

CASE NOT MADE

A Response to the Hooper Report
on the future of the Royal Mail

compass

DIRECTION FOR
THE DEMOCRATIC LEFT

Case Not Made

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on the Future of the Royal Mail

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Southbank House, Black Prince Road, London SE1 7SJ

T: 020 7463 0633, E: info@compassonline.org.uk

www.compassonline.org.uk

This report was produced by Compass with the advice, from amongst others, of Professor Colin Crouch Professor of Governance and Public Management at the Warwick Business School and Paul Smith business consultant

Foreword


The Royal Mail is an institution that has served the British Public well for over 300 years. Like every public service it needs to be modernised, improved and held to account. But to change it fundamentally, through part or wholesale privatisation would require a set of very convincing arguments around which there was a national consensus.

The government asked Richard Hooper to write an independent review on the future of the Royal Mail. His findings were published on 16th December 2008 in the document "Modernise or Decline".¹ The central and most important conclusion from the report was the recommendation that the modernisation of the service can only be based on its part privatisation through an equity sale to a third party. This is now the basis for the Bill introduced to the House of Lords at the end of February 2009. The basis for this call by Richard Hooper for the part privatisation of Royal Mail was the perceived inefficiency of the service.

The analysis contained in this response to the Hooper Report refutes the basis for the assumed inefficiency of Royal Mail and therefore calls into question the rationale for part privatization. We do not believe that any sober and objective analysis of Hooper can conclude anything other than that *the case has not been made*. Indeed, on closer inspection it becomes clear that the Hooper Report is merely a collection of assumptions and assertions based on little if any factual evidence. Royal Mail is simply not the failed and failing organization portrayed in the Hooper Report. Furthermore, the European comparators Hooper uses, most notably Germany and the Netherlands, are not the shining examples of efficiency he claims. The German system is profitable because it charges its customers more not because it is more efficient. The Dutch system derives its 'efficiency' on the basis of an operation in a small flat country. Our Royal Mail is not just the lowest priced service in the EU but is also still profitable.

However, Compass is clear that the status quo is not an option. A lasting framework has to be found that increases investment and enables the management and workforce to fairly share the load and responsibility of modernising the service. Compass will be publishing ideas on alternative forms of modernisation to privatisation in the near future. Crucially though we must first be clear about the performance of Royal Mail when presumed and unsupported claims of inefficiency are used to rationalise privatisation. We believe firmly that the case for this has not been made.

Neal Lawson, Chair, Compass



The Hooper Report fails to make a case for the part privatisation of Royal Mail . . . it would be irresponsible to adopt the report's recommendations without further consideration of the situation and the alternative potential courses of action

Executive Summary

- One of the key conclusions of the Hooper Report is that Royal Mail should be partly privatised in order to secure Royal Mail's modernisation process and the future of the universal service provider.
- The arguments for this are based on the following findings
 - Royal Mail is inefficient compared with its European peers
 - By implication it needs to learn from them or similar companies
 - In order to achieve its modernisation at a sufficiently rapid pace Royal Mail needs to acquire significant new learning and skills and access to additional capital
 - This learning can only be achieved effectively through strategic partnerships, likely to involve equity stakes
 - Royal Mail needs access to significant commercial capital, which is best in the form of equity
- However, the report offers little or no serious evidence in support of these findings:
 - The evidence offered on efficiency is misleading and inconclusive
 - It doesn't not take account of differences between different postal operators and the domestic markets within which they operate.
 - By focussing on profit margins, it also mixes the effects of pricing, which is heavily driven by the regulator and market circumstances, and operational efficiency
 - The report also doesn't distinguish between the situation of incumbent operators and the legacy issues they commonly face and that of new entrants into the newly liberalised mail markets
 - No concrete information is provided on the amount of capital required to fund Royal Mail's modernisation process
 - No evidence is offered for the assertion that the appropriate learning can't take place via a different mechanism
- There is other evidence which appears to suggest that Royal Mail is not particularly inefficient compared with other European postal operators including Deutsche Post and TNT which the report holds out as exemplars of "Modern European Operators"
- The report goes on to assert that its recommendations need to be accepted in total in order to be effective
- However, this doesn't take account of the fact that the removal of the pension deficit burden, the ongoing modernisation process, and possibly the reform of the regulatory mechanisms, will have a very significant impact on Royal Mail's cash flows and therefore its capital requirements

- The Hooper Report fails to make a case for the part privatisation of Royal Mail because of the:
 - Absence of any conclusive evidence on Royal Mail's efficiency relative to its peers
 - And the appropriate needs, sources and mechanisms for learning
 - Lack of any information on the capital investment required or consideration of the cash flow implications of the report's other recommendations
- Given this, it would be irresponsible to adopt the report's recommendations without further consideration of the situation and the alternative potential courses of action

The Hooper Report fails to make a case for the part privatisation of Royal Mail ... it would be irresponsible to adopt the report's recommendations without further consideration of the situation and the alternative potential courses of action.

