



Reorganisation of the Post Office

*Presented to Parliament by the Postmaster General
by Command of Her Majesty
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INTRODUCTION

1. The Post Office provides two major public utilities—posts and telecommunications—which play a vital part in the economic and social life of the nation. Its operations are correspondingly vast. During the last financial year it
 - handled transactions to a total value of £7,900 million.
 - invested £210 million—or more than any other public undertaking except Electricity Supply.
 - dealt with 11,300 million letters and 6,900 million telephone calls.

At the end of the financial year the written-down value of its fixed assets was over £1,400 million. Its staff form nearly 2 per cent. of the working population or about half the non-industrial Civil Service.

2. Trading operations on this scale must be managed on commercial lines if they are to be efficient. Successive Governments have sought to adapt the status and structure of the Post Office to meet this requirement. This began with the important changes in organisation which followed the Bridgeman Report in 1932. Since 1955 the Post Office has been responsible for balancing its own income and expenditure, and has been explicitly encouraged to conduct its business as a commercial enterprise. In 1961 its finances were separated from the Exchequer. Since then it has been subject to financial disciplines similar to those applying to the statutory nationalised authorities. But constitutionally it is still a Government Department, with a Minister at its head who must answer to Parliament for its day-to-day operations.

3. The Government have carried out a fundamental review of the Post Office, set against the challenging future of change and expansion which faces many of its services. Its present structure and methods are those of a Department of State. These have been evolved primarily for the formulation and execution of Government policy, and are geared to the discharge of ministerial responsibility to Parliament. They are unsuited to the running of the postal, telecommunications and remittance services, and the new Giro service (Cmnd. 2751). The Government concluded that the process begun in 1932 should be carried to its logical conclusion. A public corporation should be created to run these great businesses with a structure and methods designed directly to meet their needs, drawing on the best modern practice.

4. The Postmaster General announced this decision in Parliament on 3rd August, 1966. In November, 1966 he told Parliament that the Post Office Savings Department would remain as part of the Civil Service and would report to Treasury Ministers. It will be known in future as the National Savings Department.

5. The Government undertook that when the House of Commons' Select Committee on Nationalised Industries had completed its enquiry into the Post Office, and after consultation with representatives of the staff, the Postmaster General would present a White Paper to Parliament. This would set out proposals for the reorganisation. The Select Committee presented its Report on 28th February, 1967.

ESTABLISHMENT OF THE CORPORATION

6. The Post Office is a major Department of State. Practically the whole of it is involved in the constitutional change. This is an undertaking without precedent. Moreover, Post Office services are an integral part of the nation's life. In addition to communications, the Post Office provides part of the machinery of the Social Security system, and many other kinds of business are transacted at Post Office counters. The Government's objective is to create an authority which will

- be responsible for developing the most efficient services possible, at the lowest charges consistent with sound financial policies.
- carry on in a worthy manner the Post Office tradition of service to the public.
- develop relations with its staff in a forward looking and progressive way.

Ministerial Organisation

7. The Government have decided that a single Minister of the Crown will bear ministerial responsibility for the new Corporation and for the residue of the Postmaster General's functions (except Savings). An announcement as to which Minister will assume these functions will be made in due course.

Titles and Insignia

8. The Corporation will be known as "The Post Office". Her Majesty The Queen has been pleased to approve that the title "Royal Mail" should continue, and that the Corporation should use the Crown and the Royal Cypher as the Post Office does at present. The Sovereign's head will continue to be included in the design of stamps and postal orders. Postage stamp designs will be considered jointly by the Corporation and by the Minister and submitted to Her Majesty by the latter.

Legislation

9. The Government intend to introduce a Bill establishing the Corporation in the 1967-68 Session. The members of the Corporation will be appointed as soon as possible after the Bill becomes law. As soon as possible after that—on "vesting day"—the Corporation will take over active responsibility for the services and will assume the appropriate assets and liabilities of the Post Office.

