

# Communication Workers Union paves the way for deregulation of Britain's postal service

**Keith Lee****5 January 1999**

Before his resignation last month, Trade Secretary Peter Mandelson outlined a new commercial structure for Britain's Post Office. He said his proposals were "the most radical set of reforms since the modern Post Office was created in 1969".

The Post Office is one of the UK's leading businesses, with a turnover of more than £6 billion, employing 194,000 people. In July of this year the Post Office announced record profits of £650 million. This was attributed to "increased productivity and more people writing letters".

Despite this, Post Office Chairman Dr. Neville Bain warned that profits would begin to suffer unless the government eased commercial constraints. Bain said, "The review must deliver real commercial freedom so that we pay an agreed commercial dividend and have the ability to borrow on the private money market, make acquisitions, enter joint ventures and have more flexibility on pay and bonuses."

The Labour government's response, though stopping short of outright privatisation, amounts to a wholesale deregulation of the service. "The government's role in the Post Office will be restricted to the strategic level," Mandelson promised. The level of profit paid to the government will be cut from 80 percent to 40 percent, and the present £20 million restriction on joint ventures with other companies will be lifted. At least 100 Crown post offices will be shut down and their business transferred to private stores, situated mainly in supermarkets. Some 500 job losses are predicted as a result of this.

The government's proposed reforms have been largely adopted from a plan drawn up by the Communication Workers Union. The CWU had called

for a "third way" for the future of the Post Office. It commissioned research from the independent think tank, London Economics, on the possibility of running the Post Office as what was described as an Independent Publicly Owned Corporation (IPOC). The study concluded that an IPOC would allow "greater commercial freedom and investment for the Post Office without losing [state] ownership".

One of the most controversial issues this proposal threw up is whether the semi-independent Post Office will have unfair advantage when borrowing for future investment, because banks will assume an implicit government guarantee on debts. To counter this, London Economics proposed that an IPOC should be allowed to go bankrupt if it defaults on private sector loans, although postal services would continue under new management.

The IPOC model won powerful support. In total, 50 different organisations endorsed the proposal and it was welcomed by the all-party government Select Committee as an alternative to privatisation. After Mandelson's plans were announced, CWU General Secretary Derek Hodgson declared, "We challenged Peter [Mandelson] to choose an option outside the narrow confines of old-style nationalisation and raw market-driven privatisation--and this he has done".

The acceptance of the CWU's proposals testifies to the convergence of interests between the government, big business and the trade union bureaucracy. For the past two decades, the closure and amalgamation of sorting offices have led to spontaneous walkouts by workers. The union has worked to suppress such action, while imposing increased productivity and flexible working practices.

The Post Office has long been seeking to reduce its dependence on large sorting offices in London, which have seen the greatest number of days lost through strikes. Thanks to the CWU's collaboration, management is now able to announce the planned closure of the 3,000-strong Mount Pleasant office and the transfer of its business to Slough, with a much-reduced work force.

Post Office reform is driven by two related developments. Firstly, the exponential growth of electronic mail has placed massive demands on postal services the world over to cut costs and improve efficiency, in order to remain competitive. It is now five years since the number of international messages sent by fax took a bigger share of the market than those conveyed by post. Last year, for the first time, the volume of e-mail in the United States exceeded the number of letters delivered by the US postal service. Computers generate over 80 percent of all mail sent.

Secondly, the globalisation of trade and industry facilitated by these same technological developments has torn the ground from under the postal service as a nationally based venture. Whereas the Post Office once enjoyed a monopoly status as a domestic carrier, today it is forced to compete at home and abroad against its international rivals.

The global market for letters and packages is worth £20 billion a year, but it is forecast to reach £57 billion by the year 2010. The Post Office has mounted an aggressive campaign to establish a position as an international service provider. Royal Mail recently linked up with Selektvracht, a Dutch letters and parcels delivery company and a subsidiary of the Royal Nedloyd group. This will open the way for the Royal Mail to offer a world-wide delivery service to bulk mail customers in Holland. It follows the acquisition of a stake in Citymail, the Swedish mail delivery company.

Similarly, overseas postal services are seeking access to the UK market, through the mechanism of already established independent commercial carriers. Five European postal services have established offices in Britain. The Dutch post office has paid £1 billion to purchase the TNT delivery service, while Deutsche Post, the German state service, has paid an estimated £400 million for a 22.5 percent stake in DHL, the international courier group.



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