I. Introduction

This document is intended to review some of the findings and conclusions of the Hooper Report on the provision of the universal postal service and, in particular, the validity of those conclusions and the quality of the evidence provided for them. We have focussed our attention on those areas where the conclusions seem to be regarded as contentious or are based on findings for which the data/evidence appears to be lacking.

While some of the report's findings seem to be reasonably robust and well accepted, there are also areas where some of the evidence is far from conclusive and the findings seem to be little more than simple assertions or assumptions. The purpose of this report is to highlight those areas where we believe further evidence or analysis is required before it would be responsible to adopt the report's recommendations.

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The report's findings on the future decline in demand and the impact of the pension deficit seem to be reasonably robust and well accepted. The same applies to its suggestion that regulation should shift to OFCOM; though there may still be debate about how prices, in particular, should be regulated. We do not intend to address these areas.

However, the report's conclusions on the current level of operational efficiency and its proposed solutions seem to be not much more than simple assertions, unsupported by the little evidence provided.

In particular the report asserts that:

- **Royal Mail is inefficient compared with its European peers**
- **In order to achieve its modernisation at a sufficiently rapid pace Royal Mail needs to acquire significant new learning and skills and access to additional capital**
- **This learning can only be achieved effectively through strategic partnerships, likely to involve equity stakes**
- **Royal Mail needs access to commercial capital that is best in the form of equity**

The final conclusion, that a partial sale to a strategic investor is the best route to securing the modernisation process and the required capital, relies very heavily on the validity of these assertions. If these assertions cannot be relied upon with sufficient certainty it would be irresponsible to adopt the report's recommendations without further proper consideration of the situation and the alternative potential courses of action.

We intend to highlight the failure of the Hooper Report to provide adequate evidence for its findings on Royal Mail's efficiency:

- In particular, those relating to Royal Mail's efficiency relative to its European peers
- And the implicit assumption that they are therefore the most valuable potential sources of learning

We make the point that the quantitative information in the Hooper Report is not sufficient to reach any valid conclusions on the relative efficiency of different European postal operators. We also provide some illustrations to show that at the same, or a similar, level of analysis it is possible to suggest that Royal Mail is as efficient, or more efficient, than DP or TNT.

It is extremely important to note that we are not claiming that these examples prove conclusively that Royal Mail is more efficient than others. The intent is merely to show how easy it is to suggest a different point of view and that therefore a much more detailed and robust analysis, taking proper account of the individual operators' circumstances and focused on operational outcomes, would be required to try to prove conclusively which European operators were truly the most operationally efficient.

Given the significance of the conclusions for the future ownership of the Royal Mail we believe that the Hooper Report fails to make an adequate case for some of its specific recommendations and that also, by extension, its assertion that its recommendations must necessarily be adopted in total in order to be effective is flawed.

2. Hooper on Efficiency

Hooper refers to Royal Mail's estimate, in its 2006-07 Annual Report, that it was 40% less efficient than its competitors and cites 5 reasons for this:

- The network of mail centres and delivery offices
- Automation
- Working Practices
- Pay
- Ongoing pension contributions

The report makes the assertions that:

- "Labour costs at Royal Mail Group were among the highest of European postal companies"
- "Royal Mail's handling of letters and packages is much less efficient than its European peers. That is reflected in poor operating profit"
- The gap between Royal Mail's operating margin and that of a "modern EU operator" of 13.5% can be explained by efficiency, pension payments and competition
 - This definition of efficiency is in some places expanded, to include gaining additional revenues from diversification, but not consistently

The implications drawn from this are that Royal Mail is particularly inefficient compared with other Western European operators and that therefore it will not be able to modernise effectively without assistance and learning from other businesses. The notion of a "modern EU operator" is based on TNT and DP with the implicit conclusion that they must be exemplars and particularly efficient.