Position in Northern Ireland

10. The Corporation, like the Post Office, will operate in Northern Ireland as in other parts of the United Kingdom.

THE OBLIGATIONS OF THE CORPORATION

11. The essential purpose of the change will fail unless the Corporation has effective freedom of a kind appropriate to a nationalised authority. Yet the special role of the Corporation's services in the social fabric of Britain, and its monopoly of providing many of them, must carry special obligations. The Government intend that these requirements should be reflected, both in the legislation and in the relationships of the Corporation with its users, with Parliament and with the Minister.

The Services

12. The Corporation's most important responsibilities will be to provide letter and telephone services for the country as a whole, and to meet the needs of commerce and industry for inland and overseas communications.

13. Post Office counter services play a vital part in the national Social Security system. The Government consider it essential to provide statutory safeguards for the future functioning of this system. The Bill will confer on the Minister a reserve power to give directions to the Corporation to make its own counter facilities available for central Government and Government of Northern Ireland services.

Financial Obligations

14. The Corporation will have the same sort of financial obligations as other nationalised industries. It will be expected, as the Post Office is now, to pay its way with a sufficient margin between income and expenditure to make suitable allocations to reserves. It will observe the criteria set out in paragraphs 19-23 of the White Paper on the Financial and Economic Obligations of the Nationalised Industries (Cmd. 1337). The Minister will settle targets with the Corporation to provide a stimulus to efficiency and to ensure that it generates an appropriate proportion of its own capital requirements. The Minister will discuss these with the Corporation as soon as possible.

15. The Corporation will inherit a number of public services which cannot be made financially viable at any reasonable level of charge. The outstanding example is the inland telegraph service, which has run at a loss for many decades and cannot hope to pay for itself as its use continues to decline. Obligations of this kind are normally taken into account when financial targets are fixed.

16. At present the Post Office provides agency services to the Government at 'cost' which includes the overheads of the services themselves but excludes a proper contribution to the Post Office's overall financial obligation. In future, the prices charged for agency services should make such a contribution to the achievement of the Corporation's financial obligations and the Corporation will negotiate with client Departments contracts designed with this object in view. The Minister will be given a reserve power to determine the charge to be made in the event of disagreement.

THE POSITION OF PARLIAMENT

17. The constitution and responsibilities of the Corporation will be embodied in legislation. Its accountability to Parliament will be different from that at present. There will no longer be a Minister answerable to Parliament for its day-to-day activities. But both Houses will have the opportunity to consider the Report and Accounts of the Corporation when these are laid before Parliament every year. The work of the Corporation will be subject to scrutiny by Committees of the House of Commons. Increases in the total amount it may borrow will need to be approved by the House of Commons.

18. The Minister responsible for the Government's functions in relation to the Corporation will be answerable to Parliament for the discharge of these functions and for the exercise of his powers (see paragraph 37 below).

SAFEGUARDS FOR THE USER

19. Parliament and public have a right to expect guarantees that the Corporation will be responsive to the social and business needs of users and sensitive to their opinion. For this reason, the Government attach great importance to the arrangements to be made for user consultation.

20. The keystone of the consultative structure will be a national Users' Council to be established by legislation, with a secretariat independent of the Corporation. In appointing the Council the Minister will take account of the desirability of having members who are familiar with the special requirements and circumstances of the various parts of Britain. Arrangements will be made to ensure that there is effective consultative machinery below national level. The Council will represent the interests of all users. It will be able to make recommendations about the services. It will consider proposals put to it by the Corporation, and any complaints from individual users which may be remitted to it from below national level. The user consultative machinery as a whole will be flexible and readily adaptable to change.

21. The Bill will require the Corporation to consult the Council about all major proposals affecting its main services, in so far as these affect users. This will extend to proposals to vary, introduce or discontinue main services on a national scale. Its function in relation to charges and conditions of service is explained in paragraph 24 below. The Users' Council will have access to the Minister if it disagrees with the Corporation. The Government will do all they can to foster a successful working relationship between the Corporation, the Council and the other consultative organs.

