

Business, Energy and Industrial Strategy Committee

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

Wednesday 22 February 2023

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Members present: Darren Jones (Chair); Alan Brown; Ian Lavery; Andy McDonald; Mark Pawsey.

Questions 120-254

Witnesses

I: Simon Thompson, Chief Executive Officer, Royal Mail; Keith Williams, Chairman, International Distributions Services plc; and Ricky McAulay, Operations Development Director, Royal Mail.



Examination of witnesses

Witnesses: Simon Thompson, Keith Williams and Ricky McAulay.

Chair: Welcome to this afternoon's hearing of the Business, Energy and Industrial Strategy Select Committee. We will be hearing today from Simon Thompson, chief executive of Royal Mail; Keith Williams, chairman of International Distribution Services plc, the parent company of Royal Mail; and Ricky McAulay, who is the operations development director at Royal Mail. Good afternoon to all three of you.

This hearing has been called further to our hearing on 17 January, due to the Committee's concerns that several answers to our questions during that hearing did not align with the information we subsequently received from postal workers across the country. I start by saying, on behalf of the Committee, that we are grateful to everybody who got in touch with us after that hearing. I think we are nearing 1,500 communications from people across the country. I am sorry that we weren't able to reply individually to all of those, but please know that all of them have been read and they have informed today's proceedings.

We will revisit three particular sections today, as has been communicated to the witnesses in advance, before taking broader questions from members of the Committee. Those sections will be: first, the use of technology to track and discipline postal workers; secondly, the delivery of the universal service obligation that requires Royal Mail to deliver letters six days a week; and thirdly, the Royal Mail's sick pay policy.

Before we begin, in the previous session a person in the Public Gallery displayed a poster, which was broadcast on television but which I did not see. I remind people in the Public Gallery that you must remain silent during today's hearing and that no props are allowed. If there are any props or disruptions, I'm afraid you will be removed from the Public Gallery.

As the witnesses have been informed in advance, in Parliament we have a procedure for witnesses to take the oath, which we do not ordinarily use. Given the circumstances, in which this is recall hearing with allegations of misleading Parliament, we have decided, on balance, that we will ask the witnesses to take the oath today, in line with the procedures available to the Committee. I remind the witnesses that, in doing so, you are obliged to tell the whole truth to the Committee. Any failure to do so will be considered a contempt of Parliament and a potential perjury, for which individual sanctions may be followed.

Before I begin, can I ask the Clerk of the Committee to administer the oath?



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Keith Williams: I, Keith Williams, do solemnly, sincerely and truly declare and affirm that the evidence that I shall give before this Committee shall be the truth, the whole truth and nothing but the truth.

Simon Thompson: I, Simon Thompson, do solemnly, sincerely and truly declare and affirm that the evidence that I shall give before this Committee shall be the truth, the whole truth and nothing but the truth.

Ricky McAulay: I, Ricky McAulay, do solemnly, sincerely and truly declare and affirm that the evidence that I shall give before this Committee shall be the truth, the whole truth and nothing but the truth.

Q120 **Chair:** Thank you very much. Before we begin the questions, I inform people viewing the session that we will be referring to a number of images at the start of each section, which will be displayed on screens and on the broadcast on television¹. The witnesses and members of the Committee have been given advance copy of this in the paginated bundle, which has also been published on the Committee website. While those images are being broadcast, I will do my best to explain what we are seeing on the television and the broadcast for people watching remotely.

We will now start with questions on section 1, in respect of the use of technology to track and discipline postal workers. If I could ask the Clerk to display image 1² on the screen, please. This appears to be a series of printed delivery route maps, which have tracked postal workers doing their rounds, and there are a number of yellow dots on those maps and on those routes. If I could remove the image from the broadcast, please. Mr Thompson, what are those yellow dots?³

Simon Thompson: Those yellow dots display dwell time.

Q121 **Chair:** What is dwell time?

Simon Thompson: Time where a postal worker is stationary.

Q122 **Chair:** So you are tracking a postal worker and whether they are moving or standing still. That is what those yellow dots show.

Simon Thompson: This is a system called Outdoor Actuals, which is something that was jointly developed with the CWU. We have a joint commitment for this back from April 2018. It is not information that is available in real time. As I said last time, we don't track the postal workers in real time, nor do we nudge them, in terms of making sure that they go at the right pace. This is a system that is used to make sure that we balance the workload evenly across the whole of the team.

¹ Reference to Royal Mail Slides relating to the recall session,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>

² Reference to slide number 1, image 1,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>

³ Reference to slide number 1, image 1,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>



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I just want to read something from the policy, and I did share this with the Committee—

Q123 **Chair:** Sorry, Mr Thompson; I don't mean to cut in, but we are very strict on time today and I just need my questions to be answered. You will have time to elaborate later.

The yellow dots specifically track whether a postal worker is standing still in a particular location for a particular length of time. As I understand it, those dots get bigger if they are stood still for longer.

Simon Thompson: Yes, that's right. That is part of our technology that we jointly use with the CWU to make sure that our workload is balanced and even.

Q124 **Chair:** Thank you. If I can move to image 2⁴ on the screen, please. This is a bar chart that is taken from one of your delivery offices, which is tracking the stop time in minutes of individual postal workers on a given day—on 13 February 2023. If I could remove the image, please. Why are you printing posters and displaying them in delivery offices comparing individual postal workers and how long they stand still for at any particular time, if you don't track them individually?

Simon Thompson: Yes, I understand. Ricky, maybe you can add to this one as well. We saw this evidence the other day and that is actually a breach of our very clear policy and our agreement with the CWU.

Q125 **Chair:** A breach of policy. Okay. Can I look at image 3⁵, please? This is a photo of a whiteboard from another delivery office in another part of the country, which says, "As per Tuesday brief, don't get caught", alongside a list of postal workers and the speed of their deliveries. Can I remove the image from the broadcast, please? Is this another rogue action, Mr Thompson?

Simon Thompson: This was actually displayed on Workplace—our internal social media tool—a couple of days after the last Select Committee meeting. It is actually from Medway Valley down in Kent. We were alarmed to see that. It definitely breaches our policy. Anything on there that says "don't get caught" is clearly not what we do. I do not believe it is representative at all of what happens. I actually visited that delivery office, along with our regional operations director Sean, around about 10 days ago, after we saw that, to really understand why it was that it had happened at a local level.

Q126 **Chair:** Okay. You are claiming that you do not track and display the information about how postal workers are working—that that is against Royal Mail policy. That is what you are saying today.

⁴ Reference to slide number 2, image 2,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>

⁵ Reference to slide number 3, image 3
<https://committees.parliament.uk/publications/34033/documents/187729/default/>



Simon Thompson: It is, and what we discussed last time when we talked about the PDAs—and I did reread the evidence that I gave last time—is that, when our postal workers are out using a PDA, it does not track them in real time at all. Nor does it nudge them in terms of the speed or in terms of how it is that they move on. Nor does it tell them which order to do anything in, and nor can any of the data that we have seen today be actually used in any form of performance management.

Q127 **Chair:** Understood. Can I look at image 4⁶, please? This is a post that you posted on your internal communications channel, where you are analysing the data of the speed of delivery of postal workers across the country. I think you are suggesting that people who work slower walk slower and deliver things more slowly, and you have said “any views on this?” You were “feeling curious” about what it meant about the speed of your postal workers. Can I remove the image, please? If you are telling me today that you do not track your workers, why did you post that?

Simon Thompson: I discussed it last time, actually, and I talked last time about our estimated delivery window. That is national, anonymised data. The problem that we are trying to solve for the consumer is that our delivery windows are somewhere between three hours and four hours. What the consumer wants to do is not wait in, or not go out, in terms of having to pick their item up. That is an initiative that we have been working on to see if we can get a situation where we can reduce that window, so we can actually be more market competitive. That was why that was displayed. I have to say that it was a very, very good debate that we had with the postal workers. One of the reasons why I put Workplace in was so we could get the direct feedback from the front of the business on how we could improve things for customers, which I have to say our postal workers are very much interested in doing.

Q128 **Chair:** I have seen lots of screenshots. It seems that you spend quite a lot of time on there talking to your workers. You have made reference to transcripts previously. In the last session, when we were talking about the use of technology, you said: “I am not aware of technology we have in place that tells people to work more quickly.” You later said: “To the point you are making about this device telling people to go more quickly, that is not something we do.” You later said: “We do not use that technology when someone returns back to the office in any form of penal way.” I take your point that, in real time, it might not be buzzing and saying “Run more quickly,” but I think it is quite clear, based on the evidence, that you are using technology to encourage people to be more quick and to rank them against their colleagues—who is and is not the quickest at delivering their letters.

We have had written testimony from postal workers across the whole country. So far today, you have said that there have been a number of rogue delivery offices, but I have testimony that literally covers the whole country. There is someone here from Nottinghamshire: “I would like to

⁶ Reference to slide number 4, image 4

<https://committees.parliament.uk/publications/34033/documents/187729/default/>



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advise that the information recorded on the PDA devices is 100% being used to discipline staff & we are being pulled into the office daily." I have a message here from a delivery office manager, who says: "PDA data is available to all management levels, and is used to discuss postie performance. Managers down the ladder are questioned whether performances have been challenged, and names are requested, to ensure challenges are progressed through conduct if repeated." I could go on and on.

It seems everyone in the business assumes you use this technology to track the speed of your workers, to enforce performance and, in some circumstances, to discipline workers. Are you really telling us today, Mr Thompson, that is not true?

Simon Thompson: Yes, I think that the systems that we use in terms of the Outdoor Actuals is all about balancing equal workload. I did go and check whether we had a situation where this data was being used for performance management. Out of the 3.6 million walks that the team have done—we do around about 58,000 a day—over the last three months, the only thing we can see is 16 conduct cases where data has actually been referenced. A conduct case is a very severe, and actually quite rare, occurrence. If that data is requested for that particular situation, then that has to be referred to a human resources professional before that information would be released. So there is nothing that I can see that would say that this is being used to performance manage.

But what I would also say is that we have very, very sophisticated internal systems where people can speak up and where they can raise a grievance. We also have very much publicised our "Speak up" anonymous process, which I have really championed since I came into the business. If people are unhappy with how these things are being used, they should definitely tell us.

On the Outdoor Actuals, what we use them for—this happens every single week—is a communication and relationship between the CWU rep and the manager to make sure that there is a balanced workload across the team and that everything is fair. That is what it is designed to do.