3. Problems with Hooper's Evidence on Royal Mail's Efficiency

3.1 The context

The context for any consideration of relative operational efficiency, and the implications it has for any required learning and its potential sources, is absolutely crucial. There is a very important distinction between making comparisons between Royal Mail and its brand new domestic competitors, in the newly liberalised upstream domestic mail market, and comparing it with its European peers, the incumbent national mail operators. The new competitors are new entrants with new operations that can be designed from scratch to take advantage of new technologies, whilst the incumbent operators will face legacy issues, in terms of technology, network design and industrial relations.

To say it's less efficient than new entrants is just a reflection of recent circumstances and many European incumbents are in a similar position.

If Royal Mail can be shown to be significantly less efficient than other European operators, who face similar legacy issues, that might suggest a learning gap that can be filled by learning from the right European peers but to say it's less efficient than new entrants is just a reflection of recent circumstances and many European incumbents are in a similar position.

Even Hooper's initial reference to Royal Mail's 2007 annual report is problematic in this respect. Royal Mail offered no evidence for the 40% estimate and were actually talking about competitive pressures within the UK market and making a comparison with their new domestic competitors rather than their European peers, the incumbent national operators. What they actually said was:

- "Our rivals are 40% more efficient not because their people work harder but because they have already modernised – as we must now do – and have much more technology; and
- Our rivals pay their people 25% less than we do at Royal Mail"

Royal Mail were explicit in not comparing themselves to their European peers and also clearly implied that any efficiency gap was not due to working practices.

In fact, the issue of significant pay differential's of 25-30% between the incumbent operator and new entrants, due to industrial relations legacy issues, is common across Europe and was commented on by Royal Mail in its submission to Hooper. Evidence of the significance of this problem can be seen in that Germany introduced a minimum wage for postal workers in order to protect Deutsche Post from competition, without which it was feared the service would be unable to cope.

3.2 The Quantitative Evidence

There are several problems with the analytical approach taken including:

- Not comparing **LIKE FOR LIKE** in terms of business models and market contexts
- Not considering the different **STRUCTURAL FACTORS** that will drive the cost of fulfilling the USO in a given market
- **USING REVENUE AND PROFIT FIGURES RATHER THAN COSTS**

3.2.1 Like for Like

Hooper presents two charts as evidence on Royal Mail's efficiency relative to its European Peers

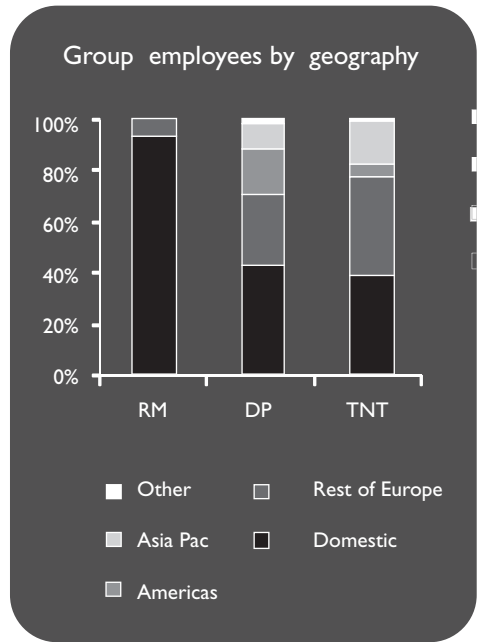
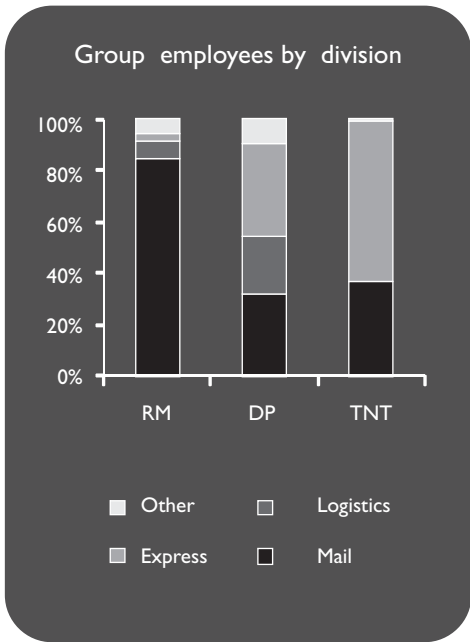
- A chart showing labour costs as a percentage of revenues in 2007 for European postal companies at a group level (fig 14)
- A chart showing operating profit margins in 2007 for the mail divisions of European postal companies (fig 16)

However, it is simply not possible to reach meaningful conclusions about the relative efficiency of different national postal operations using data aggregated at this level

The figures used do not take any account of the different circumstances faced by the national operators; such as:

- The extent to which postal companies are involved in other activities in addition to the universal service obligation, including those that do not involve mail or are outside their domestic market, is not considered.
- Neither is the extent of outsourcing contracts, as opposed to directly employed labour, or the use of another operator's delivery network.

