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Post Office

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12.32 pm

The Secretary of State for Trade and Industry

(Mr. Stephen Byers)

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Madam Speaker, I should like to make a statement on the Post Office White Paper, which the Government published today.

The White Paper sets an agenda for the Post Office to offer a world-class service for the 21st century. Today's announcement is good news for the Post Office and all those whose livelihoods depend on it, because it can now build for the future with real confidence. It is good news for the Post Office's millions of customers, who will benefit from improved services from a new, modernised Post Office and from greater competition for postal services. The White Paper brings an end to the uncertainty that has dogged the Post Office over the last decade: uncertainty over its role and place in society; uncertainty over its long-term viability and ownership; uncertainty over the universal service obligation; and uncertainty over the Post Office network. Today, we provide certainty and a new sense of direction and purpose based on modernisation and reform.

Throughout the world, postal markets are changing at an increasingly rapid rate. Globalisation of postal services, the growth of faxes and e-mail, more demanding customers and greater liberalisation of markets are driving change as never before. It is a question not of whether markets will become more competitive, but of how far and how fast that will happen.

The Post Office already faces fierce competition, not only from private sector couriers but from other post offices throughout Europe and from the internet. I know that the Post Office management views change and greater competition as an opportunity, not a threat. It is an opportunity to enter new markets and to overhaul the Post Office's business processes. It is an opportunity for new ventures and new alliances. It is an opportunity to prove that the Post Office can compete against the best in the world, and do so successfully.

To compete effectively and fulfil its potential, however, the Post Office needs greater flexibility. If it is not given greater freedom to expand into wider and international markets, it will find itself confined to a diminishing sector of the postal market, saddled with falling value and shrinking profits.

That is why, in this White Paper, the Government are mapping out the most radical set of reforms since the modern Post Office was created in 1969—reforms that will ensure that the Post Office can provide the services that we need in the 21st century.

The White Paper proposes that the Post Office be subject to effective market disciplines coupled with regulation, and be allowed new commercial freedoms. Operating at arm's length from Government, it will have the freedom to grow and the means to succeed.

Existing mail services will be maintained and, indeed, strengthened as, for the first time, the universal service obligation, including the requirement to deliver to all addresses, will be laid down in law. That will guarantee a uniform tariff for those services. The cost of a stamp will be the same, regardless of the distance of delivery. I am pleased to confirm that the free service for visually impaired people will continue.

Stronger competition and better regulation will work together to keep prices down, and improve service quality and consumer choice. As part of the balanced package that we are bringing forward, greater commercial freedom must be matched with some liberalisation. The White Paper, therefore, proposes a reduction in the monopoly from the present £1 limit to 50p or 150 g with effect from 1 April 2000.

A new independent postal services regulator will promote consumer interests, regulate prices and ensure that the Post Office provides a high level of service to all households and businesses. Consumers' views will be championed by a greatly strengthened Post Office Users National Council, which will have the power to refer poor performance by the Post Office to the regulator and will be able to recommend the levels of fine to be imposed for bad service.

The Post Office Counters network, which plays such a valuable role in local communities, particularly for the less mobile, will be strengthened by our decision to put the Horizon project back on track.

We shall equip all 19,000 post offices with a modern, on-line computer system. It will enable the Post Office to modernise and improve the service that it gives to existing clients and customers, and to win the new business on which the future success of the post office network will depend.

For the first time, the Government will lay down minimum criteria to ensure that everyone in the United Kingdom has reasonable access to post office counter services, particularly in rural parts of the country and areas of social deprivation. The new regulator and the users council will monitor the network against those criteria.

We have agreed arrangements with the Post Office for maintaining a network of Crown offices, which will handle at least 15 per cent. of total counters business. Where appropriate, new Crown offices may be opened.

Although the Government will set out clear objectives for the Post Office, they will not be involved in day-to-day business operations. The Post Office Board will be responsible for running the Post Office, based on a rolling five-year strategic plan, which will be agreed with the Government. Clear duties, real powers and necessary resources to promote consumer interests will be given to the independent regulator and the users council. Annual reports will be published by the Government, the Post Office, the regulator and the users council on their roles and performance during the year.

We shall implement as much of this package as possible through administrative action and secondary legislation. However, primary legislation will be needed, as soon as parliamentary time permits, to complete the full package of reforms.

Primary legislation will be necessary to transform the Post Office into a public limited company. That will underline the new commercial freedoms and help to establish clearly the separate functions of ownership and management, by subjecting the Post Office to the full range of company law. In particular, the directors will owe their duty to the company, not directly to the Government.

There have been suggestions from some quarters that this is part of a plan to privatise the Post Office by stealth. There are no such plans. As we stated in our manifesto—and we keep to our manifesto commitments—we intend to provide commercial freedom, while retaining the Post Office in public ownership.