Q129 **Chair:** Just put yourself in the shoes of a postal worker, Mr Thompson. You are coming into the delivery office and there is a poster on the wall that ranks you against your colleagues. There are whiteboards saying "don't get caught"⁷. I have another testimony here from a 56-year-old postal worker who says that on several occasions his manager has spoken to him about not being efficient enough compared with his colleagues. He makes the case that he is 56 and probably cannot go as quickly as a 20-year-old. It is another potential case of age discrimination.

You used a phrase earlier; you said you use this technology to balance—what did you say?

⁷ Reference to slide number 3, image 3

<https://committees.parliament.uk/publications/34033/documents/187729/default/>



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Simon Thompson: Balance workload.

Chair: What does that mean?

Simon Thompson: Actually, maybe Ricky should answer.

Ricky McAulay: If you wouldn't mind, Chair, on the detail, we use the information we get from the PDAs—this is by agreement with the CWU back in 2018—to make sure that colleagues have, as Simon has said, a fair and balanced workload. In a typical delivery unit—to expand on the word lapsing, which you will probably see in some of the evidence—they will be set with a base number of routes, perhaps 50 routes in a delivery depot, but at certain times of the year you will need more or less than that. We do use the PDA Outdoor Actuals information as one source to understand where people are finishing before the scheduled finish time, or are perhaps working over and need some work taking off them. But it is about balance and fairness.

Q130 **Chair:** So if you found somebody who is too slow, in your balance, what happens?

Ricky McAulay: That isn't something—we don't track walking speeds on the PDA Outdoor Actuals, but the type of environment, and we have looked at three specific—

Chair: Then how do you balance? You say you want to balance it.

Ricky McAulay: If I can make the point please, Chair. You have presented three bits of evidence across 1,250 delivery units—specifically posters that have been displayed. In my experience—

Q131 **Chair:** Sorry, Mr McAulay, but I am not asking you about the posters; I am asking you to explain what the balance means. If you are trying to balance, across a group of postal workers, how they are working, by their very nature there will be a group of people who are slower than the average or the highest performers. What are the consequences for those people who are slower than the average when you are trying to balance this?

Ricky McAulay: It is not a case that they are slower than the average; it may well be they are not completing their route to the time, and that—

Q132 **Chair:** If you are not completing the route on time, you are being slow, aren't you, by its very nature?

Ricky McAulay: I do not accept that at all.

Chair: I'm sorry, but if you cannot complete your route on time, that means there is a time target to complete the route. If you don't do it on time, you are, by your very nature, being too slow, aren't you?

Ricky McAulay: But that is not the accusation we would make of a postal worker. We would sit down with them and we would try to establish if they had a problem on their route—whether a road was closed or there was any



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particular reasoning. The framing of how we behave in Royal Mail is not representative of what I see.

Chair: Sounds very unusual to me, Mr McAulay, just on the basis of the English language. Are there other Members who would like to come in on the use of PDA?

Q133 **Andy McDonald:** I was interested in Mr Thompson's comment that that PDA data is being used in 16 conduct cases. So the data is being used in a disciplinary fashion: it is being used in pursuit of those cases. We are hearing from postal workers, as the Chair has outlined, that this information is indeed being used and conversations are being had with line managers about performance based upon this data. Are they all wrong when they tell us this? When they have put in that evidence and said, "I am being tracked, that information is being used, and there are consequences for me in the workplace," are you sitting here today telling us that they are all entirely wrong in their own lived experience?

Simon Thompson: Mr McDonald, I don't have the individual cases and I would never say that our people lie. I find our people are very honest, actually—very, very honest—which is why we have trust at the doorstep. But what I would say is it's important to set the context here. As I said earlier on, in the last three months we have done 3.6 million walks, of which there have been 16 conduct cases where data has been used as supporting evidence. That is the information I have. It has not been used as a performance-management tool, which I think is what we discussed last time I was here.

Q134 **Andy McDonald:** So it is a surprise to you to hear that, according to the perceptions of those postal workers, it is being used as a performance-management tool. Presumably, as chief executive you would find that alarming and want to do something about it. What actions have you taken, subsequent to this information being revealed, to instruct people that this data should not be used? Have you enshrined that in writing? Have you given instructions across your organisation that we can see and rely on?

Simon Thompson: Mr McDonald, it definitely needs following up. I had a discussion two days ago, which is when we had the evidence—or a day or so ago, when we had the evidence—with the chief operating officer, and what we absolutely commit to is to make sure that everybody is very clear on what the conditions are around the use of data. I think it just needs to be absolutely exactly as per the policy we had in April 2018 with the CWU—

Q135 **Andy McDonald:** Sorry to interrupt, but can you not understand how frustrating it is for members of the Committee to hear that from you—that having had notice that this was a major area of concern, today you are going to go away from this second hearing to say to your organisation and the people within it, "This is what we are not going to use—data—in pursuit of these matters"? Should that not have been done a long, long time ago?



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Simon Thompson: Mr McDonald, what I would say is that in April 2018, we had a joint agreement with the CWU to use the data in the way that has been said here. The cases that we have seen here—I totally agree with you that the way these things are displayed is not right. I agree with that, and we have absolutely dealt with them. As I think we wrote to the Committee the other week as well, if there is any more evidence to give us, can you please supply us that evidence? We are more than happy to follow up.

I would say to any of the team that are out there, which we have always been very clear about, and I have absolutely always been very clear about, is that if there is anything out there that is making them feel uncomfortable, please let us know. We have the anonymous channels as well. But in addition to that, I think it is time, and we will absolutely go back and make sure that everyone is very, very clear on the conditions of data usage.

Q136 **Andy McDonald:** You have a “freedom to speak up” process. Can you tell the Committee how long that has been in place and how it has been utilised, and give some examples of some of the outcomes of that process? In lots of institutions people refer to such a process, and you hear evidence that it is either not known or, where it is, people don’t have trust in the system to make use of it. Can you tell us how long it has been in place and how effective it has been?

Simon Thompson: What I would say, Mr McDonald, is that it has definitely been in place since I have been the CEO; I believe it was in place before I was the CEO as well. Also, since I have been the CEO, we have very much proactively communicated the use of it. I don’t have any data to hand and I don’t want to say anything that is not right, so in terms of the follow-up on that one, if it is okay with you, Mr McDonald, we will definitely follow up after the session with some more robust information.

Q137 **Andy McDonald:** I’d be grateful. It is a very important part of the process, isn’t it—a system that allows people to say, “Look, I’m not happy with this. There’s a problem here”? Yet you have come here today at a second hearing and can’t tell us anything about the “freedom to speak up” process that you have relied upon.

Finally, can I just turn to Mr McAulay? I am really trying to get my head round how it can possibly be that you have a system where data is amassed, and you are saying it is not used for performance management. I have to ask what is the purpose of it if it is not to manage and monitor the performance of the individuals who are carrying around these PDA units? I don’t get it. I don’t understand it.

Ricky McAulay: How it should be used is laid out quite clearly in a joint agreement with the CWU. It provides information about, I suppose, how the workload in the organisation translates into the time taken to do delivery routes out on the street—our 58,000 delivery routes. It does provide information. When people exit the building, it breaks a geo-fence, so we know they have started the route, and then when they come back



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in, it breaks the geo-fence coming back into the building. All that is laid out in the joint agreement with the CWU.

There is an important point I want to make. There are some examples of where I don't approve of what has been shown, with the three examples of what has been shown, but I have to challenge firmly the generalisation of the culture that we are trying to create at Royal Mail. We are trying to create a supportive culture where postal workers get the support and help that they need. Particularly, we mention people who are elderly, and the different types of jobs that they are able to do later in their career, and people covered by the Equality Act as well. We are a very responsible employer when it comes to how we treat our people. In our most recent engagement survey of 50,000 colleagues, a key attribute is that "the line manager treats me fairly" has improved by seven points to 80%. It is one of the highest scores. So we don't see that in our local relationships. We clearly have room for improvement, and we wholly accept that.

Chair: Thank you. I have about five minutes left on this section, so Ian and then Alan Brown.

Q138 **Ian Lavery:** Very briefly, the information that I am getting from individuals is that this is a performance-management tool, among other things, which has been explained by Mr Thompson and by Mr McAulay and I accept that. It has been mentioned two or three times that this is in total agreement with the CWU. I wonder whether the CWU has made any representations to Royal Mail with regard to the PDA. I know that Mr Thompson said he didn't recognise what the PDA was—or the PVA I think it was the last time—which I think was very contemptible, because he knew what we were speaking about. But I wonder whether the CWU has made any representations.

Very quickly, the second point is that in the questions from the Chair, it was said that there have been at least two breaches of policy, I think probably at regional level. What does that mean? Have you got rogue management? Are you in control of the management structures you have in place, or is that just simply not the case? If you have got proper structures in place, surely as senior leaders within Royal Mail you have a clear understanding of what is happening with your staff. If you haven't, by goodness, you should have, shouldn't you?

Simon Thompson: Mr Lavery, a couple of things from my side. I didn't know what PVA meant last time, just to be nice and clear. I was not being difficult, I swear.

Q139 **Ian Lavery:** That's not true.

Simon Thompson: I'm sorry, Mr Lavery, but we will just have to have a different point of view on that one. But I absolutely know—

Ian Lavery: You treated us with contempt.

Simon Thompson: I disagree, Mr Lavery. I'm sorry, but I disagree. I absolutely understand what PDA is; I did not understand what PVA is, just to be nice and clear.



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I think your second point is a really important point, because I made the largest change in organisational structure for the operations that the company had seen in 30 years. The organisation was de-layered, and we moved the accountability to the frontline of the business—close to the customer—where the managers and the posties can work together. I also made sure that we reduced the team size in terms of the spans of the managers towards the posties. The reason I did that was so that those relationships are as good as they can be, and it is very clear what is going on.

The point that Ricky made is absolutely right. If we have a look, we did a recent survey which over 50,000 people responded to in the last six months. The key question was, “Does your manager treat you fairly?” It is a very clear question. The answer, in a very positive “yes”, was 79% of the time—plus seven percentage points. Let’s be frank, the last six months, with industrial action in the organisation, has not been the happiest situation. There has been tension. I would suggest that maybe it has not been at its best for understandable reasons. I have to say, I must stand firm with all our managers, who I find, on the vast majority of the occasions I meet them—actually, all the occasions—are decent people trying to do the right thing. Have some people got some things wrong? Clearly, they have. We have clearly addressed some of them, including me actually visiting one place.