The charts below show just how extreme the differences in structure can be for the labour and revenue related numbers used in Hooper fig 14, which are at a group level²



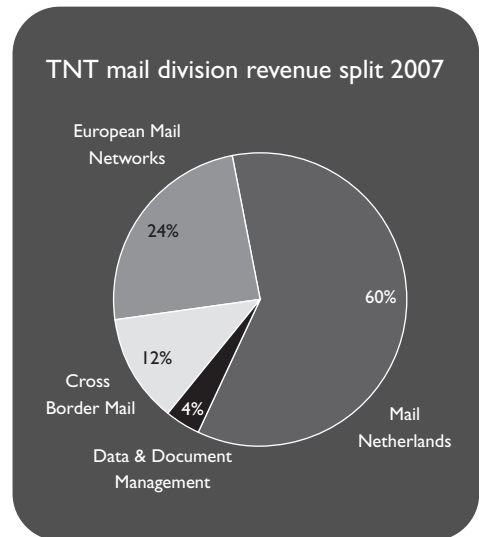
- Deutsche Post’s mail division accounts for only 24% of group revenues and 32% of employees and Germany accounts for just 39% of group revenues and 41% of employees
- In contrast, the UK numbers are 73% of revenue and 83% of employees for mail with only 7% employees and 13% revenues outside the UK

These different mixes of business activities and geographical locations will involve different business models with very different mixes of labour and other inputs as well as very different unit labour costs. In particular, the logistics and international elements of the business are unlikely to involve the type of very labour intensive delivery networks which are necessary for the operators’ home country mail networks.

- It is inevitable that a much less diversified business with a focus on domestic mail will have a significantly higher proportion of labour costs and Royal Mail is not out of line with similar European operators in this respect.

It is simply not possible to conclude from Hooper’s fig 14 that Royal Mail is either employing too much labour or paying their labour too much.

The same problem arises even at the mail division level,³ as used for the operating profit numbers in Hooper fig 15.



Even the mail divisions of the different European operators have completely different structures and are operating in different markets and market sectors:

- **88% of Royal Mail's revenues are price controlled⁴** and an even higher proportion are from its domestic mail market
- **Only 37% of Deutsche Post's "mail" revenues are from price controlled products** and less than 78% come from its domestic mail market. International markets account for 22% and a further portion comes from other activities including consulting. TNT's mail division is even more international

There are also additional problems with figs 14 & 15 that we will return to later.

3.2.2 Structural Factors

In making comparisons between different European operators, and their profitability or assumed efficiency, the report takes no account of the different structural issues that are likely to affect the cost of universal service provision, and mail services in general, in different settings:

- Geography - the size, shape and topography of the country
- Population density and distribution
 - For example TNT serves the Netherlands, a much smaller country, which has a population density of 491/km² compared with 252/km² in the UK⁵
- Frequency of collection and delivery and the availability of drop-off points

- According to Eurostat, the UK provides 6% more post boxes (115k vs 109k) than Germany despite having a population that is 25% smaller and a very similar population density
- Many European countries deliver on only 5 days a week as opposed to the UK's 6
- Volume of mail and types of packages covered by the universal service obligation and also all other mail that utilises the network
 - Royal Mail handle about 25 billion items per year compared with 20 billion for DP's domestic network

All other things being equal it ought to be cheaper to fulfil the Universal Service Obligation in a small, round, flat and densely populated country with less frequent collections and deliveries because:

- Distances for trunking will be shorter
- The network will be smaller, less complex and more heavily utilised

3.2.3 Using revenue and profit figures

If an argument relating to operating efficiency is going to focus on financial measures it should concern itself with costs not revenues or profits.