CHARGES AND CONDITIONS

22. The Corporation, like all other businesses and the nationalised industries, will be expected to have regard to the requirements of the national prices and incomes policy and its charges will be subject to prices and incomes legislation. It will also be expected to follow the informal arrangements for consultation about substantial changes in the level of prices between the Boards of nationalised industries and the Ministers concerned, currently formalised in the arrangements for early warning of increases in prices or charges described in the White Paper—Prices and Incomes Policy: An "Early Warning" System (Cmd. 2808).

23. Subject to these general considerations, the Corporation will itself have statutory power to fix charges for its services and facilities and the conditions on which they are to be provided. It will be required to publish these charges and conditions.

24. The Government intend that the advice of the Users' Council, as the principal organ of consumer interest, should play an important role in the fixing of the Corporation's charges and conditions of service. But these will necessarily cover a very wide range indeed, including both the major elements of the main services—like the charge for a letter or telephone call charges—and those for minor and ancillary services and facilities, used only by relatively few people, but requiring to be set out in great detail. The Government believe that it would hinder rather than help the work of the Council if the Corporation were obliged to follow a uniform consultation procedure for changes over the

whole of this great range, regardless of their importance. They would naturally expect the Corporation to make suitable working arrangements to keep the Council informed about all developments in the field of charges and conditions. But the legislation will impose an obligation on the Corporation to consult the Users' Council only about proposals for major changes in the charges or conditions for the main services. It will provide for disagreements between Corporation and Council about interpretation of this provision to be referred to the Minister for decision.

THE POWERS OF THE CORPORATION

25. The Corporation will be equipped with the statutory powers, including the financial powers, it needs to run the Post Office services which are to be transferred to it, including the Giro.

26. The Corporation will borrow long term exclusively from the Minister, and will be empowered to borrow temporarily from the Minister or with his consent from other persons. The Treasury will be able to guarantee short term borrowing from the banks under this provision. Total outstanding borrowings in addition to the opening capital debt will be given a specific limit. As has been said earlier, any increases in the total amount which the Corporation may borrow will need to be approved by the House of Commons.

27. The Bill will confer various ancillary and general powers on the Corporation, including power to manufacture anything used in connection with the exercise of its powers. The Corporation will also have power to form subsidiaries and to engage in joint undertakings with other organisations. It will be expected to consult the Minister if it proposes to undertake on a large scale any manufacturing work which the Post Office had not done previously.

28. The Postmaster General's existing monopoly of the carriage of letters under the Post Office Act 1953 and his telecommunications monopoly under the Telegraph Act 1869 extend to the United Kingdom, the Channel Islands and the Isle of Man. The Bill will confer on the Corporation a corresponding monopoly of the carriage of letters and, in a modernised form, of telecommunications within the United Kingdom. The question of the continued application of the postal and telecommunications monopolies to the Channel Islands and the Isle of Man will be discussed with the Insular Authorities in the Channel Islands and with the Government of the Isle of Man.

29. The Postmaster General's existing telecommunications monopoly is generally speaking confined to communications between one person and another who is not the former's servant or agent. The Government do not intend that the Corporation should have a wider monopoly in this respect, so that the position of private networks operated at present outside the Postmaster General's monopoly will not be affected. The monopoly will not extend to broadcast transmissions from radio stations direct to the general public.

30. The Postmaster General's legal monopoly extends to inland telecommunications only, though in practice he is able to exert certain controls over the activities of overseas telecommunications operators in this country. The Government have decided that, subject to the limitations expressed in the preceding paragraph, the Corporation's monopoly should extend, within the area of the United Kingdom (and—dependent upon the outcome of the

negotiations referred to in paragraph 28—the Channel Islands and the Isle of Man) to overseas telecommunications to, from and via that area. They have reached this conclusion because, with the rapid technological developments that are taking place in this field, overseas and inland telecommunications systems are becoming increasingly integrated from the operational point of view. Thus, for example, the International Subscriber Dialling and national Subscriber Trunk Dialling networks are interdependent to the point, where, to the user, they are virtually one system. The Government believe that in these circumstances it is right for the Corporation's monopoly to extend to overseas telecommunications.