Imagine my reaction as a CEO when, two days after we have a Select Committee meeting, we see some of the things that you have shown today. You can imagine my reaction to it is not positive. That is why we go and address the issues. All I would say to the team out there is that if there are things happening that are making them uncomfortable, please let us know or let our processes know. I accept Mr McDonald’s point in terms of a follow-up from today on speak-ups.

Q140 **Ian Lavery:** Seventy-nine per cent is a huge mandate, by the way. I agree with you. I really think that is important coming from yourself to understand that. Very briefly, the yellow dot increases in size. Is there a real-time alarm?

Simon Thompson: No.

Q141 **Ian Lavery:** There’s not?

Simon Thompson: Not that I am aware of. I am going to say “aware of”, because I don’t want to get anything wrong. Ricky?

Q142 **Ian Lavery:** Just to clarify it, Mr McAulay, my information from individuals in the workplace suggests that if the dot gets bigger, there is an alarm after one minute.

Ricky McAulay: To the best of my knowledge that is not the case. Given we are under oath, I would like to take the opportunity to absolutely check it.

Simon Thompson: I don’t believe so either, but we’ll check.



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Ricky McAulay: The reason I say that is because it is not in real time and the managers do not actually get to see the data until the next day, so we certainly don't haul people into delivery offices when they come back out of delivery. They don't have the data until the next day and we do not do any hauling, full stop.

Simon Thompson: But, Ricky, we are under oath today and we will double-check, if that's okay, and come back. Let us double-check, but I agree with Ricky: I think the answer is no.

Chair: Thank you. Just for any other witnesses watching, you should do that whether you are under oath or not. We are very tight for time, but Alan and Mark want to come in. Alan first, then Mark.

Q143 **Alan Brown:** I did a visit to my local depot and was assured that real-time monitoring does not happen and that the managers cannot access it, so I accept that. But on that yellow dot getting bigger, if PD information is not being used to monitor individuals or to nudge behaviour, why do you have a system in which, the day after the postmen have done their route, management look at data that has these dots that get bigger for any stop time? What is the point of them looking at data with big yellow dots if it is not to monitor individuals?

Simon Thompson: Maybe if I start, Ricky, you can then follow up. Mr Brown, thank you very much for visiting the team—I think it was in Kilmarnock; they very much appreciated your visit. I know you spent a fair bit of time with the managers and the postal workers as well, so thank you very much for that.

In terms of the size of the dot, I actually had this discussion with an official from Unite, from the managers' side of things. The way they described it to me was that there is a duty of care. If for some reason somebody has got stuck on a route or is spending an awful lot of time on a particular case, or in fact is not taking their breaks as they should, there is a duty of care to make sure that everything is okay. Ricky, I don't know if there is anything else you'd like to add from your operational experience.

Ricky McAulay: Mr Brown, it is very much covered in the 2018 agreement with the CWU. It is used to generate, where required—not all the time—a follow-up conversation to understand why a stop may have been excessively long. What was that trying to combat? One of the things that postmen and postwomen feel really passionate about is that there is equitable and fair workload. In our engagement surveys, one of the things that always used to come up as a frequent issue was whether the workload is fair and balanced. That gives us the opportunity to understand any imbalance.

Q144 **Mark Pawsey:** I have a quick question that Mr Williams might like to answer. How widespread is this technology in this sector? What would be the consequences for your organisation if you did not have it available to you?



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Keith Williams: It is widespread in the sector, and has been for a number of years. I think the PDAs in Royal Mail's case have been in gestation for something like nine or 10 years.

Simon Thompson: I think 2007, Keith.

Keith Williams: So the technology has been around a long time.

Could I add one comment, stepping back? There is actually a five-stage process for the resolution of issues with PDAs or anything else. There is a weekly meeting between the rep and the manager. There is a monthly meeting through the agreement, I think. Then there is the trust survey that Mr Thompson spoke about, which is the 50,000 people who input into how they feel about their manager. That score is increasing. Then the board gets involved at two additional levels. One is what's called "employee voice", where the board goes directly to the workforce to ascertain if there are any issues that are affecting the workforce, so that is direct engagement from board to workforce. Then the last one is a "speak up" survey, which is common practice in companies. If people have an anonymous complaint to make, or any complaint to make, they can make it anonymously, without management involvement.

Q145 **Mark Pawsey:** So would your business be less efficient and less able to compete without the data that this provides?

Keith Williams: Certainly. Look, we don't go anywhere near as far as other companies do in this respect. I was involved a little bit in the agreement on the PDAs, and my recollection of what we agreed with the union was that it would not be the sole source of information used for disciplinary purposes. That was the conversation I had.

Q146 **Chair:** Thank you. We are now going to move on to section 2, in which we will be talking about the obligation on Royal Mail to deliver letters six days a week, which we refer to as the universal service obligation or USO.

Mr Thompson, Ruth Edwards asked you a number of questions about this on 17 January. She asked whether it was Royal Mail policy to prioritise parcels over letters, and you said, "No, that is absolutely not true." You went on to say, "Our policy is very clear that letters and parcels are equal." Do you stand by those answers?

Simon Thompson: I do.

Q147 **Chair:** Can I have the next image⁸ displayed on the screen, please⁹? This is the poster that I referred to in the last session, which showed that letters were being deprioritised compared to tracked items, special ~~delivery and parcels~~. Can we remove the image from the screen, please?

⁸ Reference to slide number 5, image 5,

<https://committees.parliament.uk/publications/34033/documents/187729/default/>



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Since then, you have provided the Committee with a letter from two of your employees at the Gloucester North delivery office, where they say that this was a poster that they had done and put up; it was an error, it was only up for 15 hours, and it was to do with health and safety, not with real instructions about prioritising letters or parcels differently. You stand by that submission—

Simon Thompson: I do. Just to add a little bit more, Chair, if you don't mind—

Chair: We are really tight for time. I just want to know if you stand by that—that it was a one-off, rogue poster.

Simon Thompson: Absolutely. That is, that I thought that Shane and Peter came forward and were very clear that that was their poster, and it was not something that had been done centrally, and they had done it based on the circumstances in the Gloucester North delivery office.

Q148 **Chair:** Okay, thank you. I am now just going to refer to a number of images before I then come back to questions. Can we show image 6¹⁰ on the screen, please? This is a typed-up version, I think, of the same poster, from a different delivery office in a different part of the country, which essentially deprioritises letters before tracked items and parcels.

Can we go to image 7¹¹, please? This is another version of a poster that has been typed up and attached to a rack in another delivery office in another part of the country, which says that if you are unable to complete letters, you can do it the next day, and you have got to focus on tracked and special delivery items.

Image 8¹², please. This is a script for managers to read out in their huddles on the kind of delivery office floor, from another part of the country, which essentially says the same thing.

Image 9¹³, please. This is a pop-up whiteboard, from another delivery office in another part of the country, which said, "Do not prep one letter" unless you're basically taking everything else first.

The next image¹⁴, please. This is another written version of that poster, from another delivery office in another part of the country, that says the same thing.

¹⁰ Reference to slide number 6, image 6,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>

¹¹ Reference to slide number 7, image 7,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>

¹² Reference to slide number 8, image 8,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>

¹³ Reference to slide number 9, image 9,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>

¹⁴ Reference to slide number 10, image 10,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>



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Is there another image¹⁵? Yes. This is a set of instructions that were given in another delivery office in another part of the country, which says, "Mail is to be delivered at a minimum every other day."¹⁶ Could we stop broadcasting the images, please?

Are all of those rogue posters, Mr Thompson, or do you not know what is going on in your business?

Simon Thompson: No, not all of them are rogue posters, and when I answered the question—I answer it again—our policy is absolutely clear that parcels and, sorry, letters and parcels, have exactly the same priority.

Q149 **Chair:** So why are there so many posters in delivery offices, all across the country, that say the complete opposite of what you have just said to the Committee?

Simon Thompson: No, I understand the question. Of course, what we see here is what happens on days of industrial action, where we have to take a different policy, and something that is actually being discussed with Ofcom, and also something that we published on our website.

On days of industrial action, our reality is that we don't have maybe around about 100,000 of the team actually in. The reality is that we cannot deliver our normal standard of service and have to take some different choices. That is what we have to do and that is what you're seeing. But, if it's all right with yourself, Chair, I think, Ricky, you were involved with these discussions around what we do on industrial action days, so—

Q150 **Chair:** Just before I invite Mr McAulay to come in, I just want to say to you, Mr Thompson, that we have also been sent video footage and audio recordings of discussions between managers and postal workers, of huddles on the delivery office shop floor, not just during periods running up to or during industrial action, but over many, many months, with a delivery office manager saying to the postal workers in a particular office, "Look, we've breached the USO for three years in a row. Just do as I tell you. You've got to take out the tracked items and the parcels first. If you haven't got the capacity or the time to deliver the letters, do not worry about it."

I just want to ask you a very specific question, Mr Thompson, reminding you that you are under oath today: do you know whether there are verbal briefings cascaded through the business that require your managers to tell your postal workers to deprioritise letters? Do you know that there are verbal briefings cascaded through the business with that instruction? Yes or no?

Simon Thompson: I'm not aware of that as a policy, at all.

¹⁵ Reference to slide number 11, image 11,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>

¹⁶ Reference to slide number 11, image 11,
<https://committees.parliament.uk/publications/34033/documents/187729/default/>



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Q151 **Chair:** You're not aware. Mr McAulay, are you aware?

Ricky McAulay: If I could expand, because I think just—

Q152 **Chair:** I asked you a question: are you aware that there are briefings being cascaded through the business that tell postal workers to deprioritise letters? Yes or no?

Ricky McAulay: In case of industrial action, yes.

Chair: Before industrial action.

Ricky McAulay: On the day of industrial action and in recovery.

Chair: Before industrial action.

Ricky McAulay: Industrial action has been going on for six months and, prior to that, we had a global pandemic that impacted the business for 18 months. Both had a set of contingency arrangements that were shared with Ofcom very openly. They did require, for safety reasons—just to give some context—the cubic volume of parcels in our network. If we don't, at times, keep parcels moving, the network will grind to a halt.