I can therefore inform the House that the Act of Parliament to create the Post Office as a public limited company will make it clear that we would not seek to dispose of Post Office shares without further primary legislation.

As my predecessor's statement on 7 December made clear, we cannot ignore the possibility that the Post Office might wish to enter into a joint venture or strategic alliance with another company, and might wish to cement this with a limited sale or exchange of

equity. In such cases, it would not always be sensible or practical to seek parliamentary approval through a separate Act of Parliament. However, I can assure the House that any such proposal would be debated and voted on in both Houses of Parliament.

To ensure that the Post Office can compete in the fast-moving domestic and international postal market, we will give the Post Office the greater commercial freedom that it has long desired. That will help the Post Office to be more competitive, and more responsive to market developments and evolving customer demands.

The Government's financial demand on the Post Office will be reduced to match commercial dividend rates. From April next year, it will be cut to 40 per cent. of post-tax profits—more than half the rate at which profits have been removed from the business in recent years. That will be worth an estimated £150 million a year—money that will go directly to the Post Office.

We shall also allow the Post Office to borrow at commercial rates for growth investments—up to £75 million a year without approval from the Government. That will give the Post Office greater freedom to enter into acquisitions, joint ventures, alliances and partnerships. However, the Government recognise that the Post Office has been starved of resources as a result of the previous Government's approach. The Post Office cannot wait until April next year for the additional resources necessary to ensure that it can compete in the modern postal market. We therefore intend to take action immediately.

I am pleased to inform the House that, in this financial year, we shall reduce the Government's financial demand on the Post Office to 50 per cent. of post-tax profits, and we shall also allow borrowing of £75 million. That will provide an immediate cash boost to the Post Office of £175 million. Taken together, our proposals for greater commercial freedom will bring an extra £600 million into the Post Office over the next three years.

I am confident that the White Paper maps out for the Post Office a future that will allow it to compete and win. We have a clear vision of a British Post Office that is world class and will be among the most successful in the world. The White Paper gives the Post Office management the commercial framework that it needs to turn that vision into reality. It is now up to management, in partnership with the work force, to respond to the exciting challenges ahead. The White Paper will put right the neglect of the past and deliver a Post Office fit for the 21st century. I commend it to the House.

Mrs. Angela Browning

(Tiverton and Honiton)

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I must thank the Secretary of State for making the White Paper available to me at midday. He will forgive me for saying that I had a sense of déjà vu during his statement; indeed, at one point I had a vision of "Him Tarzan, me Jane."

This long-awaited and much-leaked White Paper has finally seen the light of day after two years of new Labour government. It has been passed like a parcel between the Treasury, which wants to privatise the Post Office, and the trade unions, which still have power in the Labour party. That was shown clearly this week in a letter from the general secretary of the Communication Workers Union, which was initially addressed to all Labour Members of Parliament, but was then circulated by them to the Conservatives. The general secretary said:

"I thought the days of finding it necessary to write to Labour MPs about the future of the Post Office had gone ... In view of the ... promises made by the Labour Party and the government in respect of the future of the Post Office, we looked to a rosy future for the Post Office."

Today, we read in our newspapers of the threatened strike action that has resulted from the Secretary of State's announcement.

The Secretary of State has inherited a dog's breakfast from the right hon. Member for Hartlepool (Mr. Mandelson), who retreated from full privatisation in the face of union opposition, so today we have a third way: Labour will not give the Post Office full commercial freedom, and a question mark remains over the future of rural post offices. The Government could have freed Royal Mail completely, while building in minimal standard safeguards to protect universal next-day delivery. They could have ensured the viability of rural post offices by introducing the planned payment of benefits through swipe cards, but they cancelled that proposal in May. Post Office revenue will drop by 30 per cent. and the Government will, yet again, have dumped the cost of administering the payment of benefits on to the small business sector.

Our Post Office is the most efficient in the world, and it should be given the chance to compete freely, but the White Paper is a mucky compromise between new Labour and old Labour. That is well summed up in a quote in the *Financial Times* of 2 July from a Minister, who said:

"It's a long way from full liberalisation, which some of us would like."

The Secretary of State said that the White Paper sets the agenda for the Post Office to offer a world-class service for the 21st century. Post Office plc will not do that, as the Government must know. I predict that the Post Office will be fully privatised in the 21st century, because what we have before us today is clearly a temporary compromise that simply paves the way for further developments.

Many questions arise from the White Paper and I should be grateful if the Secretary of State would address as many of them as possible. May I deal first with matters pertaining to the Royal Mail? The plc will be subject to company law, as he said. Will the Government allow it to go bankrupt if it does not manage its financial affairs properly, or will they step in and underwrite the £75 million borrowing facility?