31. The Corporation will be empowered to grant licences under its monopolies, subject to the consent of the Minister, and to charge royalties on them. The reorganisation will not affect any vested rights of the Corporation of Kingston-upon-Hull existing on vesting day to operate their own local telephone system, or other rights then existing under telegraph licences. Nor will it mean that overseas telecommunications operators will lose any rights in this country which they then have. But the Corporation's licence will be required for any renewal of such rights, and for the operation of any new telecommunication facilities within its monopoly.

PURCHASING POLICY

32. The Corporation will pay full regard to Government policy for purchasing in the public sector.

THE ORGANISATION OF THE CORPORATION

33. Posts and Telecommunications are vast businesses in themselves, with different characteristics and meeting different needs. But they have been run jointly by the Post Office in the past and are complementary in some respects and interdependent in others. Many of their supporting functions are effectively and economically organised on a common service basis. There are thus real advantages in the continued overall direction of their affairs by a single body. The Bill will therefore create a single statutory Corporation which will be headed by a single, small, largely executive board.

34. At the same time, if the two businesses are to develop successfully in their different ways and seize their different opportunities, they must be managed separately within this single, overall framework. The Government consider that the managerial structure of the Corporation should provide for this at all levels—national, regional and local.

35. Traditionally, the Post Office has followed the organisational pattern of a central Government Department. This pattern is not appropriate for the successful management of a large service industry like the Post Office. A fundamental examination of the organisation is therefore now being carried out to see what changes are called for to fit it to the future needs of the Post Office, whatever its status. Where appropriate, changes will be implemented in advance of vesting day.

36. The nature of Post Office services, as well as the sheer size of the business, calls for a system that devolves as much authority and responsibility as possible at every level. The Corporation will be expected to apply and develop this philosophy to meet the needs of the future.

THE MINISTER

37. As has been said, responsibility for the Corporation within the Government will be borne by the Minister who assumes those of the Postmaster General's functions (other than those in the Savings field) which are not taken over by the Corporation. Certain statutory powers of the Minister in relation to the Corporation, including his functions in relation to the Corporation's exercise of its licensing powers under its monopolies, have already been mentioned. Submissions to Her Majesty on behalf of the Corporation will be made either by the Minister or, where appropriate, by the Home Secretary. The Minister will also have

- the duty to appoint the Chairman and members of the Corporation.
- the power to give such directions of a general nature to the Corporation about the performance of its functions as appear to him to be required in the national interest.
- the power to give specific directions to the Corporation in the interests of national security and in the field of international relations.
- the power to direct the Corporation to remedy any defect in its general plans and arrangements, which might be brought to light by the Users' Council or otherwise.
- the power to direct the form of the Corporation's accounts and to appoint auditors.

38. The Corporation will settle the general lines of its capital development with the approval of the Minister, and will be required to give him any information for which he might ask.

39. The Minister will assume the Postmaster General's present functions in the field of Wireless Telegraphy under the Wireless Telegraphy Act 1949, and his associated functions in the Broadcasting field. This will include general regulatory control of radio transmission and reception, and the issue of licences accordingly.

40. The Minister will also assume the Postmaster General's responsibility for broadcasting policy, and his constitutional functions in relation to the BBC under its Charter and Licence and to the ITA under the Television Act 1964.

SERVICES PROVIDED BY OTHER GOVERNMENT DEPARTMENTS

41. The Post Office makes use of certain services provided by other Government Departments, primarily the Ministry of Public Building and Works and Her Majesty's Stationery Office. Since 1961 both the Post Office and the other Departments have been free to terminate or modify this relationship, subject to giving due notice. This arrangement will continue when the Corporation is set up. Because of the magnitude of the commitments involved on both sides, no action would be taken to end or modify the relationship except after adequate notice and full consultation.