Q153 **Chair:** Ofcom gave you notice of this during the pandemic. When you did not meet your obligations in the pandemic, Ofcom said, "Fine. There was an increase in parcels, and you needed to construct your business and your sites to handle that." They did not allow you to carry on with that excuse for very long, and you are still claiming that is the reason why.

Ricky McAulay: I'm not. I am saying six months of industrial action is the reason why—

Q154 **Chair:** So now it is the industrial action following the pandemic. It has got nothing to do with Royal Mail policy that is being briefed through managers to tell postal workers to deprioritise their letters.

Ricky McAulay: Absolutely not.

Simon Thompson: Chair, can I just make one point? I did write to the Committee a couple of days ago. I understand you might still be—I don't know whether you have had a chance to read my letter.

Chair: I have read everything, Mr Thompson, yes.

Simon Thompson: One of the facts that we actually shared was we shared the USO performance of letters versus parcels. What it actually showed is that letter performance was marginally better than parcels performance for USO products. It showed that very, very clearly. I think that is an outcome—an output—of what we have.

The other thing as well is that when I checked the USO regulation, the target that we are given from a USO perspective is a total target. It is not something that's separated for parcels or for letters.

Q155 **Chair:** I am aware of the USO target. You don't need to explain it to me, Mr Thompson, with respect.



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Just to go to testimonies around the USO, because again we have emails from postal workers pretty much across the entire country—too many to be able to read out to you today. For Scotland, for example: “Managers were telling us over Christmas to leave mail and concentrate on ‘tracked’ parcels over anything else if we couldn’t manage mail to just leave it. Mail was often left in the frames for days including doctors letters and more.” It is the same in London.

This is another location: “In the lead-up to Christmas, we were told on a daily basis to leave mail and deliver parcels.” I have a message here from a processing manager, who says, “Posties have told you when a delivery is in processing. If there are competing priorities between parcels and tracked items, priority is given to those over letters. As managers, we are told to do this by our managers.”

I have another email from a national senior manager, who said, “It has absolutely been the case that all operational units have been instructed to prioritise parcels and to leave letters. This has been the case since the beginning of November.” I have another example from Scotland, from Sussex, from Bath, from Staffordshire, from London, from Wales.

Someone from Wales told me, “The way that management look at whether letters are being delivered—if you put them in a box under the table, as opposed to putting them into the rack, it is treated differently.” I could go on and on and on. A postman from Cambridgeshire said, “For at least the last 18 months, we have been told on a daily basis through huddles on the shop floor from our line manager that we are to prioritise tracked packets over letters.”

You have not been delivering your universal service obligation of delivering letters six days a week for some time. That is right, isn’t it, Mr Thompson?

Simon Thompson: Yes, I think that’s right, and I mentioned that last time, but I would just like to pick up on a couple of the things that you said there. You mentioned November; you mentioned December. If you take December, we had seven days of industrial action between the start of December and, actually, 24 December.

Let’s just put this into context. We delivered, during that period of time, around about 600 letters a second, and around about 130, 140 parcels per second. If we have a situation where there is one day of industrial action—particularly with letters, which is a huge volume—the ability to be able to catch that back up is a real challenge. Ricky, I don’t know if you want to add to that, based on—

Q156 **Chair:** No, I’ve not finished yet, I’m afraid. I will call you, Mr McAulay, when I am ready to hear from you.

Looking at the transcript, Mr Thompson, from when you were here last time, you were asked a very direct question: “Postal workers have been told to prioritise parcels over letters. Is this accurate?” You said to this Committee: “No, that is absolutely not true.” Today, you are saying it is true, aren’t you, Mr Thompson?



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Simon Thompson: It is not our policy, but in realities of industrial action we have to apply a different policy.

Q157 **Chair:** You are recognising that what you told the Committee last time was inaccurate.

Simon Thompson: No, I think it is the context. When I was asked last time, what I heard was, "Is there a policy of doing a different set—" and the answer is no. I think what we see in the numbers here, for Q1 and Q2, is very clear that actually our letter performance is slightly ahead of our parcels performance, and that is the factual reality of the outcome, in terms of the customer piece.

What I should have been clearer on is that at moments of industrial action when we have that mass disruption, then there is a different application of policy, which we actually publicise on our website and also discuss with Ofcom as well, which is an operational reality that Ricky has also referenced.

Q158 **Chair:** So the problem is that you were not listening to the question as opposed to misleading the Committee with your answer. Is that what you are telling us today?

Simon Thompson: I heard a different context.

Q159 **Chair:** You heard a different question?

Simon Thompson: A different context.

Q160 **Chair:** That is your answer. It is quite remarkable. Mr Williams, whether it is on the use of PDA and the way you discipline workers and rank workers against each other, verbal briefings are very clearly cascading through the business that very clearly tell postal workers to do something. You then come to the Committee and tell us that is not true. Are there really that many rogue managers and postal workers dispersed through the entire Royal Mail network going against company policy—or is all of this just a sham?

Keith Williams: Well, look at the size of Royal Mail: there is 115,000 workers. It can fill Wembley stadium.

Q161 **Chair:** How many rogue managers do you think you have? How many rogue postal workers do you think you have? We have received thousands of emails since the last session telling us about the way things operate in your business. All of you are telling us today that they are all wrong.

Keith Williams: All I can go by is the evidence that I see. I see feedback from 50,000 people. Those 50,000 people give a trust score for their manager, and that score has increased.

Q162 **Chair:** I am not asking you about the trust in their manager; I am asking about Royal Mail's delivery of the universal service obligation. As chair of the board, surely you, as a board, should have grave concerns about this state of affairs.



Keith Williams: Between March 2020 and August 2022¹⁷, Ofcom accepted that the quality of service would not be ideal. They accepted that because absence at Royal Mail was running at anything up to 18.1%, so one in five workers was absent. Ofcom accepted during that period that the quality of service would not meet its target. After August 2022¹⁸, that has now disappeared and we look at quality of service as a board every board meeting—every week even, at the moment, on quality of service, given the industrial action.

Q163 **Chair:** Sure. I've spoken to Ofcom and, Mr Thompson, I will just come back to you here to just check what your obligations are. They have said to me that if there is any failure from Royal Mail to offer a six-days-per-week letter delivery service, that is a breach of the USO. There is clear evidence today—I think you have admitted it—that you have not been able to deliver the six-days-per-week letter delivery obligation. You have blamed the industrial action for that and previously you have blamed the pandemic for it. Ofcom has said that, if there is evidence of a systemic failure to seek to offer a six-days-per-week letter delivery service, that would be a breach that requires investigation and potential enforcement. I am putting it to you today, Mr Thompson, that there is a systemic failure because you have verbal briefings going through your managers to your postal workers repeatedly over many months across the whole country that says do not worry about delivering your letters for six days a week. Do you recognise that? Yes or no?

Simon Thompson: As I wrote in my letter—I was very, very clear in my letter, and I gave information including communications—

Q164 **Chair:** Can you answer the question?

Simon Thompson: Including communications from myself. In March 2022, I wrote a column in *Courier* magazine, which was sent to every employee's home. It made it very clear that—

Q165 **Chair:** Mr Thompson, I am not asking you about a column that you wrote in a magazine. I am asking you whether you recognise the fact that managers in your business are verbally cascading briefings to postal workers to not worry about letters being delivered six days a week and whether you agree that, by its very nature, that is a systemic failure because it is a system-wide failure? I am asking whether you agree with that—yes or no?

Simon Thompson: We do everything that we can to—

Q166 **Chair:** Do you agree with what I have just said? Yes or no?

¹⁷ *Note by witness:* The end date for this period was August 2021, not August 2022.

¹⁸ *Note by witness:* The end date for this period was August 2021, not August 2022.



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Simon Thompson: Just for clarity again, Chair—just so that I am clear on the question so that I can answer it clearly.

Q167 **Chair:** Is there a systemic failure—a system-wide failure—at Royal Mail to deliver letters for six days each week because there are verbal briefings cascaded through the business that tell postal workers not to worry about delivering letters every day for six days a week? That is a system-wide failure. It is a systemic failure. It is therefore a breach of your universal service obligation. Do you recognise the system-wide failure that is currently taking place at Royal Mail?

Simon Thompson: I totally understand, based on the—

Q168 **Chair:** Not understand—do you agree with me? Yes or no?

Simon Thompson: Our USO performance has definitely not been good enough.

Q169 **Chair:** Do you agree that it is a system-wide failure? Yes or no.

Simon Thompson: It is hard. I am sorry, Chair, and I can see you are getting frustrated with it—

Q170 **Chair:** I would like you to answer the questions.

Simon Thompson: I can see you are getting frustrated with it, but I do not recognise those briefings. I understand—

Q171 **Chair:** You disagree there is a system-wide failure.

Simon Thompson: We are definitely not achieving USO. As I have said in correspondence and in this Committee many times, it is my commitment to make sure that we do better. I would like to say that what I have seen recently is that we are definitely doing better.

Chair: Okay. We need to move on.

Q172 **Alan Brown:** On that prioritisation, again from visits and hearing at first hand, it was made crystal clear at the Kilmarnock depot that the policy is that if a run is not going to be completed in time, parcels must be delivered, and letters returned to be delivered the next day. That is a one-day delay, but the policy is operational day in, day out, not just because of industrial action, the pandemic or whatever, but because that is standard procedure. Surely that comes from the top down.

Ricky McAulay: If I may comment on that, Mr Brown, what you are referring to is a contingency plan. It is not just a day of industrial action, or seven days over the month of December; it takes a number of days to recover. Everything you referred to is in the documents that I personally presented to Ofcom about how we would manage the industrial action.

Q173 **Alan Brown:** If you are not prioritising, why is the contingency, “Yes, we’ll get the parcels out, and the letters will come back”—letters that could be doctors appointments?



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Ricky McAulay: In the contingency arrangements, as I explained, the sheer volume that the parcels take up in the network, if we don't keep parcels moving, we grind to a halt and would need to shut the door at the front end. We don't want to do that to our customers. That would damage a lot of the retailers that rely on Royal Mail and have no choice at that time of year. In such an instance, if we cannot get all the letters completed, the next day you would cover the route that has not been completed. But that is a contingency arrangement, which is quite different from what Simon is referring to in terms of the business-as-usual policy.

Q174 **Alan Brown:** Why is it understood to be a day in, day out process, rather than just a contingency?

Ricky McAulay: That is not my understanding. If there is a specific piece of evidence, I am happy to look at it, Mr Brown, but that is not my understanding of how we operate on a day-to-day basis.