Much is made of a simple comparison of operating profit levels (Hooper fig 15) but this is inappropriate because it:

- **Fails to separate out the effect on profits and revenues of price levels**
 - Which are driven by levels of regulation and competition rather than operational efficiency
 - An operationally inefficient company could be more profitable than an efficient one if its market circumstances allow it to achieve higher prices
- Does not properly account for capital charges and therefore the economic consequences of different mixes of labour and capital for the true cost to shareholders
 - Deutsche Post have recently recognised this and now use EBIT after a capital charge to evaluate their own performance

Similar problems arise in the chart (Hooper fig 17) purporting to show factors which affect Royal Mail's operating profit margin and their relative significance

- **This wrongly implies that the remaining "modernisation gap" is all due to inefficiency as opposed to factors affecting revenue**
 - Though the report does detail the difference in OP that it attributes to competition and pension contributions

This conclusion ignores the possibility that the difference between Royal Mail's profit and that of, say, Deutsche Post could be down to other cost differences or pricing rather than efficiency and modernisation

- It ignores Hooper's own evidence on pricing (Hooper fig 18) which shows the UK to have almost the lowest postal prices in Europe⁶
- It does not make allowance for the funding of the pension deficit which was £284 million, equivalent to 3% of Royal Mail Group's costs in 2008

In reality, it is impossible to reach any conclusions about operating efficiency by making comparisons between profit levels achieved in different environments where there are different

- Regulatory and pricing regimes
- Patterns of demand
- Levels of competition
- Input costs

This approach seems even more problematic when one considers the scope of regulation in the postal market and the fact that Royal Mail estimates that 88% of its revenues come from price controlled products. In fact, the extent to which Royal Mail cannot control its own revenue and profit levels, regardless of the operational efficiency levels it achieves, is readily shown by Royal Mail's submission to Hooper.⁷ Even though it achieved its efficiency targets, in 2007 it earned £806m less in profit on its regulated business than the regulator had projected when setting prices.

3.3 Network Structures

Hooper estimates that the UK could operate efficiently with around half the current number of mail centres.

No evidence is offered for this other than that all countries where the postal services have been modernised have managed to achieve very significant reductions in both mail centres and delivery offices. Obviously, this ignores the issue of how sub-optimal a network is when the modernisation process begins.

Two of the examples given (Hooper fig 21) are Germany and France which, for mail centres, achieved reductions from 328 to 83 and 100 to 45 respectively. By contrast the UK currently has 69 mail centres which does not seem disproportionate to Germany's 83 and could just as easily be taken to suggest that it is simply a network that has never been as bloated as that of some of its peers.

3.4 Conclusions on Hooper's efficiency evidence

As we have shown, Hooper does not provide any substantial evidence that Royal Mail is any less operationally efficient than its European peers or is less well equipped than they are to deal with the specific market circumstances that it faces. This is despite the fact that Royal Mail is not as automated or as far into its modernisation process as some of its peers.

This is not meant to imply that there is no scope for improvement at Royal Mail but it does call in to question Hooper's conclusions on what and how Royal Mail needs to learn, in order to secure its modernisation process, and the implied assumption that Royal Mail cannot afford not to learn from its European peers.

4. Alternative Evidence on Royal Mail's Efficiency

4.1 Data sets used by the Hooper Report

The data used in the Hooper report is based on information provided in the annual reports of the leading Western European operators. Using the same data, even though there are problems with the levels of aggregation, as we have already discussed, by focussing on measures relating to costs and operational efficiency it is possible to come up with some numbers that might provide some insight into relative levels of efficiency.

Estimating average costs per item delivered and the numbers of items delivered per employee for their domestic mail operations casts Royal Mail in a distinctly positive light when compared with DP or TNT.

Estimated Measures for Items Delivered by Domestic Mail Services⁸

	RM 2008	DP 2007	TNT 2007
Items/employee	153	187	153
Cost/item £	0.27	0.40	0.43
Price/item £	0.27	0.46	0.50
Cost/item PPP £	0.27	0.33	0.35
Price/item PPP £	0.27	0.38	0.40

As we mention above, there are inevitably differences in the structure of the businesses and the basis of reporting that make direct comparisons tricky but what is immediately clear is how much cheaper and lower cost Royal Mail's service appears to be compared with that of TNT and DP. We have provided the numbers converted into sterling at current rates⁹ and also adjusted for Purchasing Power Parity (PPP)¹⁰ in order to give an idea of the relative value provided by the mail services in their local context.

Royal Mail’s items delivered per employee also compares favourably, especially when considering that it is on a headcount rather than FTE basis and that Royal Mail currently uses lower levels of automation than the other two operators.

4.2 Alternative Data Sources

There are other data sets, not used by Hooper, that allow for comparisons between different European postal markets. Eurostat’s Data in Focus reports on “Postal Services in Europe”, based on the European Postal Survey, are deliberately designed to allow comparisons and ensure that reporting is on a like for like basis. Even though not all the data for the UK is available for the last few rounds of the European Postal Survey the data is still very interesting.

