

# 18,000 jobs threatened in Scottish take-over bid for National Westminster Bank

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Two Scottish banks are engaged in a take-over struggle for the National Westminster bank. Whether NatWest is taken over by the Bank of Scotland (BoS), or by the Royal Bank of Scotland (RBS), or if the company's management fends off the take-overs, up to 18,000 bank workers' jobs are threatened.

The bidding war between the two Scottish banks—the Bank of Scotland is now offering around £27 billion for NatWest against a slightly lower offer from RBS—expresses the radically changed circumstances in the banking industry. Until the advent of telephone and internet banking, the possibility of a hostile take-over of NatWest—one of Britain's largest High Street banks—would have been inconceivable, especially by institutions that are less than half its size.

NatWest has total assets of £186 billion and employs 64,400 staff, compared to the BoS's £59.8 billion assets and 21,000 staff and RBS's £75 billion assets and 22,000 staff. New technology and ferocious cost-cutting has left banks still with extensive networks of expensive High Street branches uncompetitive against those relying more on secure web sites and telephone call centres for the bulk of their business.

Industry figures suggest that one worker on the end of a telephone can replace as many as 11 in traditional banking halls. The Scottish banks are significantly ahead of the NatWest in cutting staff, utilising new technology, and have in recent years been more profitable.

Prior to the take-over bids, NatWest had already announced that 10,000 jobs were to go, and branches would close. During the battle, this figure has increased to 15,000. BoS have stated that half of the nearly 2,000 branches owned between the two banks would close, with the same number of job losses. Closure of all but nine of 54 processing centres would account for the rest

of the company's rationalisation plans. RBS have stated that as many as 18,000 jobs would go. One report puts the figure as high as 30,000.

Since 1985, one-third of bank branches in the UK have closed. Northern Rock Building Society is presently closing one-quarter of its 109 branches, and Barclays Bank is closing 200 branches and 6,000 jobs are either going or have already been eliminated. The present bank merger battle will increase pressure on all the others.

At the same time, a host of companies have emerged that either have far fewer High Street branches, or none at all. Egg, run by the Prudential, Standard Life Bank, and the First-e company have no branches, relying entirely on call centres and the internet. Egg attracted £7 billion worth of deposits in its first year of operation, and the Standard Life Bank pulled in £4.7 billion in a few months. Many other companies are establishing banking web sites. NatWest finally opened its web site in the last fortnight, as did BoS. Lloyds TSB opened a site last month, with the intention of attracting 1 million customers. The Halifax, Barclays and the Woolwich building society are taking similar steps. Supermarkets, such as Tesco and Sainsbury's, have also entered the intensely competitive financial services market.

This technological transformation is a case study in the basic operations of the profit system. Under capitalism, new technology that could enormously benefit mankind by removing the need for monotonous clerical work results only in bank workers being thrown on the dole queues, or into an unsettling and uncertain search for comparable work. Branch closures will impact most heavily on the poorest areas, where fewer people have access to telephone and internet banks.

At the same time, a tiny number of corporate movers

and shakers stand to benefit immensely, whatever the outcome. Ron Sandler, hired by NatWest to fend off the Bank of Scotland bid, stands to make £720,000 even if it is taken over. An undisclosed amount will be made by JP Morgan Vice Chairman Robert Mendoza, hired for the same purpose. NatWest's shareholders, 91 percent of whom are institutions, have been offered £3 billion in special dividends if they reject the bids. The Bank of Scotland itself is spending £80 million on consultancy fees.

The absorption of NatWest is part of a global consolidation in banking, characterised by the emergence of "superbanks". Even after take-over, the subsumed NatWest and its owner would still be small fry internationally. Of the 10 largest banks measured by assets globally, none are British. The Bank of Tokyo Mitsubishi is top with £416 billion, the French Société Générale comes in tenth with £193 billion. A merger is also likely between the German Dresdner Bank and Deutsche Bank, emulating the French merger of Banc Nationale de Paris and Paribas. Trans-European mergers are also on the cards.

The Bank of Scotland failed recently in its ambitions to become a larger global player. An attempt to establish a joint telebanking operation with US right-wing evangelist Pat Robertson collapsed in the face of opposition from gay rights campaigners in the UK, who called for customers to close their accounts if the venture went ahead. Should this latest effort fail, the bank would itself be a take-over target.



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