

Summary of main issues raised by stakeholders in relation to Royal Mail's request for relief from the financial implications of industrial action in 2008-09 and Postcomm's responses

1. Postcomm received 10 responses to its consultation letter seeking views on Royal Mail's request to repeat the 2007-08 arrangements in 2008-09. These responses are available in full on Postcomm's website.
2. Stakeholders held a wide range of views on various aspects of Royal Mail's request. Postcomm has taken the views into account, and the letter issued to Royal Mail reflects this.
3. The majority of respondents did not consider that Postcomm should issue a 'minded to decision' in response to Royal Mail's request, for a variety of reasons. The most commonly stated reasons were that Royal Mail and/or the CWU would then be less incentivised to negotiate in good faith because of the reduced potential impact of behaving confrontationally; and that Royal Mail would be less incentivised to perform well during the year. Postcomm considers that issuing a letter indicating its likely approach to transformation-related industrial action in the year ahead is helpful to stakeholders, since it is an indication of likely future action and thus reduces regulatory risk. We consider that Royal Mail and the CWU both have a lot to lose from industrial action, since customers may seek, as they did in 2007-08, to use other operators or other media when Royal Mail members of staff are on strike. We consider that this risk is likely to incentivise Royal Mail and the CWU to negotiate in good faith. We have not given Royal Mail a 'minded to' decision letter this year.
4. The C-factor and Bulk Mail Compensation Scheme will still apply for quality of service failures that are not caused by transformation-related strike action, ensuring Royal Mail is adequately incentivised to perform well. Additionally, should there be evidence that Royal Mail did not perform as well as possible during strike periods, Postcomm will take this into account when making its decision on Royal Mail's application at the end of the year.
5. The majority of respondents considered that any decision taken on the suspension of the Bulk Mail Compensation Scheme and adjust the C-factor for any periods in 2008-09 should be made after considering a wider range of related issues than Postcomm was able to consider in the context of making its decision on Royal Mail's 2007-08 application. Postcomm agrees that this is appropriate. Postcomm has broadened its scope to consider a wide range of factors, as set out in the letter.
6. Several respondents considered that it was appropriate to define 'transformation activities' more specifically than Postcomm had done in its 2007-08 letter. Postcomm considers this is helpful to stakeholders since it provides more transparency and certainty, and has defined transformation activities for the year 2008-09 at Annex 1 to the letter.
7. It was also apparent from stakeholder responses that clarity was needed on the subject of what constituted 'industrial action'. Postcomm has

decided that it will consider relief for strike action in 2008-09, as defined in the letter, but that it is not appropriate to grant relief for other forms of industrial action, such as staff 'working to rule' or 'going slow'. This is because Royal Mail is unable to adequately demonstrate the scale of the effect of staff taking these forms of industrial action, as distinct from, for example, staff being less motivated and therefore less productive in the aftermath of a strike. Based on its experience of these issues and their alleged impacts in 2007-08, Postcomm also considers Royal Mail should be able to manage the issues of 'work to rule' and 'go slow' without relying on the suspension of the Bulk Mail Compensation Scheme and adjustment to the C-factor.

8. Postcomm does think it appropriate to consider providing relief for official and unofficial transformation-related strike action. The effect on Royal Mail of any form of strike action is likely to be significant, as well as being demonstrable, whether or not it has been balloted on.
9. One stakeholder suggested making customer views of Royal Mail's performance during strikes a more direct determinant of Postcomm's decision. Postcomm will take into account customer views of Royal Mail's handling of strikes in 2008-09 when it makes its decision. However, conducting a poll of customer opinion, for example, would not appear appropriate – many customers are likely to be dissatisfied because of the strikes, regardless of how well Royal Mail handles them.
10. Two stakeholders suggested separating the C-factor from the Bulk Mail Compensation scheme – for example, not suspending the Bulk Mail Compensation Scheme but adjusting the C-factor, so reducing Royal Mail's total exposure. However, since bulk mail customers benefit from the Bulk Mail Compensation Scheme, and retail customers benefit from the C-factor, this approach would unfairly disadvantage one group of customers.
11. Finally, it was suggested that Postcomm hold another open meeting at the end of 2008-09. Postcomm considers this is a valuable way of encouraging stakeholder input to its decision-making, and will hold another open meeting.