We have combined some key indicators from the Eurostat data with information from the IPC website on their demography and service levels to allow comparison of the UK, German and Netherlands postal markets.

The UK and Germany are of a broadly similar size with very similar population densities but differ in that the UK provides significantly more post boxes (or drop off points) per capita than Germany does and mail volumes are around 50% higher per capita in the UK. The Netherlands is a much smaller country with a population density twice that of the others and mail volumes per capita very similar to the UK.

Comparative Data on Domestic Mail Markets and Services¹¹

	UK	DE	NL
Population (millions)	60.9	82.3	16.6
Area '000 km ²	242	349	34
Pop density k/km ²	252	236	491
Post boxes '000s	115	109	19
Post boxes per 10k pop	19	13	12
Post boxes/km ²	0.48	0.31	0.56
Letter post items per cap (2004)	315	194	326
Turnover as % GDP (2006)	0.52	0.57	0.49
List price 1st class 20g (2005) PPP €	0.41	0.52	0.37

These factors would imply that the per capita cost of providing the mail service should be significantly lower in the Netherlands or Germany than the UK because of the lower volumes in Germany and the higher population density in the Netherlands and the lower provision of post boxes in both

The overall cost of the UK domestic postal service as a percentage of GDP compares favourably when compared with the Netherlands and particularly with Germany. It delivers 50% more mail per capita than Germany for 10% less GDP and provides a more extensive collection network. The Netherlands is slightly cheaper than the UK but that is to be expected because its population density and size should make it inherently less costly to serve.

This doesn't give any reason to assume that the mail service in the UK is any less efficient than that in Germany or the Netherlands and suggests that it provides good value.

The PPP data on prices, although slightly out of date, also reinforces the earlier figures that suggest that prices in Germany are considerably higher than the UK. Netherlands appears to be roughly comparable to the UK for a 20g letter but our other analysis suggests that it is more expensive for other products, which is consistent with the data in the Hooper report.

5. Royal Mail's Capital requirements

The Hooper Report does not appear to offer any concrete evidence to suggest exactly how much additional capital Royal Mail needs or to conclusively establish whether it actually needs any at all.

The projected profits and cash flows in the report are based on a managed decline scenario that assumes “no transformational changes”. This seems to imply that it does not take into account the future benefits that will arise from the modernisation programme which is already underway at Royal Mail. The cash flow projections also don't consider the positive impact on cash flows if the government took over the pension deficit, as recommended by Hooper, which currently costs Royal Mail about £270 million a year to fund.

In their submission to Hooper,¹² Royal Mail said

“Royal Mail's Strategic Plan is robust, radical and funded. It assumes the current regulatory environment and funding arrangements, and depends on implementing a broad range of challenging initiatives. However the result is that the plan is constrained by the current regulatory framework and our lack of access to equity capital. Nevertheless, the initiatives in the plan will result in Royal Mail taking out an additional £1.5 billion of costs as a result of operational transformation, and developing new products and services through a more commercial approach.”