INTERNATIONAL AND COMMONWEALTH RELATIONS

42. The Corporation will be expected to have full regard to the Government's policy in the field of international relations.

International Organisations

43. The Post Office has in the past played a leading part in the affairs of the Universal Postal Union and the International Telecommunication Union and of other international organisations in the posts, telecommunications and radio fields. It has done so, either alone or with other Government Departments, where the participants are Governments, representing the United Kingdom. It has also done so where they are operational entities, as the United Kingdom operating agency in the field concerned.

44. When the Corporation is set up, the Government will ensure that the United Kingdom remains an active member of the Universal Postal and International Telecommunication Unions and of all other inter-governmental bodies with related purposes and will continue to be represented on these at Government level. Where it is appropriate to designate an operating agency under the constitution of the international organisation concerned the Corporation will be designated as the United Kingdom operating agency for posts and telecommunications (but not, of course, for broadcasting). For example, it will become the communication entity for the United Kingdom designated under Article II of the Agreement establishing Interim Arrangements for a Global Commercial Communications Satellites System (Cmnd. 2436).

Commonwealth Communications

45. The United Kingdom has in the past had particularly close links with Commonwealth countries in communications matters. The Government will ensure that the creation of the Corporation leads to no loosening of ties in this important respect. The arrangements for Commonwealth co-operation in the telecommunications field are at present under review. The Corporation will participate as an operating agency in whatever new machinery is created.

POSITION OF THE STAFF

46. The Post Office employs over 400,000 Civil Servants. The great majority are in departmental grades which have no counterparts in the rest of the Civil Service. In addition there are nearly 23,000 sub-Postmasters, who undertake work for the Post Office on a contractual basis.

47. The transfer of existing Post Office staff to the Corporation will present a unique problem—first because of the number of staff involved and secondly because most of them are involved in providing essential services.

48. It is essential that, apart from those in the Savings Department, these very large numbers of staff should be transferred from the Civil Service to the new Corporation when it is set up, so that it can continue to perform the services for which it will be responsible. The Government have given most anxious thought to this problem and have reluctantly decided that it will not be practicable to offer the staff an option to choose either to transfer to the Corporation or to remain in the Civil Service. Nor will it be possible to second them to the Corporation for a limited period during which they can decide whether they wish to remain with the Corporation.

49. Nevertheless, the Post Office is prepared to consider sympathetically ways and means of moving individuals into the Savings Department, the residual Ministry or other Government Departments where there are suitable vacancies. This must, of course, be subject to the need to maintain the services.

50. Consultation has already begun with the staff associations on the nature of certain assurances in the unique circumstances facing the staff who are being transferred to the Corporation. Inevitably there are many issues which have still to be discussed. But the Government have already felt it appropriate to give undertakings on four issues which are of particular concern to the staff. These are:—

Position up to Vesting Day

Between now and vesting day Post Office staff will continue to be Civil Servants and will be treated as such. Their pay will be determined on the same basis as that applicable in the Civil Service as a whole. They will have recourse to the Civil Service Arbitration Tribunal in suitable cases. They will have access to Civil Service Pay Research and their pensions will remain non-contributory; and consultation will continue on the present basis.

Conditions of Service

The Corporation is expected to begin negotiations as soon as it has been established on the conditions of service which will apply after vesting day. To the extent that these are not completed by that day for any group of staff, pay and conditions of service as they stood immediately prior to vesting day will continue to apply to the group until they have been varied by negotiation or, where applicable, arbitration.

Security of Tenure

Civil Servants hold their positions at the pleasure of the Crown, and the Crown may dismiss them at pleasure. Nevertheless there is in practice, subject to fitness and efficiency, a high degree of security of tenure for established Civil Servants. When manpower demands have fallen in particular sectors of the Post Office the practicability of redeployment and, where necessary, the retraining of those affected have been the subject of full consultation with the staff associations concerned.