Q175 **Alan Brown:** In this contingency, with parcels building up, what is to say whether there is room in local capacity for some parcels to come back to the sorting office so the letters can go out? Why is it a blanket "Parcels are prioritised over letters"?

Ricky McAulay: It is very much a local decision, if they did not have a space-constraint issue. That is very much the reason we do it—to get the roll containers back to the front end of the network, so that we can inject in more parcels. If there is not a space-constraint issue, we expect managers to use local judgment on that and to find a good balance in contingency to keep everything moving.

Q176 **Alan Brown:** You said there was a contingency, and you are calling it a contingency, but where in your contingency is it made clear that local assessment or judgment can be used, rather than what seems to be the top-down contingency—as you are calling it—that parcels must be prioritised? Is any guidance given?

Ricky McAulay: It would be based on the space constraint in the unit—the sheer volume of parcels on hand and due to be fed into the unit. We have 1,250 delivery units, and they all recover at a different rate. Twelve thousand colleagues worked during the last strike, so many of the units operated as normal and recovered very quickly. Every unit is uniquely different, and what we try to give is guidance that is supplied locally.

Alan Brown: We are back to that seeming to be day-to-day policy, not one of contingency or catching up.

Q177 **Mark Pawsey:** Mr Thompson, when you gave evidence to us last time, in answer to the Chair's question 31, you said: "What I am focused on, as I said before, is changing the business so we can compete in the parcels market." That is the choice you have made—you would like to compete in the parcels market—but you have a statutory obligation to deliver six days a week. Is not the evidence before us that you cannot do both? You have to do one or the other.

Simon Thompson: No, I think we can do both.



Q178 **Mark Pawsey:** Well, you are clearly not doing both. You have accepted that in your answers to the Chair.

Simon Thompson: No, I said very clearly, and I said last time, that we need to improve our quality of service on the USO. Keith mentioned that he looks at the information frequently, and I look at it absolutely every single day and, actually, I think that the team are starting to make progress. But the other thing that we need to understand is the context of our reality.

If I take the first nine months of this year versus the first nine months of pre-pandemic, our letter volumes are down at 1.8 billion items—around £400 million less revenue¹⁹. Over 50% of our business is now parcels. That is our future, and what I always say is that we need to compete in the parcels market whilst also meeting our USO obligation.

Q179 **Mark Pawsey:** But you're not, so isn't this a bad time for you to attempt to compete with those other people out there who are providing a good service? But you are not able to do it because, arguably, you have got this obligation hanging around your neck. That is fundamental to your business in a way that it isn't to others.

Simon Thompson: Yes, that is true; we do have a different context. We were clear, and I did discuss it last time, that if we look through the eye of the customer, what our customer is asking for is a seven-day parcel service to and from their doorstep—

Mark Pawsey: But isn't—

Simon Thompson: Please excuse me, Mr Pawsey. I don't want to speak over the top of you because that would be really impolite. If you don't mind, if I can just finish. They want a seven-day parcel service to and from their doorstep. That is more of our revenue now. That is the growth in the market, but, on letters, what our customers have also said is that a five-day letter service would be okay for them.

Q180 **Mark Pawsey:** But that is not the universal service obligation to which you are obligated right now.

Simon Thompson: That's correct.

Q181 **Mark Pawsey:** So my question to you is: isn't this a bad time for you to seek to make this change within your organisation, because you have not got the capability to do it?

Simon Thompson: I don't have a choice but to make these changes. Obviously it is a daily challenge to manage a business that is in decline and also to compete with some competitors that do not have the reality of the USO in the parcels market. That is a challenge. But I have no choice but to compete in the parcels market because if I have a situation as a leader of this business where I do not grow this business in the parcels

¹⁹ *Note by witness:* The loss of revenue was around £300 million not £400 million.



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market, accepting structural decline in letters, then, frankly, that is less jobs for my team. My job is to have more great jobs for the team. I don't have a choice, Mr Pawsey. I have to do both, and it is challenging.

Q182 **Andy McDonald:** Mr Thompson, you used the phrase "context and reality". I am not quite sure what that means. I am just interested in reality and in the truth of these situations. We have seen endless numbers of pieces of evidence that show that the universal service obligation was not observed. Are you saying to us that that is not correct, that there has not been a system-wide failure, and that that has not happened?

Simon Thompson: I think over the last few months with industrial action during peak, USO performance has definitely been challenging. We will be updating or releasing our results for quarter 3 very, very soon—in the next week or so.

Q183 **Andy McDonald:** So there is some derogation from compliance with the USO. We have heard from Mr McAulay that—was it 1,250 delivery units?

Simon Thompson: Yes.

Q184 **Andy McDonald:** It is up to them and their localities to decide. On these posters that we have seen, these instructions have emanated from those sources. Where is the document that governs this? Where is the guidance from head office and where is the derogation from Ofcom?

Ricky McAulay: I can take that. What we operate during industrial action is a national control centre, a regional control centre, and then more local control centres. Prior to industrial action, all the managers attended a workshop to take them through the details of what our contingency arrangements are. There are elements of that contingency arrangement that our competitors would love to get their hands on—parcel competitors in particular—so it is not widely circulated or shared, but we did take all of the management team through workshops to get consistency in how we apply the contingency arrangements locally. As I say, there will be a time where we do, in exceptional circumstances, prioritise parcels over letters, where there is an absolute necessity due to space and getting containers back to the front of the network so we don't need to close the—

Q185 **Andy McDonald:** I don't want to stop your flow, but where is your evidence? Evidence that we have seen pertains only in reference to strikes. How confident are you that that is the case and that it does not apply outwith periods of industrial action?

Ricky McAulay: I think we have the evidence. It would be good to get the locations and the whereabouts of that. I don't know if we get that subsequently to the Committee; it would be very helpful to get that.

Q186 **Andy McDonald:** But none of them said, "Due to industrial action, x, y and z." That was setting out a prioritisation of parcels over letters, but no reference was made to industrial action.



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Ricky McAulay: We've had industrial action for the last five months. I don't have the dates of the evidence or where it came from, other than the ones for which we have been given the specific locations. If we can get that, we are happy to follow up. As Simon said, from the point of view of the Committee, if there is more that we need to do to make sure it is very, very clear, we will of course do that.

Q187 **Andy McDonald:** But it is not for us to interrogate this. It is for you to respond to these things and have the information available to you. It is not for us to give information about your own organisation back to you. Is that not the case, or are you totally out of control of your own business?

Ricky McAulay: I wouldn't say we are at all, no. We recovered very quickly from the industrial action, so I think our contingency plans worked well.

Q188 **Chair:** As I say, we can't share the video and audio evidence that we had, because it is too difficult to get consent from everybody in those video and audio recordings to be able to do so, but there are delivery managers in delivery offices saying to their workers that you have all knowingly been in breach of your universal service obligation for years—not a matter of months or due to industrial relations, but for years. That seems to be quite well known.

Mr Williams, I just want to ask about some of the incentives that you have structured at a board level from your remuneration committee and how that relates to this issue. There has been some suggestion that you are incentivising certain things over other things and understandably managers and senior managers are prioritising that. The last time you were here, Mr Thompson, we talked about the long-term incentive plan. This is for 2020 to 2021. The various measures for bonus payments and shares being awarded are total shareholder return, UK operating profit, UK parcels revenue, money made at GLS and cash flow at GLS—that relates to the GLS board and chairman. For Mr Thompson, it is just parcels, profit and shareholder returns. There is no mention of compliance with your legal obligations. Why is that not in the incentive plan?

Keith Williams: So that's the long-term incentive plan that you are looking at. We can discuss that in a second—

Chair: That's the question I am asking. Why is it not—

Keith Williams: It is in the short-term measures.

Q189 **Chair:** First-class quality of service?

Keith Williams: Yes, and that is because at the time that we were looking at quality of service, we were in the period of covid, in terms of measurement of quality of service.

Q190 **Chair:** I don't understand why the delivery of the USO was not incentivised in the long-term incentive plan. Try me again. Why is it not



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in there?

Keith Williams: Why—

Chair: Why is the delivery of letters in line with the USO not included in the long-term incentive plan?

Keith Williams: It is because the long-term incentive plan for Royal Mail—we can come to it later on if you wish—is really around the transformation of the business.

Q191 **Chair:** So letters aren't important?

Keith Williams: No—and it goes back to Mr Pawsey's point. I was going to make it. Letters are very important to Royal Mail because—

Q192 **Chair:** Only in the short term.

Keith Williams: No, in the long term as well.

Q193 **Chair:** Why is it not in the long-term incentive plan?

Keith Williams: Let me explain. I will answer both points.

Q194 **Chair:** No, I would like you to answer my question, Mr Williams. You have not explained why you have taken an active decision to write off—to exclude—letter deliveries and the USO from the long-term incentive plan. It suggests that it is either not a priority or you hope not to be obligated to deliver it in the long term. There must have been a rationale for not including it in the long-term incentive plan.

Keith Williams: We have the obligation. The reason of the balance in the long-term incentive plan is Mr Pawsey's point, which is that the business is transforming out of letters. At privatisation, we were delivering 17 billion letters. Today, we are delivering about 8 billion letters. That is because e-substitution is acting to reduce the volume of letters, and it has been since privatisation by about 8% a year. Royal Mail is increasing its parcels revenue, which is offsetting that decline in letters. Customers, who are crucially important to this, want more parcels and they are sending less letters.

Q195 **Chair:** Sure, I understand. So your argument is basically that for the long-term survival of the business, you've got to get the commercials right, and the commercials are being driven by parcels and not the legal obligation to deliver letters.

Keith Williams: No, no—under the legal obligation, over the past years on second-class delivery, we've always met second-class delivery, except during covid, and we were given an exemption from Ofcom. On first-class delivery, we have missed on three occasions since privatisation. And Mr Thompson's point is that that is something that we will work on post the current industrial action.

Q196 **Chair:** Okay. What I am trying to understand is that normally in a long-term incentive plan you put the business's long-term goals and objectives, to incentivise your people to deliver on them. So you've taken



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the decision and you've explained why letters are not included in the long-term incentive plan. I can therefore only assume that you recognise that it is a legal obligation and it's kind of business as usual; you have to comply with it.

If that's the case, given that we have heard today that you've been in breach of that legal obligation, it's not an issue about bonus, is it? It's an issue about the core performance of your senior leaders. I mean, they are in breach of their own performance requirements. Right?