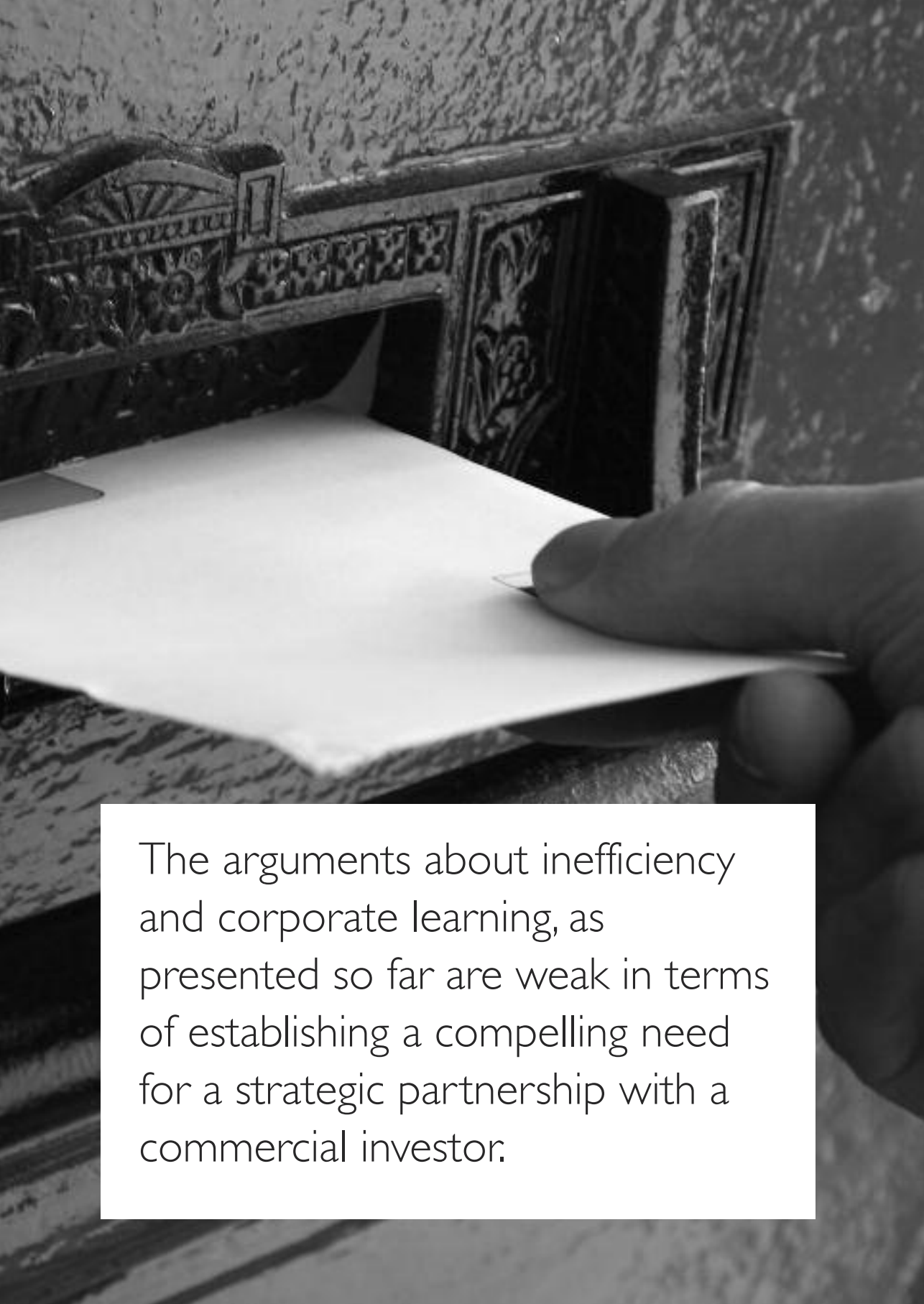
In Royal Mail's most recent trading update they announced increases in profit despite falling mail volumes

In their 2008 Annual Report published in May last year, Royal Mail said: **“Our main achievement is to have secured landmark agreements on pay, pensions and modernisation for the business – we are now well placed to press ahead with the vital investment in Royal Mail Letters to improve our efficiency and productivity”.**

In Royal Mail's most recent trading update (in October last year) they announced increases in profit despite falling mail volumes, suggesting that the modernisation programme is yielding results in terms of its impact on reduced costs and improved efficiency, and said that “transformation in the letters business is underway”

Whilst acknowledging the fact that the Hooper Report says that the modernisation process needs to be accelerated, there does not appear to be any direct criticism of the content of the modernisation plans as they stand, nor is there any indication as to what extent Hooper believes Royal Mail should increase their level of investment. Similarly, even though Royal Mail have said that their overall financing situation is becoming more difficult they haven't provided details of the cost of the modernisation programme nor suggested that it is becoming unachievable.

Given this context, it is not possible to take a view on how much capital is required, simply using the publically available information. **However, it does seem clear that there is a need for more information on the likely costs and benefits of the modernisation programme and proper consideration of the possible scenarios, including adopting only some of Hooper's recommendations, before it can be safely concluded that it is necessary to sell part of the business in order to raise additional capital.**

A black and white photograph showing a close-up of a hand holding a pen over a document. The document is placed on a typewriter, which has a decorative, ornate metal frame. The background is a textured wall. The lighting is dramatic, highlighting the hand and the document against the darker background of the typewriter and wall.

The arguments about inefficiency and corporate learning, as presented so far are weak in terms of establishing a compelling need for a strategic partnership with a commercial investor.

6. Conclusions

The evidence within the Hooper Report does not prove that Royal Mail is significantly less efficient than its European peers nor that it is not capable of effectively implementing its modernisation programme or coping with competition in its domestic market.

