

RESTRICTED - POLICY

IMPLEMENTATION

There are likely to be six stages to the implementation of decisions flowing from this review:

- first (October/November), setting the external finance limit for 1999/2000 (on which Ian McCartney has already written to Stephen Byers);
- second (November), a public announcement of the Government's broad intentions for the future of the PO;
- third (say, December/January, although if desired the second stage could be postponed to coincide with this) the publication of a White Paper setting out these plans in detail;
- fourth (February 1999), using the opportunity available early next year to put in place a modern regulatory framework when we implement the EU Postal Directive. If Ministers accept the recommendation for independent regulation, then **we recommend** this should be done through this route;
- fifth (say, April 1999 - the start of the PO's financial year), those changes which could be made without primary legislation would be implemented as soon as practicable. The PO could be allowed to move to commercial pricing for limited classes of mail. Both the IPOC and the public sector trust options could be largely implemented. Minor changes to the monopoly could be introduced. And a shadow "Ofpost" could be created. Commercial freedoms would also be granted as part of a balanced reform package. We need to move fast to give the PO wider freedoms, if the UK is not to lose out to the Dutch and German Post Offices who are very active in fast developing markets;
- sixth, primary legislation (in the 1999/2000 session at the very earliest) will be needed at some stage with all options. This would
 - clarify the permitted areas of activity of the PO in relation to the commercial freedoms available, particularly to enter related markets; and engage in non-core activities;
 - introduce any significant liberalisation of the domestic postal market (beyond that which might be possible under the regulations introduced in the fourth stage above);
 - make any further provision of the regulatory regime (again beyond that which might have been possible under regulations under the ECA);
 - provide for any further restructuring of the PO (eg establishing the PO as a company under the Companies Act (in the case of an IPOC or MSS) or clarifying trust arrangements (if that route has been followed);
 - (if such a route is to be followed) provide for a minority share sale.

In view of the lead time for obtaining legislative time, **the Steering Group recommend** that a bid be submitted now for time during the 1999/2000 session.