Keith Williams: That core performance is impacted in the short term by industrial action, and in covid.

Q197 **Chair:** I have to say that I'm not particularly persuaded. There's a theme to your answers today, gentlemen, which is that we have rogue posters, we have rogue managers, we have isolated incidences, we have got a global pandemic, we have industrial action—it's everyone else's fault that there are all of these problems. "Nothing to do with me, guv!" Can you see, based on all of the information we've had, why it's difficult for me to agree with the way you're presenting your cases today?

Keith Williams: I do, actually. Look, the business in covid, if you look at it against other postal services around Europe, the business performed very well during covid, actually. It was delivering test kits. And this is down to the testimony of the people at Royal Mail—

Chair: Yes, your workers.

Keith Williams: Who worked during covid. And we can look at their performance and reward during that period, because that was important to Royal Mail at that point in time and still is today. So, during covid the business—relative to other European postal services—actually performed very well.

Q198 **Chair:** Okay. I agree with you that postal workers are key workers; they worked enormously hard through the pandemic in difficult circumstances, alongside lots of other key workers.

I just want to move now on to sick pay policy. In the hearing on 17 January, Mr Thompson, you said to us: "For the first three days of absence in any year...you would get full pay". That's no longer the case, is it, when it's before, during or after industrial action? Royal Mail policy now is to assume that you do not get paid unless you prove otherwise, that in your own view someone was sick enough.

Simon Thompson: No. Our policy is absolutely the same today as it was during industrial action as it was before.

Q199 **Chair:** So why do I have copies of letters from your HR department to your staff that say that before, during or after a period of industrial action you are assumed not to be genuinely sick, unless you prove otherwise? And pay has been deducted from people's pay slips automatically. That's a complete opposite of what you say your policy is, isn't it?



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Simon Thompson: No, our policy is that any absence has to be genuine and reasonable, and that absolutely didn't change—

Chair: How do you—?

Simon Thompson: But to your point, Chair, we did see during industrial action that there was a peak, or an increase, in absence, either days before or on industrial action. And at that point in time, the manager, which is our normal reality, would say, "Is that a genuine or reasonable absence?" And as long as a fit note or whatever else was supplied, then that absence would be paid.

We had around about 10,000 absences during that particular period of time and at the moment we have around about 350. The team will double-validate that number, but I think it's around about 4% where people are challenging the fact that they didn't get sick pay. And that will go through the normal processes that we have.

However, I just want to set the context—I think it's important to set the context—that out of 10,000, there is a question of around about 350.

Q200 **Chair:** Sure. You say that a worker would need to present a fit note. Where do you get a fit note?

Simon Thompson: You get a fit note from your local pharmacy or from your doctor. I think that policy—that legislation—changed about six months ago and I think it's a much broader place that you can go and get these notes.

Q201 **Chair:** You might go to your GP to get a fit note. Have you tried to get a GP appointment recently, Mr Thompson?

Simon Thompson: Yes, I have actually.

Q202 **Chair:** Have you managed to get it within three days?

Simon Thompson: I did, actually, as it happened; but I think that was probably one of the reasons why getting a fit note was a broader situation.

Q203 **Chair:** It is a broader problem, because GPs will say that they don't write fit notes for anything fewer than seven days of sick. You are asking people to, first, get an appointment with a GP; secondly, get something that a GP is not normally willing to give; and thirdly, to do that in such a timely fashion that they can get the pay when they get paid. You must recognise that this is very difficult for your workers to achieve. This is just a way of being mean to them really, isn't it?

Simon Thompson: No, I disagree with that. As I said, we have around about 4%—around 350 or so—outstanding questions, which will go through the normal process, that we will put right. That is 350 out of around about 10,000. I think that is important context.

The other thing as well is having a look at our sickness policy versus the competition, and versus what is the norms of the industry. It is a fabulous policy.



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Q204 **Chair:** I understand—you made that point last time. But I just want to focus on this issue, because this was the testimony you gave to us last time: that for the first three days of absence in any year, you will get full pay. I am telling you today that we have had evidence that that policy is not being implemented.

If one of your workers has been off, and the only way they can prove they have been genuinely sick enough to be off is to get a fit note from a GP, if they can't get an appointment with the GP or they can't get a fit note, how else do you think they should prove that they were genuinely sick enough to get sick pay?

Simon Thompson: That is actually a good question. I don't know how to answer that. Ricky, what would they do operationally?

Ricky McAulay: They need to get a fit note.

Q205 **Chair:** And if they can't get a fit note, it's then your decision that they are not genuinely sick.

Ricky McAulay: Many have produced fit notes and that is why their pay has been reinstated very quickly, so not all GP surgeries clearly have the same policy.

Chair: Okay. We have got about half an hour left. I suggest to Members that I give you all five minutes and you can ask whatever questions you like, about sick pay or more broader issues.

Ian Lavery: Chair, can I just ask on the issue of notes?

Chair: Very briefly.

Q206 **Ian Lavery:** We have evidence to show that, with regard to sick notes, a young woman with mental health problems had her pay stopped by Royal Mail. She had to use food banks. She has got two kids. She has got severe mental health problems. We have also seen that disabled workers have had their workloads increased without any review. We have seen reasonable adjustments being removed without consultation. As a level 2 Disability Confident employer, how do you explain that?

Simon Thompson: I am not aware of those cases, Mr Lavery. It would be very good if you could provide the information so we could—

Q207 **Ian Lavery:** That has been your answer on lots of things today. You are not aware of this; you are not aware of that; this is happening without your knowledge.

This is happening on the shop floor. This is happening to disabled people. It is happening to people who need assistance in the workplace, and yet you just basically shrug it off, saying that it is not happening and you need—

Simon Thompson: No, Mr Lavery, I haven't shrugged that off—

Ian Lavery: Excuse me. You are claiming that it is not the majority of the workforce. These are people who need help from their employer, and they



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are having their pay stopped, and they are having to use food banks. It is not good enough.

Simon Thompson: I agree.

Chair: Right. Okay. Each Member will have five minutes to ask questions on anything they wish. Mark Pawsey, you are up first.

Q208 **Mark Pawsey:** I want to go back to the point that Mr Williams made earlier about the way the business is changing. You gave us some statistics on the decline in letter business. Where do we go from here? Do you anticipate a continued level of decline in letters in coming years? I think you have already made approaches to reduce the frequency of letter delivery from six days to five days. Do you see that continuing to be pushed back—will it go to four days, or alternate days? And how effective do you think you are going to be in competing in the parcels business?

Keith Williams: To your point on letters decline, it was always envisaged at the time of privatisation that letters were going to decline. At that point, it was put at between 4% and 6% per annum. That has accelerated to about 8% per annum, which is why you have seen that big shift from 17 billion to 8 billion.

Q209 **Mark Pawsey:** Sure, and where do you see that in 10 years' time, for example?

Keith Williams: I think it will bottom out, and that is very important for Royal Mail. To your point on parcels, the advantage that we have at Royal Mail over other carriers is that density of letters. The fact that we go down everybody's drive every day actually gives us what I call a drop density, which would be the envy of other parcel carriers. We have that bedrock of delivery that they do not have, and that is important.

Q210 **Mark Pawsey:** Does your workforce understand the dynamic nature of the market that you are operating in, and are they coming with you on this journey? If they are not coming with you on the journey, why aren't they coming with you on the journey?

Keith Williams: We need to take them on the journey. If they look at other parcel carriers, and they look at the terms and conditions within those carriers, they see that that is a risk to them. What we need to give them are assurances that that is—

Q211 **Mark Pawsey:** So why are they taking industrial action?

Keith Williams: They are taking industrial action over some of the changes that we need to make to adapt to a parcels market. I will give you an example: most people shop online in the evening, and they expect delivery the next day. In some instances, we are not constructed to do that, because that is not what our design on letters was trying to do. What we are trying to do is to reshape the business into being able to deliver parcels—



Q212 **Mark Pawsey:** But why aren't you able to persuade your workforce that that is the way things are going and that is the change that needs to be made? Clearly, one of the reasons why you are not delivering for customers is that you have been in dispute with your workforce.

Keith Williams: The difficulty is not in shaping new ideas; it is in taking away the old ones. We are full of lots of ideas, but transforming the business into that change has been a problem at Royal Mail ever since about 2015. As the parcels market has accelerated, we have not adapted Royal Mail to that market.

Mark Pawsey: That is not my question. My question is: what work are you doing to bring the workforce with you in the change that you are describing as necessary?

Keith Williams: I will let Mr Thompson comment directly, because this is part of the whole communications tool within Royal Mail. All I can do at a board level, from our perspective, is to bring our people along with that change, which I do through—

Q213 **Mark Pawsey:** Mr Thompson, why aren't the workforce buying what you are selling?

Simon Thompson: Some of the changes that we need are disruptive to people's working lives, and I think we need to recognise that. Going back to Keith's point, we have spent £900 million on the infrastructure so that we can compete in the parcels market, and that is all being done. But if you take a midnight order, which usually has to get into our system somewhere around 3.30 am for delivery the next day, what that actually means is that what we need from around about, at this stage, 3,000 to 5,000 of our team is to start their working day at around about midday and probably work through till the end of the day. The average length of tenure of our employees is 17 years, which is a great thing because they have a brilliant relationship and understand the business. But what we are asking them to do is make quite a change, and it is the same with Sundays. In terms of Sundays, it is a growing business for us. At the moment, about half of the team cover that duty; the rest are temporary workers. We would much prefer to have the core team doing that.

As the leader, I totally understand that these changes are quite a change for people's working patterns, and we have to keep talking and explaining. When I am out and about—I am out and about on the operation an awful lot—I think our postal workers are really smart. They totally understand what is going on in the market and they totally understand that, later on in the evening on a Sunday, they can see other people's vans doing deliveries. I think they really do get that—they are very alive to the market—but to make that change for them is actually quite a big change. The challenge for myself, Ricky and the rest of the senior team is to explain this in a way so that we all understand that these changes mean that we all have job security for the future. The bit that I worry about is that if our current workers do not follow the work, then that, by default,

means they have less work, and I don't really feel that we have fully established this.

Q214 **Mark Pawsey:** Are you asking them to do too much, too fast?