If the Government are prepared to do that—we should like a specific answer—anyone who lends will be lending virtually risk free, which, in other words, is a gilt-edged security. Would not that create a strong competitive advantage over other companies in the marketplace? [HON. MEMBERS: "Stupid question."] It is not a stupid question. They would have to attract lending, despite all the attendant risks of the marketplace.

The Secretary of State referred to borrowing of up to £75 million with permission. How much will the Post Office be allowed to borrow in addition to that, with approval? Has a limit been set? Will the Government include Post Office plc borrowing in their debt totals, or is that another bit of borrowing that will be tucked away in the figures that nobody can find? Will the existing Post Office Counters network be free to handle any accounts for mail over 50p? With the reduction of the external financing limit to 50 per cent., will the £1 billion cost of Post Office automation be funded from its profits over several years?

What will trigger a share swap or purchase using shares? Can the Secretary of State set out the timetable, given that he has already identified that primary legislation will be needed? If the Post Office were approached for such a deal, the time scale involved in getting legislation through the House would not be conducive to the marketplace. Presumably, he will announce that the Government will make this a priority in terms of Government time and legislation.

May I turn to matters that affect the regional network of post offices? First, do the Government intend to retain Crown offices? How will the automatic credit transfer be funded? Each post office will now be required to set up a connection with a person's bank, so that the benefit can be transferred from the bank to the post office and the individual can collect it in cash. Who will fund the cost of that?

Do the Government intend to deliver more services via the Post Office network? We have recently had the announcement that post offices are to be included in the delivery of passports, and we all know of the crisis that the Government have created in the passport service. Will the Secretary of State identify in the White Paper market opportunity where the Post Office can make up the 30 per cent. revenue drop that it will experience as a result of the automatic credit transfer system? How will people without bank accounts, or those who are prevented by law from holding bank accounts, be able to access cash payments through the Post Office network? What constraints will be applied to post offices after automation in terms of their freedom to use automation to offer other services, for example, ticketing? What constraints will there be in terms of the marketplace and the range of other services that the Post Office would like to be able to deliver?

Mr. Byers

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We all listened with interest to find out the Conservative approach to the measures contained in the White Paper. The conclusion that one reached is that the Conservative party wants to move to the immediate privatisation of the Post Office.

Mrs. Browning

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indicated assent.

Mr. Byers

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I see that the hon. Lady is nodding in agreement. I am sure that many will note that with interest. The Government's package is balanced. It matches commercial freedoms with liberalisation, but within the public sector. We believe that is the correct approach to take.

The hon. Lady asked about the power to borrow money. The borrowing of up to £75 million a year will not require Government approval. Government approval will be necessary for borrowing in excess of that sum. We make it clear that the Government will approve Post Office borrowing for investment cases that are consistent with the strategic plan, commercially robust and pose no undue risk to the taxpayer. That is the approach that we shall adopt.

The hon. Lady asked what would happen if the Post Office became bankrupt. That is an interesting approach for the Conservatives to take, because it was under their stewardship that the Treasury took 93p in the pound from Post Office profits. It is worth reminding people of that fact.

We believe that we should have the package that we are putting before the House today. It ensures the universal service below 50p—the same price for delivery anywhere in the country—and there needs to be compensation for achieving that desirable objective. We make no apology for putting in place the policies that will achieve that particular objective.

Crown offices will be established. As I said in my statement and as the White Paper states, we have agreed with the Post Office that 15 per cent. of all Post Office counters transactions should go through Crown Offices.

It is worth stressing that, for the first time in law, criteria will be established on the availability and access to post office network facilities. Those criteria will be monitored by the regulator and the new, more powerful consumers council. We expect the post office network to offer more facilities than would have been available through the benefit payment card under the Horizon project. The new Horizon project that we are developing with interested partners will provide more facilities and services through the post office network.

The response of the Conservative official spokesperson was to take a negative approach. There was no welcome for the additional £600 million for the Post Office; no welcome for the commitment to a universal service; no welcome for the additional powers to consumers and no welcome for effective regulation. That should come as no surprise. The Conservative Opposition want to wash their hands of responsibility for the Post Office, and to go for privatisation. That is not our approach. We want a balanced package, with commercial freedom and liberalization—a Post Office fit for the 21st century.

Mr. Peter Mandelson
(Hartlepool)

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May I warmly congratulate my right hon. Friend on his excellent statement—not least because it bears more than a passing resemblance to the original proposals in December? I want to probe him on two areas of concern to me. First, with regard to commercial freedoms for the Post Office, will he confirm that the arrangements for the procedures governing the Government's approval of Post Office borrowing remain precisely as set out by the Government last December?

