

Britain: Labour government steps up moves to privatise the postal services

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Britain's Labour government is proceeding with the break up and privatisation of national postal services.

The Postal Services Commission (PostComm), set up by the government to regulate the postal market, has told Consignia, formerly the Post Office Group which includes Royal Mail and Parcelforce, to allow its potential rivals fair access to its network infrastructure. In a move designed to end Consignia's monopoly over the delivery of letters bearing under £1.00 postage, the state-run service now faces competition in its core letters business for the first time in 350 years.

This move is widely seen as the backdoor privatisation of the Post Office. PostComm issued its first licence to Consignia, but has forbidden the company from using its present monopoly position to beat off the opposition. PostComms chairman Graham Corbett said the license was, "the first step in PostComms task to set a framework for a healthy and competitive postal service across the UK."

PostComm is now in talks with leading postal firms across Europe, and is expected to license the first competitor to Consignia in a few months. It is likely that the outsourcing of letter delivery to other companies could start within a single city rather than nation-wide.

According to the *Financial Times*, "A cut price subsidiary would be set up in a single city, in a city like Liverpool or London with bad industrial relations, it would probably be non union and would focus on local deliveries of bulk mail for customers such as councils and utilities. Prices would be substantially lower than charged by Consignia, perhaps as low as 10p." (The cheapest letter delivery within the UK is presently 19p.)

The French post office has said it would like to take advantage of deregulation and move into the UK market. The PostComm chairman has said any such

moves should be in partnership with Consignia, but this may change as the market is opened up. The GeoPoste parcel delivery company already has a 6 percent stake in the UK market.

Delivery companies such as TNT and the US owned UPS have also shown an interest, with UPS recently becoming a regular financial donor to the Labour Party. German postal carrier Deutsche Post has also expressed an interest and is soon to apply for a license.

The move could have a devastating effect upon the efficiency of postal services in Britain. While letter delivery in the UK is a lucrative market, the profitability of door-to-door services is not uniform throughout the country. Matthew Lloyd, head of business services at HSBC bank, says, "The problem you face when trying to deregulate the post is that there are only bits of the country that people are interested in." Private companies are only attracted to compact financial centres such as London, "The problem is collection in places like John O'Groats and Lands End", Lloyd said.

In implementing the deregulation of postal services, the Labour government is following countries such as New Zealand, where NZ Post had its monopoly taken away in 1998 and over thirty companies now compete for postal services. In some areas, as many as five posting boxes are available for customers' letters. Smaller companies have focused on niche markets and do not offer a nationwide delivery or collection service. After only 18 months trading, one of the companies, National Mail, has made 200 workers redundant, and many of the other firms are expected to go under or merge.

In anticipation of deregulation, Consignia has begun to look at the possibility of outsourcing its letter sorting and delivery services. According to the magazine

Computer Weekly, German company Siemens has already been in talks with Consignia over this issue. The proposal to outsource was suggested by accountancy firm KPMG, who were hired by Consignia to carry out an efficiency review in preparation for deregulation. As much as 30 percent of Consignia's business is said to be vulnerable.

One option being considered is that Siemens, or another company, would take over the running of the huge new site at Bromley by Bow, East London, as one of 73 mail centres. A new and largely non-union workforce would be hired, the facility would utilise new technology to sort all mail, with a much-reduced staff. Such a centre would be crucial in offsetting the impact of any future strikes in the industry. In the past, Consignia has relied on the unions to police the workforce, but it is showing increasing impatience with the Communication Workers Union (CWU), which has not been able to prevent a recent spate of unofficial strikes.

Siemens has been working closely with the Post Office for some time. In 1999 it took over almost the whole of National Savings, a Post Office business partner. Siemens believes that ways could be found to automate large sections of Consignia's business, enabling it to cut two and a half hours off a typical eight-hour shift. It also believes it could further automate mail sorting, making delivery to businesses and homes more efficient. Already Consignia is seeking to centralise its Address Interpretation in one location rather than in over 100 offices. These changes are expected to cause upwards of 50,000 job losses.

The deregulation of letter delivery is only the latest measure in the break up of the state-run postal services that has been underway for two decades. In 1981, the British Telecommunications Act split the Post Office Corporation, established in 1969, into two nationalised industries, the Post Office (postal services and National Girobank) and British Telecom (telecommunications). The last Conservative government subsequently privatised BT, but the Post Office remained problematic and it required a number of steps before wholesale privatisation could take place.

In 1986, the Post Office was split up to form four separate businesses: Letters, Parcels, Counters and Girobank, each with its own dedicated staff. This was also designed to prevent united action by the workforce

and proved successful given that the unions recognised the division and reorganised themselves accordingly.

In 1990, Royal Mail Parcels became Parcelforce, an independent division of Royal Mail. Two years later the whole of Royal Mail was restructured to reduce 64 postal districts down to nine divisions, with significant job losses.

Royal Mail became a significant player in the field of global communications in the mid 1990s, when it began offering services to businesses in the US and Canada. In 1996, Royal Mail US Incorporated was launched. Finally in 2001, the Post Office Group was transformed into Consignia plc.

To introduce changes in working practices and restructuring, Consignia has relied heavily on the unions. The recent CWU conference pledged "total opposition to privatisation", but the union bureaucracy has worked closely with Consignia to ensure the job losses and speed ups necessary to compete with its rivals went through smoothly. The union has agreed a massive cut in overtime payments, relied on by most workers to compensate for the poor basic wage. In return for an 18 percent pay rise, Bank holiday and Saturday/Sunday premium pay rates are to be abolished and staff will no longer receive extra allowances for working unsociable hours.

Union collaboration with management to implement the agreement is widening the rift between the bureaucracy and ordinary postal workers. In London, only two offices out of 100 have so far implemented the deal agreed by the CWU nationally. The number of unofficial strikes continues to rise; last year 62,000 days were lost due to strike action, the majority being repudiated by the CWU. Recently, over 60,000 postal workers went on strike in the run-up to May's general election, at one point threatening to delay the result, with postal votes being held up at strike-bound offices.



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