Simon Thompson: Again, Mr Pawsey, it is a real challenge for me as the CEO, because if I had 10, 15 or 20 years to change this business, I would spend 10, 15 or 20 years changing this business. But that is not my reality. The competitors are getting stronger and stronger and stronger, and the clock is ticking. We need to make sure that we compete quickly and start growing this business, so that we can give everyone the job security they want. The alternative scenario is not a scenario I want as a CEO, because I don't think that is good for anyone. If I had longer, I would take longer, but I do not have longer.

Q215 **Ian Lavery:** You just mentioned the job security issue—the job security that people want. Have you not already said that you are going to make 10,000 people redundant?

Simon Thompson: What we said back in October was that we would need to make a reduction of 10,000 FTE, of which between 5,000 and 6,000 would be through voluntary redundancy. We have also been very, very clear that we will make no compulsory redundancies. The other thing, Mr Lavery, is that what we have seen during this period of time is a combination of reducing agency workers, managing overtime and also attrition. Based on what we can currently see, we don't believe that it will be 5,000 to 6,000; we believe it will be less. But of course the scenario we really want to be in—going back to Mr Pawsey's point—is growing in the parcels market so that we can actually be growing our team and not in a situation where we are shrinking.

Q216 **Ian Lavery:** There are loads of questions that can be raised on this, Chair, and obviously we haven't got the time, but the understanding in the discussions I have had with different people is that that is still on the table; compulsory redundancies are on the table. I don't know whether it has been part of the negotiations, but people feel very much as if you are trying to change the business. You are bringing in the white van man situation—hiring the vans and getting rid of loyal Royal Mail employees. Far from it being a situation where you are trying to secure employment, I think you are trying to do the opposite. Again, from what I have heard, it's basically like corporate anarchy. One department doesn't know what the other is doing. Senior leadership are saying it's happening in the regions—it's corporate anarchy. From what we heard the last time and certainly from what we have heard this time, it's so dysfunctional that it's not any surprise that 115,000 workers are in dispute with senior management. Reportedly, there is lots of bullying and harassment in the workplace; there is union busting; there are war chests being built up; and there is bragging and boasting about how you're going to smash the CWU. These are the people who are really trying. These are the people who want a world-class, first-class, system. It's a shame, really. My experience is that they are the ones fighting for this and there are people who are opposed to that and who want to get rid of it and probably get



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rid of it to different companies, other senior leadership—perhaps people that sit in this room.

Can I ask you about the bullying and harassment? Reportedly, there is bullying and harassment. There are 150 disciplinary cases ongoing at this time; 38% of them are CWU members or reps, and that's 1.5% of the workforce. Why would this be the case, Mr Thompson?

Simon Thompson: The information I have is that from industrial action, we've got about 375 disciplinary cases overall; about 130 of those are from CWU reps. What I would also like to say is that during industrial action, in the vast majority of the picket lines and the situation, people have behaved impeccably, I must say. Of those 135—there were about 260 cases that were brought, so only 50% actually got through to the disciplinary phase. My understanding is that of the 135, there are about 38 where there has been some form of disciplinary action that has been taken.

But what I would say, Mr Lavery, is that we have all of the appeal systems in place. We are actually in discussion with the CWU at this particular point in time and we have said to them that if there is additional information that is available that needs to be put towards some of these cases, then it would be more than welcome to hear it. But I have to say, and I have been on the public record as saying this as well: some of the behaviours we have seen—this is not just CWU reps, to be nice and clear—on the picket lines have not been things that have been acceptable, and they have to go through our disciplinary process in a very, very fair and even-mannered way.

Q217 **Ian Lavery:** It looks very much as if it's discrimination.

Do you recognise the terms "gold command", "silver command" and "bronze command"?

Simon Thompson: Yes I do, actually.

Q218 **Ian Lavery:** Do you want to explain that very briefly?

Simon Thompson: Sure. During industrial action, or any form of crisis, we do have a situation where we implement a crisis-management system, which will deal with issues on industrial action days. That actually goes through a process. I will actually sit on the gold command of the senior part of the organisation as well, so that we have decision making in a very structured way during times of—when things are not normal.

Q219 **Ian Lavery:** Have you ever intervened, personally, in any disciplinary hearing?

Simon Thompson: In a disciplinary hearing? No.

Q220 **Ian Lavery:** Because we've got evidence to show that you have—an email to the fact that you have actually intervened, in a personal capacity, with an individual. And, if you are saying that you haven't, we actually have got email evidence that—



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Simon Thompson: Well, Mr Lavery, I would like to see that, because I am not aware of having done that.

Q221 **Ian Lavery:** So you are saying that you haven't personally intervened in a—

Simon Thompson: Not in my memory, mind, but if there is something that's saying—

Q222 **Ian Lavery:** Now, you're backing yourself each way again, here, like you've done through the whole of the last hearing and this hearing, and you're backing every horse in every race, saying it's not to your recollection. I am asking you a simple question, and you would know if you've intervened in a single case, or any other case. You would know that, as the chief executive—

Simon Thompson: Mr Lavery, I, as a chief executive, do absolutely not make any decisions in relation to people being—to whatever happens in a disciplinary hearing. I do not make those decisions. They are made separate from me by a human resources group.

Q223 **Ian Lavery:** You were saying before what a fantastic mandate you had from 50,000 people. What about the fantastic mandate the CWU had at the recent ballot? I think it was suggested that you are wanting to test the resolve of the workforce. Does the emphatic ballot result, with a turnout of 77.3% and a yes vote of 95.9%—does that answer your question of testing the resolve of the workforce?

Simon Thompson: Look, I think it is clear, with that ballot result that came the other day, that we need to find a way of making sure that the team can embrace the change. What we would like to do—we're working on that again this week—is make sure that we get an agreement with the CWU.

Back to your point, which you mentioned earlier on, Mr Lavery, when I came in as the CEO first, I think my first ever presentation to the market was in May, and I think I started around January. When I went and did that presentation, I actually had Terry Pullinger, who was the representative of CWU at that point in time—I sat him around the table with me, in my very first presentation, to have a different approach where we worked with the CWU to actually take the business forward. It is a real personal disappointment, for me, that we are actually in the situation that we are in.

Q224 **Ian Lavery:** Finally, it does appear, doesn't it, to anybody, that the people who want that first-class business—in the provision of Royal Mail parcels, letters, the USO, and so on—are the people who are on strike. The people who are losing the money are fighting the most for the world-class service that had been provided by Royal Mail. It looks very much as if the people sitting in this room, today, on the panel, are the ones who are looking in the opposite direction.

Why do you think it is the people who are losing money who want this first-class provision—this first class service? Why are they losing money,



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and you are basically working against everything they're fighting for?

Simon Thompson: Well, I think we all want the same thing. I think we all want to grow the business, and I think one thing that we are definitely aligned with the union on is the bit that's magical for us, which is that great trust at the doorstep, the fact that we go everywhere, and that relationship that we have with the customer. I think, on that, we are very much united. I think we are very much united—I came to grow the business, you know, and, I mean, as I said in my letter, very, very clearly—

Q225 **Ian Lavery:** At what cost?

Simon Thompson: If we don't grow the business, then there will be a bigger cost, so I think we all need to get ourselves focused on growing the business, you know? And I said it in my letter and I'll say it again here, for the record: Royal Mail matters to me. It certainly matters to our people, and it matters to our customers. Now, we, collectively, need to find a way of growing this business and embracing the opportunity we have, because, if we don't change, then the outcome is not going to be a good outcome.

Q226 **Ian Lavery:** The difference is, of course, that Mr Thompson, Mr Williams and Mr McAulay will move on to pastures new with a new company, whereas the people who are on strike now rely on the Royal Mail for future employment for decades to come. You will not, and you'll certainly not be asking for universal credit, because you'll get huge payoffs, come what may. It does not matter how useful you might be at Royal Mail in introducing and implementing what you want to implement, you will all do very well from the business, but other people will not. That is the difference.

Simon Thompson: Mr Lavery, Mr McAulay has done 36 and a half years in this business.

Ian Lavery: I am not criticising Mr McAulay at all.

Chair: We will have to accept that as a view, not a question, because of time. I am sorry.

Q227 **Andy McDonald:** We have five minutes for questions. Mr McAulay, do managers receive bonuses based on the volume of parcels delivered?

Ricky McAulay: No, they don't.

Q228 **Andy McDonald:** They don't get bonuses—there is no financial incentive.

Ricky McAulay: To deliver parcels over letters, no, there is not.

Q229 **Andy McDonald:** Thank you. Mr Thompson, how many Royal Mail workers are agency and temporary staff?

Simon Thompson: It is about 8% currently; it is 60% less than what we had during our peak period. During our peak period of Christmastime, this year it was less than what we had the previous year.



Q230 **Andy McDonald:** Do you have plans to increase that ratio?

Simon Thompson: No, our plan is to decrease it. One of the things that we really want—that I want, and I talked about it earlier in terms of following the work—if you take a Sunday as a for instance, about half of our Sunday is covered by our core team, and the other half is covered by temporary workers, so a great outcome would be if all of Sundays are covered by the core team, which was part of the agreement that we had with the CWU on 24/7 working. We want the core team to do the work. But I would also say, Mr McDonald—this is an important point—that we have to follow the work. We have to be able to deliver the service that the customers want. If our team—

Q231 **Andy McDonald:** I am sorry to interrupt, but I just wanted to know whether you wanted to increase the number of agency staff, and you have said no, so I am content with your answer. May I move on, given the time available, to ask you about sick pay? Last time, you told us that Royal Mail was in discussion about making some sick-pay adjustments, which would impact only on a small proportion of the team. Are there any active plans or discussions to change sick pay more broadly?

Simon Thompson: The first thing is that we are in discussions and negotiations with the CWU. These are contractual terms, so we can change nothing without discussion, which is an important point.

Q232 **Andy McDonald:** Were you in those discussions when you gave us that response?

Simon Thompson: The response I gave last time and that I recommunicated in my letter, which I think you have seen as well, is that our current policy is six months' full pay and six months' half-pay. We discussed some of that topic earlier. Our proposal at this point in time, which needs to be agreed with the CWU, is that the three days of the second absence would be at statutory sick pay. The point that I made last time is that the vast majority of the team take only a day or a day-and-a-half sickness per year; therefore, the vast majority of the team would not be impacted by the proposed change.

Q233 **Andy McDonald:** But of course. Those people who have had an illness or a recurrent illness are the very ones who are going to be prejudiced, so anyone with a second absence in 12 months would be subject to statutory sick pay under the proposals. Do you think that is equitable or fair?