Secondly, on the speed of implementation of these changes, he is right in saying that the Post Office is in great danger of slipping behind the tough international competition. It is extremely important that there is no undue delay in implementing these changes to enable the Post Office to compete, flourish and grow its business in the future. What can be achieved by means of secondary, European-related legislation, so that the framework of competition can be put in place without waiting for primary legislation, which I suspect may be some time in coming forward?

Mr. Byers

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I thank my right hon. Friend for his warm words of support for the proposals, which build on much of the good work that he carried out as Secretary of State for Trade and Industry. The Leader of the House, my right hon. Friend the Member for Derby, South (Mrs. Beckett), was also Secretary of State for Trade and Industry, and as she chairs the Cabinet Committee dealing with future legislation, I hope that, when it comes to the need to find a parliamentary slot for primary legislation, she will be persuaded by the strong case made by my right hon. Friend the Member for Hartlepool (Mr. Mandelson).

However, progress can be made without primary legislation. We can introduce further liberalisation through an order, and we can develop the powers of the regulator through secondary legislation, although not with the full range of rights and responsibilities that we shall ultimately provide. Thus some steps can be taken.

On the important point of commercial freedom, I confirm that the mechanism referred to by my right hon. Friend remains unchanged. The procedure that he agreed when he was Secretary of State remains in place. In addition, the criteria that will be used when considering borrowing for investment will have just three aspects: it will have to be consistent with the strategic plan, commercially robust, and pose no undue risk to the taxpayer. I hope that that clarifies the position for my right hon. Friend.

Mr. Colin Breed

(South-East Cornwall)

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First, may I add my thanks to the Secretary of State for his courtesy in providing a copy of the statement at 12 o'clock for us to see?

I broadly welcome proposals which, for some time, the Liberal Democrats have been promoting and calling for—a balance between providing greater commercial freedom and continuing to maintain, into the foreseeable future, the Post Office within public ownership.

I agree with the comments on the delays that could be involved. Clearly, if three Secretaries of State have had a hand in the matter, there will already have been considerable delay in bringing forward the proposals. If we are to wait any length of time before legislation comes before the House—clearly, opportunities have already been lost—new opportunities that may be open to the Post Office will not be taken advantage of, so it is essential that there are no further delays.

It is a balanced package, but it is also rather timid. For example, greater commercial freedoms are available now—they are certainly greater than before—but they are nowhere near as great as they could, or even should, be. On the borrowing limits that are being provided, £75 million may seem a lot of money, but, for a business that is turning over some £7 billion, it cannot be seen as a particularly huge borrowing requirement. If a business that was turning over £7 billion was likely to go bust by borrowing £75 million, something would clearly be wrong. Therefore, the borrowing limit that might be available to the Post Office of £75 million per year is not excessive.

May I make two other points—[HON. MEMBERS: "Where is the question?"] May I question two other points? The question of Crown post offices is rather confusing. They are to undertake 15 per cent. of the business and some new ones may open, but am I to understand that some could close and that there may be consolidation—some Crown post offices that are currently open may close?

In terms of the other post offices, for so long, small sub-post offices have been confined to the back of newsagents and other small stores, stuck in a corner next to a cupboard, where there is hardly any promotion. If post offices are to have new facilities and new services, and are to promote themselves in a new way, can we see a return to high street post offices with proper sign posting, to which people can go without meandering through books, knickers and everything else to buy their stamps? Post offices should be prominent on our high streets, not concealed in small stores.

I hope that, in that way, the Post Office will become a proud institution again, ready to serve its public with new services and new facilities, and will not again seek to hide itself in other places.

Madam Speaker[Share](#)

Order. Before the Secretary of State responds, I remind him that I heard only one question, so I hope that he will not take long to answer. I remind the House and any Member whom I call that I want a direct question to the Secretary of State. Many hon. Members are trying to get in on the statement. I want brisk questions and brisk answers, please.

Mr. Byers[Share](#)

I am tempted to say that, for some customers, having to go through books and knickers might be a unique selling point for the future of the Post Office network, but, on the specific question that I did hear, which was in relation to the £75 million approval, it is not a limit. A total of £75 million can be borrowed without approval. Over and above that, there can be increased borrowing, but it will require Government approval.

An arrangement was arrived at between my right hon. Friend the Member for Hartlepool and me when I was Chief Secretary to the Treasury. We agreed that nearly £300 million should be used to acquire German Parcels after the 7 December statement. That is a

good illustration of how a useful alliance for a purchase acquisition can be progressed. It was a good example of how, with a fair degree of haste, because it was an important commercial decision, we could provide £300 million, or thereabouts, to allow an acquisition to take place. That will still be the case, but we will put it on a firmer footing. The post-tax dividend will be reduced; £75 million will be allowed without approval; and, over and above that, amounts of more than £75 million will be subject to Government approval. I think that that is a balanced way forward.

