office and the Government should be doing more to bring to the attention of those victims that they have the ability to get redress, get exonerated and have their convictions overturned. Much more should be being done to financially support those people and to shine a light on their right to submit claims to the CCRC in England, Wales and Northern Ireland, and in Scotland, where there is a separate organisation as well.

I understand Post Office wrote to everybody who was convicted to say there was now the ability to lodge a claim, but that needs to be pursued with more vigour and more enthusiasm. More effort should be made by the Government and Post Office to do that.

Q14 **Alan Brown:** In short, the Government and Post Office should provide financial and legal support to get this moving forward.

Andy Furey: Absolutely, yes.

Q15 **Alan Brown:** Moving on, does the compensation scheme for the victims of the Horizon scandal go far enough? What else should Post Office be doing to help postmasters?

Andy Furey: Ultimately, I believe that there were many hundreds of victims. It is not just the ones who were prosecuted and convicted; it is also the people who paid back the losses, week in, week out, from the glitches in the system. This destroyed the livelihoods and the wellbeing of thousands of people.

Post Office has to go significantly further here and do much better for those postmaster victims. After all, the actions of Post Office created this situation. It is not just the prosecutions. Many postmasters were frightened for their livelihoods. If they did not put the money into the tills week in, week out to make good, they were frightened that they would have lost their jobs and they would have been prosecuted.

Definitely much more should be done. Unfortunately—I am sure Nick Read, the CEO, will also confirm this—Post Office does not have the money to compensate these people, and therefore the Government are going to have to come up with more money for this situation.

Sir Wyn Williams's inquiry is doing an excellent job to shine a light on these problems, but ultimately the compensation being offered is simply



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not good enough. People have had their lives destroyed; they have lost their homes; they have had marital problems; they have lost respect in the community.

In that sort of situation, how do you put a price on compensating people for their lives being turned upside down for so many years? So much more should be being done by both Post Office and Government, but ultimately Post Office needs more money to be able to resolve this problem.

Q16 Alan Brown: I just have one quick question on the general operation of Post Office. I represent a constituency that has a lot of rural villages. I have noticed that a lot of Post Office franchises have effectively disappeared by the back door. There should still be a post office there, but Post Office says it cannot get anybody to operate the franchise from a shop. Quite often, shop owners tell me there is not enough incentive for them. Is Post Office doing enough to maintain these services in rural areas? Is this another rationalisation by stealth?

Andy Furey: This is why Post Office should have a good core of directly managed Crown post offices. By franchising them to separate companies, such as RS McColl, when they decide to walk away from them with no substitute replacement service, the communities and the customers lose out.

I do believe we are really at a tipping point here. Services in urban and rural areas could be under massive threat. Whether postmasters' franchises are part of a single group or whether they are independently run, the whole post office network is under immense pressure. Significantly more needs to be done to develop new work, revenue, income and transactions, to diversify and to become much better at what they do.

You only have to look at the models for how post offices are run elsewhere on the continent. In France, the financial services Le Post does generate greater income and revenue than the mail side.

The other thing here is that, of course, there has been an artificial separation, with the umbilical cord cut between Royal Mail and Post Office. It was one entity. It is the only country in the world where mail and parcels has been privatised but the post office has remained Government-owned. That is not helpful for both organisations. CWU's position is that they should be brought back together again.

Q17 Mark Pawsey: Mr Ward, Royal Mail has two bits of business. It has letter business and it has parcels. Letters are under massive pressure from people sending stuff by email. Banks do not send out statements and people were not even sending Christmas cards. That volume has decreased massively. On parcels, Royal Mail has some very agile competitors, which are very flexible and able to adapt to the changes in the market.



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Given those pressures on the business that is available for your members to deliver, is it not really dangerous for you to be taking the action you are taking at the moment?

Dave Ward: We have had no choice but to take the strike action. We are fighting for the future of the service. Our members' jobs are under threat.

Mark Pawsey: Do you recognise that—

Dave Ward: Let me explain. We want an agreement that is about real modernisation. We had that agreement previously. We would recognise the points you are making, but at the moment the company is not interested in building a proper growth strategy for the future. We would accept a move towards a position where the company can be agile with a 24/7 network.

There is a fundamental disagreement. We do not believe the company should be abandoning the am delivery period. The point I would make to you is that it is crucial that we have a strategy that is going to succeed in the future and not one that is just going to satisfy shareholders in the short term.

Q18 **Mark Pawsey:** Do you recognise that the action you are taking is encouraging the customers of Royal Mail to seek alternative methods of getting whatever it is they want delivered?

Dave Ward: It is what I said earlier. I would say to customers of Royal Mail that we are fighting for their services in the future. We are fighting for the universal—

Q19 **Mark Pawsey:** They have plenty of alternatives to go to.

Dave Ward: That may be the case, and they will have to make that decision.

Q20 **Mark Pawsey:** They are making that decision and it is affecting—

Dave Ward: From a trade union perspective, from a workforce perspective and from the perspective of the workers who care about the service, we are entitled to put forward our ideas for how the company can be successful in the future. We have to be able to continue to do that.

Let us hope that negotiations can resolve this dispute. What that will take is the company stopping the imposition of executive action, sitting down with the union and making a genuine agreement that is in the interests of customers, the future of the company as well as the workers. That is what we want.

Q21 **Mark Pawsey:** Are you not worried that, by the time you get there, the business will have shrunk so much that there will be redundancies?

Dave Ward: Of course we are concerned about that situation, but the blame for that lies with the company. If they had not—



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Mark Pawsey: Your members will suffer.

Dave Ward: They reneged on the agreement. Our members are suffering now under the plans Royal Mail is putting forward, believe me.

Q22 **Ian Lavery:** Mr Ward has answered the question I was going to ask. There has not been a resolution to this dispute. What are the barriers? You have more or less explained it in the last couple of minutes. What is it going to take to resolve this dispute?

Dave Ward: First, does the company want an agreement? Does it believe it can achieve success by imposing change without the support of the workforce? We believe that will be a catastrophic error.

Secondly, the strategy of the business must look to expand the role of postal workers. You cannot shrink to greatness in a business like Royal Mail. You have to utilise the existing infrastructure to build new products and services. We believe there are lots of examples of areas where we could be working with the company and using the skills, experience and trust that postal workers have on the doorstep to do exactly that. The strategy is crucial going forward.

On jobs, we cannot support an alternative resourcing model in a UK company as big as Royal Mail. This country cannot carry on with this type of levelling-down approach. Whenever there is a problem, whenever people start to ask, "How do you solve this problem?", the answer is that you smash the business up. You break it up, sell bits of it off and bring in a new workforce on worse terms and conditions. We are not going to accept that.

Postal workers do not earn a fortune at the moment, but they are decent, hard-working people. This can be a successful business, if we get the right alignment and if the company listens to the views of the workforce and what the union is putting forward as part of a deal for change.

Chair: Thank you very much. That brings the first panel to an end. Dave Ward and Andy Furey, thank you for your time this morning. We are grateful.