Simon Thompson: For the first three days. But we do have a situation that, if it is a long-term illness or something else that is really unfortunate, we have the ability to make sure that that is not the case. The other thing I would add is that, very recently, I went to a delivery office in Surrey: they had 31 walks but, when I arrived there, 11 walks were not covered due to sickness. The reality around that, I would suggest, is that it is almost impossible to deliver a quality of service, particularly on a USO letter product or whatever else it might be, if we have nearly a third of the team absent.



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Q234 **Andy McDonald:** Absolutely, and the 18% sickness rate that Mr Williams referred to tells us that there is something very wrong at the heart of your business.

Keith Williams: That was during covid—just to be clear.

Q235 **Andy McDonald:** But do the rates we are talking about now—Mr Thompson is talking about high levels of sickness absence—not tell you that something is wrong with your business, if you have high levels of sickness absence?

Simon Thompson: Our current sickness absence rate is about 8%; pre-covid it was about 5% or so, so we have seen a 50% increase. It is two to three times the industry norm, so I recognise that the sickness levels are higher than the norms, but the sickness level that is higher is in a smaller proportion of the team; that is not the vast majority of the team, who are a day or a day and a half a year.

Q236 **Andy McDonald:** We hear from the CWU that people who ring in and report that they are sick have been told by managers that they risk losing pay if they call in sick. That is a widespread problem. You talked about 350 workers under that regime, but the CWU reports that 600 members have made a claim against Royal Mail for unpaid sick pay. That is a pretty damning indictment. All those claims are verified by ACAS and the CWU, which expects more in the near future. Is that not a damning indictment, that those sick pay claims have gone unpaid?

Simon Thompson: Mr McDonald, as I said earlier on, the information I have—we will validate it after the meeting, because I did check before I came in today—is that what we see is around the 350 number. I do not recognise the 600 number. It may well be that they are still coming through the system, and that is why I said that that 350 number is around 4% of the total sick days that we have actually been paying out.

Q237 **Andy McDonald:** I have a couple of minutes left. Mr Williams, do you have a view of the Royal Mail's last appearance at the Select Committee? Do you think that Mr Thompson's appearance has negatively affected Royal Mail's reputation?

Keith Williams: I think Mr Thompson sought to give you the answers to the questions that you asked at that appearance. You saw the CWU behind the screen, which you referred to, using it for the purposes of promoting the industrial action. I don't think that that is helpful in resolving the industrial action.

Q238 **Andy McDonald:** Okay. Is it right that you are chair of IDS/Royal Mail and of Halfords?

Keith Williams: I am indeed, yes.

Q239 **Andy McDonald:** What is your compensation for both those roles?

Keith Williams: At Royal Mail, I am paid £310,600, and at Halfords I am paid £180,000.



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Q240 **Andy McDonald:** My understanding is that the Royal Mail recently agreed a deal with Halfords to expand the existing contract to outsource large sections of their fleet maintenance activities. Is that right?

Keith Williams: No, it is not right. I know this one, because a journalist was given this story. We have a fleet of 56,000 vehicles. We did 40 single jobs, apparently, at a cost of £8,500. I was totally unaware of that, obviously.

Q241 **Andy McDonald:** So you are saying there is no tension or conflict, as far as you're concerned.

Keith Williams: There is no conflict at all.

Q242 **Andy McDonald:** Finally, I understand that you have now met with the CWU. Is that right?

Keith Williams: I have, yes. I met Mr Ward last week. I had met with the TUC before that. I met—

Q243 **Andy McDonald:** What has taken you so long to meet with the CWU?

Keith Williams: I met Mr Ward last July. I am not involved in the day-to-day of the dispute, obviously. I did meet Mr Ward last week, and that was to outline the seriousness of the situation that we are in, not only for employees, but for customers and the state of the business. I am hoping that through the intervention of Sir Brendan Barber, who is well respected at the TUC and ACAS, there will be further talks in the next few weeks which, given the seriousness of the situation, will be overseen by the board.

Chair: For five minutes, Alan Brown.

Q244 **Alan Brown:** Back to the PDA and monitoring or not monitoring, it was explained to me that a van sitting idling for a certain amount of time would automatically result in a chat from management. Is that normal practice?

Ricky McAulay: It is information that comes from telemetry systems. It is not coming from PDAs. It is pretty commonplace in commercial vehicles to have telemetry systems, and we do encourage drivers not to idle. It is not great for the planet; it pollutes the planet. If they are parked for a prolonged period, we encourage them to turn their engine off. Again, those would be inquiries about what created the idling time and to get the engine switched off where we can.

Q245 **Alan Brown:** I accept the argument about emissions, but it would be acceptable for guys to take a break with the engine idling so that they can capture heat, particularly those with health conditions, for example.

Ricky McAulay: Definitely. If that was the explanation—that they were on a break and the temperature was very cool and they put the heating on—that would be very reasonable.

Q246 **Alan Brown:** You would not expect follow-up chats after that.



Ricky McAulay: I would not, no.

Q247 **Alan Brown:** Okay. Mr Thompson, the last time you were here you spoke about going out and about with the postmen. You mentioned that you had been out on operational procedures today. Every single postie I spoke to expressed concerns about the PDA. Their universal feeling—you might disagree—is that the PDA is being used to monitor them, and that it is a tool to manage performance, hence the regular chats. That was the unanimous feeling. If you are regularly out with postmen, how have you not picked up on that concern?

Simon Thompson: It is interesting, Mr Brown, because I am out and about constantly. I go everywhere unannounced: I jump in my car and drive myself, and just arrive there unannounced and have the discussion. I have not, to my recollection, had a direct conversation with a postie on that topic. What I would say is that if I go out and about, I would ask them to come and speak to me about it.

Q248 **Alan Brown:** Further to what Andy was asking about earlier when he was querying why you have not put out clarifications about the use of PDA since the last time you gave evidence to the Committee, you brought the letter to us saying it is not used for performance management, but obviously you have not written that out and clarified it with management. Did you not even think about asking posties about what I was talking about? You've been out and about; did you not even think to have that conversation?

Simon Thompson: I did. One of the evidence pieces that was given here was actually from a place down in Medway in Kent, where the poster had been shown, and I've said that clearly was not acceptable. When I went down there, I did have a discussion with the team down there, including the local rep, and we did actually discuss that particular topic.

Q249 **Alan Brown:** In answer to question 76 in the last evidence session, you explained that during industrial action and the like you make sure that NHS letters are prioritised or separated. Subsequently, evidence has been given to the Committee that shows that yes, they might be separated at source, but then they are just put back in in the regular frames with the regular letters and parcels and then might or might not get delivered on time. Do you accept that evidence?

Ricky McAulay: The prioritisation happens upstream. They go to the front end of the letter processing, so they will arrive in a delivery unit faster than other letters, with the opportunity to be delivered. But you are quite right that they will be delivered along with other letters, and therefore if there is a delay, it should only be for a day, because if a route has not gone out, we always try to get to it the next day. So it is a one-day delay, but it is prioritised upstream in the network to get it—

Q250 **Alan Brown:** It is kind of pointless prioritising them upstream if they then go back into the frames with the rest of the mail, surely.



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Ricky McAulay: It does make a difference. It will maybe take a day or two out of the process upstream, so it definitely gets them to our customers who are waiting on them sooner.

Q251 **Alan Brown:** How much quicker do NHS letters get delivered to the delivery depot, compared with the other letters?

Ricky McAulay: It would vary unit to unit. As I said earlier, I am not trying to be evasive in any way, but there are 1,250 delivery units. Some will recover the next day, and we'll be clearing the next day because people have worked during industrial action; others will take two to three or three to four days to recover. The bulk recover within three to four working days; some have got a tail, and that is where the regional teams will look to move resource about and support the earliest possible recovery.

Q252 **Alan Brown:** So if it is three to four days to recover the backlog, then the prioritised NHS letters can still be caught up in that three-to-four-day backlog.

Ricky McAulay: No, because what I said is that if part of a route hasn't gone out, it will be recovered the next day. That is our process.

Alan Brown: And that is across the board.

Ricky McAulay: Yes, that is the approach.

Q253 **Chair:** Thank you. That brings us to the end of our time and our questions today. Mr Thompson, I had hoped that you might come here today to apologise for any misunderstanding, but instead you have said that you misheard the question, and you have blamed basically everybody else for the problems that we have presented to you today. Might I politely suggest that good leadership requires some humility and an ability to bring people with you? How long are you willing for this situation to carry on at Royal Mail before you change your position to resolve it?

Simon Thompson: What I would say, Chair, is that of course I apologise if I have not been clear. That was my purpose in writing to you and coming back today. I want Royal Mail to be a great business. It is why I came. I knew it would be really difficult, and we are making some difficult changes. I think we would all like a situation where everybody is pointing in the same direction and growing this business. That is definitely what I would like. But this is not an easy task, you know? We are making changes that have been overdue for some time. There are some very difficult changes that we need to make, but what I am focused on and interested in is growing the business so that the great team that we have can actually have the long-term job security that they deserve. Unfortunately, that does mean at times that I am not going to be popular, but I think I would be an awful lot less popular if I didn't put the changes in and let this great institution actually grow.

Q254 **Chair:** Okay.

Mr Williams, one of the defining features of the—I think I got through



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about 1,000 emails; I did not personally get through the 1,500—1,000 emails that I read over many evenings at home was a repeated claim in those emails from workers across your business that they were scared and intimidated. They did not want their names, locations or information to be disclosed, because they were fearing that they would be sacked. From a culture perspective, irrespective of the performance issues, the money issues and the breach of the USO, surely you, as the chairman of the board, and the board are deeply troubled by that, so I ask you the same question: how long are you willing for this to go on before you resolve it?

Keith Williams: I think what would help in the short term is the resolution of the industrial action, because that has clearly been a bitter experience for all the staff. Not only have they lost money, but their feeling about Royal Mail is in decline at the same time. That is why I think getting a resolution to the industrial action is in the interests of everybody. As I said to Mr Lavery, we are now trying to implement a process with the union to resolve the industrial action, and I think that that, in the short term, is the best way of making progress.

Chair: Okay, we have timed out, unfortunately. If possible, can Members stay in the room, if that's all right? I would be grateful if those in the Public Gallery and the witnesses could leave the room. I now bring the session formally to an end.