Mr. Tony Benn
(Chesterfield)

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Is the Secretary of State aware that the statement that he has made today—which had all been fully released, as usual, by spin doctors and in broadcasts—will be seen by many people as stage 1 of the privatisation that the Conservative party wants; that the Post Office is the cheapest, most efficient, most popular and most advanced post office in the world; that it is a world-class post office; that, on its own, it invented the giro and introduced the national data processing service; and that the Post Office's greatest enemy has been the Treasury? From the very beginning, the Treasury has claimed that economic investment in the Post Office had been treated like welfare benefits, and has prevented the Post Office from having freedom which it should have had in its current position.

Given the recent statements, which indicate deep hostility to the public sector—that has been noticed by people—is the Secretary of State aware that it is not hard to believe that this is the first stage of full privatisation of the Post Office? He cannot rely on people being persuaded by the arguments that he has made today; as an old Postmaster General, they are not very persuasive to me.

Mr. Byers

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There are no grounds for complacency on the Post Office. It is currently providing an excellent service—I made that point in my initial statement—but, in a dramatically and rapidly changing world, the status quo is simply not an option for the Post Office. There will have to be change, modernisation and reform. Under the proposals that I have outlined today, the Post Office will become a plc, but one that is under public ownership. That meets the manifesto commitment on which I stood, and on which my right hon. Friend stood in the 1997 general election: greater commercial freedom for the Post Office, coupled with liberalisation, but within public ownership. That is exactly what the White Paper delivers.

If, at any future date, there is a desire for the sale of shares, the matter will have to come back separately to the House for a debate and decision, when hon. Members on both sides will be able to vote on it. Today, we are delivering on our manifesto commitment to commercial freedom under public ownership. That is the way forward for the Post Office, as outlined in the White Paper.

Mr. Edward Leigh
(Gainsborough)

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Unlike the right hon. Member for Chesterfield (Mr. Benn), may I warmly congratulate the Secretary of State on taking this historic first step on the route to privatisation? When I was working in the Department of Trade and Industry for my right hon. Friend the Member for Henley (Mr. Heseltine), old Labour Members were united in their opposition to such a step. Now, by his statement, the Secretary of State has converted them. Will he confirm that the statement goes far further than the previous Government's plans—we were talking about making only the Royal Mail a plc, whereas the Government propose to make the entire Post Office a plc?

Will the Secretary of State also confirm that there is no business of that type anywhere in the world that has not sought, and is not seeking, international strategic alliances? Therefore, is it not inevitable that some shares will have to be sold? It would be much fairer to the House if he would confirm that now.

Finally, as the Secretary of State has done so much to burnish his radical Thatcherite credentials, would he like to join the No Turning Back group of Conservative Members?

Mr. Byers

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There is—

Mr. Patrick McLoughlin
(West Derbyshire)

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Just say yes.

Mr. Byers

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There is a serious issue here, and I am not quite sure that the hon. Member for Gainsborough (Mr. Leigh) took it quite as seriously as perhaps he should. We have based the plc and public ownership model for the Post Office on one that works very well in other countries, such as Australia, New Zealand, Finland and Sweden. The post offices in those countries have flexibility and commercial freedom, and are able to work in the wider national interest. We believe that Britain's Post Office can do so as well. Clearly, in due course, there will be consideration of strategic alliances and acquisitions—this is a rapidly changing world—and I specifically mentioned those considerations in my statement.

I reassert that there are no plans to dispose of shares. If legislation is brought to the House in the near future, it will contain no such proposals. Such a Bill would make it clear that, if there were any intention to do that, it could not be done by stealth. The matter would have to come back to the House for parliamentary approval.

Mr. Alan Johnson
(Hull, West and Hessle)

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Does my right hon. Friend accept that those of us who have argued for the past seven years that it is possible for the Post Office to be given the commercial and financial freedom that it needs while remaining entirely publicly owned, this is a bit of a red letter day? I was pleased that the hon. Member for Gainsborough (Mr. Leigh) reminded us that the Conservatives were one-dimensional on the issue when they were in government: they wanted not only to privatise the Post Office but to break it up. Fortunately, they retreated from that and we are able to take the Post Office forward.

I have some concerns about the reduction in the monopoly limit. Will my right hon. Friend assure me that he will consider linking that reduced monopoly limit to the retail prices index, so that it does not just wither on the vine and erode over time? Secondly, will he ensure that there is a proper study with all interested parties before any further erosion of the reserved area that may be caused by European Union directives?