The report does not offer any evidence to support its claim that whatever learning is desirable for Royal Mail is only achievable through the mechanism of a strategic partnership involving a private-sector company taking an equity stake in Royal Mail.

It is simply not obvious that the best way for RM to fill any skills gaps is through strategic partnerships involving equity stakes. Nor is it obvious that its European peers are the best sources of that knowledge.

The extent to which Royal Mail may need additional external capital in order to accelerate and complete its modernisation programme is not clearly established. There is no clear indication of the level of investment required and the report's conclusions seem to have been reached without proper consideration of the achievable cost savings. The report also ignores the possibility of its recommendations being adopted in part, particularly those relating to the regulatory regime and the funding of the pension deficit, and the impact this would have on Royal Mail's cash flow and capital requirements.

The arguments about inefficiency and corporate learning, as presented so far are weak in terms of establishing a compelling need for a strategic partnership with a commercial investor.

We recognise that the report does offer other arguments in support of its recommendations on the future ownership and capital structure for Royal Mail. However, we also believe that, given the concerns that we have raised with regard to the evidence on corporate efficiency and learning and the need for additional capital **it would be irresponsible to adopt the Report's recommendations without further exploration of Royal Mail's true position and the possible alternative courses of action, including adopting the recommendations in part only.**

Given the significance of the conclusions for the future ownership of the Royal Mail we believe that the Hooper Report fails to make its case adequately for some of its specific recommendations and also, by extension, its assertion that its recommendations must necessarily be adopted in total in order to be effective.

Endnotes

- 1 The Hooper Report is available here <http://www.berr.gov.uk/files/file49389.pdf>
- 2 Sources: As in Hooper; the data used in these charts are taken from the 2007 Annual reports of TNT and DP and the 2007-08 Annual Report of Royal Mail. In the case of Royal Mail, GLS has been classified as Logistics and Parcel Force as Express
- 3 Sources: DP and TNT Annual Reports 2007
- 4 Source: Phase One of the Independent Review of the Postal Services Sector; Royal Mail's Response, 28th March 2008
- 5 Source: International Postal Corporation, carrier profiles at www.ipc.be
- 6 Though this data is problematic because it doesn't provide any indication of the date or FX rates used
- 7 Phase Two of the Independent Review of the Postal Services Sector; Royal Mail's Response to Questions 20 to 60, 19th May 2008
- 8 Sources: Annual Reports as detailed above.
Numbers presented in the table are for Royal Mail, Deutsche Post's mail division excluding its Parcels and Global Mail business units and Mail Netherlands, apart from items delivered per employee which for DP is for the entire Mail division. Where necessary, margins for the business units of DP and TNT have been assumed to be the same as for the Mail divisions as a whole. Royal Mail's items delivered is based on 81 million items per day, 6 days per week less 7 public holidays
- 9 Source: ECB, £/€ rate for January 2009
- 10 Source: OECD, Country specific PPP rates against the US\$ for GDP in 2008
- 11 Sources: IPC website as above; Charts and tables in Eurostat Data in Focus, Postal Services in Europe – 2/2007, 12/2007 and 25/2008
- 12 Source: Phase Two of the Independent Review of the Postal Services Sector; Royal Mail's Response to Questions 20 to 60, 19th May 2008

About Compass

Compass is the democratic left pressure group whose goal is both to debate and develop the ideas for a more equal and democratic society, then campaign and organise to help ensure they become reality. We organise regular events and conferences that provide real space to discuss policy, we produce thought-provoking pamphlets, and we encourage debate through online discussions on our website. We campaign, take positions and lead the debate on key issues facing the democratic left. We're developing a coherent and strong voice for those that believe in greater equality and democracy as the means to achieve radical social change.

We are:

- An umbrella grouping of the progressive left whose sum is greater than its parts.
- A strategic political voice – unlike thinktanks and single-issue pressure groups Compass can develop a politically coherent position based on the values of equality and democracy.
- An organising force – Compass recognises that ideas need to be organised for, and will seek to recruit, mobilise and encourage to be active a membership across the UK to work in pursuit of greater equality and democracy.
- A pressure group focused on changing Labour – but Compass recognises that energy and ideas can come from outside the party, not least from the 200,000 who have left since 1997.
- The central belief of Compass is that things will only change when people believe they can and must make a difference themselves. In the words of Gandhi, 'Be the change you wish to see in the world'.

Compass
FREEPOST LON15823
London
E9 5BR
t: 020 7463 0633
e: info@compassonline.org.uk
w: www.compassonline.org.uk