The Government intend that the Corporation shall also, subject to manpower needs and to fitness and efficiency, give a high degree of security of tenure, and that there shall be no arbitrary system of hire and fire. Any problems arising from reduced manpower demands shall as in the past be the subject of full consultation. There will be discussions with the Post Office (and thereafter the Corporation) on the arrangements for implementing this intention and the establishment of an appeals procedure for use in cases where an individual considers he has been unreasonably dismissed. There is thus no reason for transferred staff to feel insecure—especially as the total manpower demands of the Corporation are likely to increase.

Superannuation

The Corporation's superannuation arrangements will be the subject of negotiation with the appropriate staff organisations. As with other nationalised industries, these arrangements will be subject to approval by the responsible Minister.

The aim will be a scheme which can be applicable both to staff transferred to the Corporation and to new entrants; but whatever the details of any new scheme, existing Civil Servants will be entitled to opt instead

to have the benefits they would have enjoyed had they not been transferred from the Civil Service. In any case the Government will require the Corporation to ensure that all reckonable service before the transfer took place is counted as reckonable service for the purpose of the Corporation's arrangements.

The Civil Service scheme will apply pending the introduction of the Corporation's new arrangements.

The Corporation, in negotiation with the staff, will be free to modify the initial superannuation arrangements in the light of prevailing circumstances and subject to approval by the responsible Minister.

STAFF RELATIONS

51. The Corporation will be judged by its success in providing services to the public imaginatively, flexibly and efficiently. Managers at all levels will have a greater degree of personal responsibility for contributing to the right decisions and for seeing that they are carried out speedily and effectively. The Government believe that this greater scope for initiative, and the more stringent requirements in assessing performance to which it leads, will be widely welcomed within the Post Office.

52. Without detriment to the responsibilities of managers to manage, the Government will expect the Corporation to promote the most constructive relationships between the management and the staff. The new Corporation will not be taking over an industry marked by bad industrial relations: on the contrary, a fine tradition of co-operation and consultation between the management and staff has been built up in the Post Office. The Government will expect the Corporation to ensure that this develops further in the new conditions and to set the highest standards in relationships with the staff. It would be premature to lay down in any detail what form the new machinery will take, since this must be determined in discussions between the Corporation and the appropriate staff organisations. Nevertheless, the Bill will impose on the Corporation a duty to consult with the staff organisations on the setting up of machinery at all appropriate levels for negotiation and arbitration and for the promotion and encouragement of measures affecting the efficiency of the services and the safety, health, training and welfare of the staff. The Government would, however, not wish any legal provisions on the subject to be regarded as restrictive; rather should such provisions specify minimum arrangements on which the two sides should continue to build, developing the existing tradition. The Government indeed believe that the change in status presents an opportunity for developments in industrial democracy within the Corporation leading both to increasing the contribution of the staff to the efficient running of the services and to increasing the satisfaction of the staff with their conditions and place in the organisation.

53. It has been recognised by management and trade unions in the Post Office that past arrangements and attitudes have on occasion given rise to delays—sometimes but not always for reasons outside Post Office control—and the Government intention is that the two sides, in discussions before vesting day, should review their arrangements and approach to ensure that any weakness is removed. This will be in the public interest and will be advantageous to management and staff.

54. The Government are convinced that if the contribution of the staff is to be fully effective some rationalisation of the structure of staff representation, accompanied by a reduction in the number of associations from the present figure of 20, would be helpful both in streamlining and speeding up joint machinery and in adaptation to the new organisation. The changes associated with the transformation of the Post Office may assist this process.

CONCLUSION

55. The services which the new Corporation will take over from the Post Office have an exciting future. The technologies on which they draw are advancing at unprecedented speed and economic and social progress will continually create new openings for their exploitation. The changes set out in this White Paper are being made to meet this challenge. They will provide a context in which the spirit of service which has inspired the Post Office in the past can be carried forward successfully into the future.

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