Mr. Byers

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I thank my hon. Friend for his welcome for the main thrust of the proposals in the White Paper. Given his considerable personal knowledge of the Post Office and the postal service, it is helpful for the House to have his views on the proposals. I shall consider whether the reduced monopoly limit of 50p should be linked to the RPI. I think that it would be appropriate to do so. Any study into the impact and effects of liberalisation will be the responsibility of the regulator. We believe that it is appropriate to liberalise by reducing the monopoly to 50p, given the greater commercial freedom that we are introducing. The figure is pitched at a level that will ensure that the Post Office can still meet its universal service obligation. We want to increase liberalisation, but still deliver on that important commitment.

Mr. Nicholas Winterton
(Macclesfield)

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In replying to my question, will the Secretary of State put spin and hype to one side? As a Back-Bench constituency Member of Parliament, I am concerned about the efficiency of the postal services and the cost and reliability of deliveries. My constituency has a large rural area, parts of which are remote. Will he guarantee to me that his proposals will ensure that all my constituents, even in the remotest areas, will get a daily delivery service and that the post office facilities currently available will not be reduced in any way, but will, hopefully, be increased and improved?

Mr. Byers

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When hon. Members have had a chance to see the full range of details in the White Paper, they will see that our proposals will deliver an improved service. I can confirm that the Post Office will be legally required to guarantee, on each working day of the week, a daily delivery to every address in the country, wherever it might be. Whether it is in Macclesfield or Manchester, Newcastle or Newquay, the provision will be the same. As has been said, whether it is Skye or Southwark the same obligation will apply. That will be in law for the first time. That is a good example of how we are moving forward and improving the service provided by the Post Office.

The network of counters is a real issue in rural communities. It was highlighted earlier this week in a study by the Women's Institute. For the first time, we are providing criteria for access to the facilities of the post office network. For the first time, consumers will be able to object to, and oppose, any proposal to remove such a facility from their community. We are building in new powers.

Mr. Martin O'Neill

(Ochil)

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I congratulate my right hon. Friend and, in particular, my hon. Friend the Minister on their hard work over such a long time. This has been a long-awaited development, and the complexity of the deal is evident. Will the regulator be involved in the consideration of the universal service obligation and the network of post offices across the country? What is my right hon. Friend's view on public pay in the public sector? Will the pay arrangements of the Post Office be part of the new independent structure?

Mr. Byers

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I thank my hon. Friend. Much of the work of the Select Committee on Trade and Industry—of which he is Chairman—relating to the Post Office has informed the White Paper that we are presenting today. We thank him and his Committee for that work.

We are not opting for an individual to be a named regulator; we are adopting a recommendation, with which we agree, from the review of the utilities and telecommunications regulators: that it is better to have a commission of perhaps five or six people, with someone acting as its chairman. That is the way in which we intend to regulate the Post Office. The commission will be responsible for overseeing the universal service obligation and the network.

As we move to give greater commercial freedom to the Post Office, it is important that we recognise also the social obligations that go with the Post Office in Great Britain. Having a national network is one of those social obligations that we are now consolidating as a result of the measures in the White Paper.

The Post Office will still be part of the public sector pay remit. However, we have agreed with the Treasury that there will be opportunities for greater flexibility and for incentives to be offered to people working in the postal service in the new situation in the years ahead.

Mrs. Ray Michie

(Argyll and Bute)

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Given that there are 37 fewer sub-post offices open in Scotland now than in 1997—some of the closures are temporary—does the Secretary of State agree that any extra money from the Treasury should be channelled towards financial incentives for sub-postmasters and sub-postmistresses, whose earnings, at about £2.70 an hour, are well below the minimum wage? It is therefore

difficult to get people to staff those sub-post offices. I am particularly concerned about sub-post offices in rural areas. Can the right hon. Gentleman guarantee that they will continue to pay out pensions and benefits? Many of the little villages in my area are 30 or 40 miles from a bank and there is no public transport.

Mr. Byers

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The hon. Lady makes an important point. Clearly, I cannot guarantee that every post office network facility will remain in existence for the foreseeable future. However, this year, for the first time, £175 million extra has been made available to the Post Office, and that money could be used to enhance the network system. As the hon. Lady rightly said, there will be opportunities to attract people to run post offices who might not have been prepared to do so in other circumstances.

As a practical demonstration of our inclusive approach, representatives of sub-postmasters and sub-postmistresses are, for the first time, forming a working group within my Department to plan the future of the network. They are in at the ground level, and I am sure they will be arguing hard to get a better deal from the Post Office. I am pleased that, as a result of the extra £175 million this year and the £600 million over the next three years, the Post Office will now have the resources to deal with matters that are regarded as a priority.

Mrs. Maria Fyfe

(Glasgow, Maryhill)

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I am sure that no one disagrees with the ambition that the Post Office should be as up to date as possible and ready to enter whatever new markets it likes, but why does it have to become a public limited company to do so?

Mr. Byers

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There are several reasons. A public limited company is a business organisation that is recognised by the people who deal with these matters. It is a tried and tested model that works very well in postal services in other countries. In Sweden and Finland, the plcs in public ownership are very effective and progressive. The Swedish post office has just announced that it is to give a free e-mail address to every citizen in Sweden. The post offices in Australia and New Zealand are rapidly moving ahead, embracing new technology.

Perhaps most importantly, having plc status makes a clear distinction between the rights and duties and responsibilities of the directors. They will no longer be directly accountable to the Government; their primary responsibility will be as directors of the Post Office. A clear distinction between management and ownership will be important in the years ahead. I give my colleagues who have reservations about plc status the assurance that if, at some future date, there is any consideration of a disposal of the shares, there will be a separate opportunity for hon. Members to vote on that.

Mr. Patrick McLoughlin

(West Derbyshire)

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There have been several closures of small rural post offices in my constituency. One of the biggest problems for the Post Office is recruiting new people to run small sub-post offices. Will the Secretary of State direct the Post Office to pay the national minimum wage to sub-postmasters for the hours for which they are contracted?

Mr. Byers

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The hon. Gentleman opposed the minimum wage legislation, so he will know that all employees are covered by the national minimum wage but self-employed people are not. Perhaps unsurprisingly, there is some confusion in his thinking. We are giving the Post Office commercial freedom, so it will not be my responsibility or that of any future Secretary of State to give it orders or

instructions. We are no longer in that game. Commercial freedom means allowing the Post Office to manage within the strategic plan that we agree with it.

Mr. Dennis Skinner

(Bolsover)

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Will my right hon. Friend advocate that, when we draw up our manifesto proposals for the next general election, privatisation should not figure among them? Did he consult the trade unions, did they agree, and will any job losses arise from his statement? Does he have any scars on his back?

Mr. Byers[Share](#)

Having been a member of the Labour party for 26 years, I have many scars on my back, as I am sure my hon. Friend also has. The manifesto will be determined not by me but through the Labour party's normal policy-making process. The trade unions were involved in discussing the White Paper and how we can take the Post Office into the next century. They will express their views on the details that it contains. I hope that when they have studied it and seen the balanced approach that we are taking, they will feel that we have made the right decision.

I am sure that no job losses will arise from the recommendations that we are making today, for the simple reason that we are providing extra money for the Post Office. Hon. Members should not forget that we are providing an extra £175 million for the Post Office immediately, this year, and £600 million over the next three years. I hope that more people will be employed as a result of today's announcement.

Mr. Stephen Dorrell

(Charnwood)

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The hon. Member for Bolsover (Mr. Skinner) asked about the justification for continued public ownership of the shares, and the Secretary of State has laid great stress on the new regulatory framework that he intends will ensure the continuation of universal service and protect against the abuse of monopoly by Post Office plc. When he considers whether the shares should remain in public ownership, will he speculate about the arguments that might be advanced by the hon. Member for Bolsover that they should? Will he find those arguments persuasive, or would it not be a better use of taxpayers' resources to reallocate their investment in Post Office plc? Would not that enable investment to be made in the creaking infrastructure of transport and schools, for which the taxpayer is directly responsible?

Mr. Byers[Share](#)

The right hon. Gentleman used to be a Treasury Minister, and his was one of the dead hands that used to lie on the Post Office. I do not know whether it was under his stewardship that 93p in the pound was taken away from Post Office profits. I am not in the business of speculating about the arguments that my hon. Friend the Member for Bolsover (Mr. Skinner) may put forward. He will make those arguments in his own way, and it would be inappropriate for me to comment on what they might be.

Mr. Derek Foster

(Bishop Auckland)

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In celebrating the world-class success of the Post Office as a public business, may I congratulate my right hon. Friend on granting it greater commercial freedom in the public sector? That is essential for the Post Office's competitiveness in Europe. Is he aware that he has given enormous heart to those of us who have always believed that the public service can be modernised and made fit for the challenges of the 21st century, without the headlong rush to privatisation?

Mr. Byers[Share](#)

I thank my right hon. Friend, who I know follows these issues extremely closely. The proposals in today's White Paper are balanced and do not permit a diversionary argument about privatisation of the Post Office. I hope that I have made it clear, through the establishment of a public limited company for the Post Office, that privatisation is not the Government's objective. We want to give the Post Office greater commercial freedom in the public sector. That was our 1997 manifesto commitment, and the proposals in the White Paper will deliver it.

Mr. Christopher Chope

(Christchurch)

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Will the Secretary of State say why he thinks that the Germans are fully privatising their post office? Might the reason be that they want it to be a leading global player? How does he think our Post Office will be able to compete with that?

Mr. Skinner[Share](#)

I thought the hon. Gentleman was against the Germans.

Mr. Byers[Share](#)

We managed to take a bit of the private sector German Parcels business into public ownership a few months ago. I hope that my hon. Friend the Member for Bolsover will welcome that example of the public sector taking over some of the private sector.

The decision about the German post office was a matter for the German authorities. Our job is to determine what is best for Britain. We believe that we can build on the Post Office that we have, and that a plc in public ownership is the best model to achieve the challenging objectives set out in today's White Paper.

Mr. John McWilliam

(Blaydon)

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Why was the idea of an independently owned public corporation dropped? Was it because the Treasury operates under rules drawn up in the 1920s and 1930s? Is not it about time that it was dragged kicking and screaming into the 21st century, so that we do not have this nonsense again when attention turns to the Defence Evaluation and Research Agency, which is the next target? Finally, did my right hon. Friend see the expression on the faces of Conservative Members when he announced the formation of a plc for the Post Office? It reminded me of the look that my dog has when I leave the fridge door open.

Mr. Byers[Share](#)

We did consider in detail the arguments for establishing an independent publicly owned company. Much research has been done into that model, but we found fundamental weaknesses over management and ownership issues and lines of responsibility, and we fell back on a well-known type of business organisation—the plc. We knew that concerns would be raised about public ownership, so we have given the guarantees clearly set out in the White Paper. I assure my hon. Friend that the IPOC model was considered in detail, but that we felt that it was not appropriate.

Mr. Michael Fallon

(Sevenoaks)

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Is the Secretary of State not creating a rather messy hybrid, a sort of pre-privatisation Patco, which has the potential to abuse its dominant position? Can he reassure other communications businesses that the greater commercial freedom which he is offering the Post Office will not be fully exercised until the regulatory framework is in place?

Mr. Byers

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I assure the hon. Gentleman that we need to establish the regulator to make sure that there is no abuse of the monopoly position in the area in which there is no competition. Where items cost more than 50p or weigh more than 150 g, there will be competition, and the regulator will have no role. We hope to establish the regulator by April next year to ensure that there is no abuse of the type outlined by the hon. Gentleman.

Mr. Peter L. Pike

(Burnley)

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Will my right hon. Friend assure us that in guaranteeing the crucial network of post offices across the country, he will make it a requirement that the level and range of services must be maintained? Services must be protected for the future and developed as the Post Office changes in its new format.

Mr. Byers

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My hon. Friend makes an important point. I am keen to establish a post office network that does not deal only with payment of benefits, which it does effectively, or even with extensions to passports—it should offer a range of services not currently offered. As part of our agenda for modernising Government, we should see the network of 19,000 post offices as a key to local delivery of important Government services. A working party has been set up in my Department to ensure that we modernise the network and that new technology will be made available. We have to make sure that extended services are available to meet the needs of people locally, to support local communities and to ensure the future of the network.

Mr. Peter Brooke

(Cities of London and Westminster)

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May I ask a London question? Of the 12 postal districts in my constituency, the quality of service in two is markedly inferior to that in the other 10, for reasons, I believe, of recruitment difficulty. Will the competitive and commercial freedom and the pay flexibility of which the Secretary of State has spoken allow the new Post Office to address those problems so that, under the universal obligation, we may have equality of standards and services for customers in the same marketplace?

Mr. Byers

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The right hon. Gentleman makes an important point which affects London, other cities and, as the hon. Member for Macclesfield (Mr. Winterton) said, rural communities. We need to ensure that the guaranteed level of service is met. Under the White Paper's provisions, the Post Office can be fined for failure to achieve that service. However, we want the service to work, rather than have to apply fines when it does not. When the Post Office considers remuneration packages, it will also consider how to retain and recruit postal workers, particularly in areas such as London where the Labour market is not as flexible as in other parts of the country.

Mr. Jim Cousins

(Newcastle upon Tyne, Central)

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Many of us still have to be convinced that the public limited company route down which my right hon. Friend is taking the Post Office is the right route. Who will exercise the role and responsibilities of shareholders? Is this to be a people's company, and if so, how will that be done? Will he confirm that his proposals mean that every piece of capital investment of less than £75 million a year may require Treasury approval, while every capital investment of more than £75 million certainly will require Treasury approval? What has happened to the historic surpluses of the Post Office, amounting to almost £2 billion? Under his proposals, they seem to be parked at the Treasury.

Mr. Byers

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I look forward to convincing my hon. Friend about the merits of today's proposals. To clarify matters: for the £75 million borrowing power, no further approval will be required; over and above that, approval will have to be obtained. As for the historic surpluses, they will be retained by the Treasury, but, as we have made clear, there will be changes to the balance sheet in two or three years time as we put the Post Office on to a more commercial footing.

Several hon. Members

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rose—

Madam Speaker

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Order. We must now move on to the business statement.

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