

Correspondence on the privatisation of Britain's postal service

24 August 2002

Dear Mr Lee,

I have just read your article on the strike that the workers of Consignia are proposing about their pay (Britain's postal workers ballot for national strike, 29 January, 2002).

I am currently undergoing a study on Consignia and the relationship it has with its employees and costumers for a newspaper in the Midlands. I would like to ask you about your view on the proposed privatisation of Consignia and the effect this will have on the consumer and worker.

Yours sincerely,

R M-H

Dear R,

Thank you for your email. I will attempt to answer your question as concisely and as concretely as possible. I would also be interested in reading your article, as I have been writing on the postal service for nearly 14 years now.

As you will have no doubt seen in your research, the relationship between Consignia and its employees is probably at its most polarised. Historically postal strikes have made up a third of all strikes in Britain, but in the last two years this has risen as a percentage to over half of all strikes. The majority of these are unofficial. In the past most of the major strikes have been over pay—as I said in the article, postal workers are some of the worse paid public sector workers, with many having to do a vast amount of overtime to supplement their wages.

However, most workers fears are now over the impact of privatisation and certainly most strikes over the last two years have concerned this issue in one form or another. If you talk to postal workers they no longer see any long-term job security, their pay is being cut and management is seen as bullying and over bearing. In some areas staff turnover is running at 50 percent.

Consignia have recently announced that over 30,000 job losses will be eliminated immediately and I estimate that, with new sorting centres to come on line using the latest OCR (Optical Character recognition) technology, upwards of two-thirds of the workforce will go.

While in words the Communication Workers Union (CWU) is opposed to privatisation, in deeds it is another matter. They have collaborated closely with management in order to quell any struggle against it. The union has not called any strike over privatisation and the issue of pay has been deliberately separated from that of privatisation.

So worried were Consignia that their moves towards privatisation was increasing this industrial militancy that they

commissioned an independent review of industrial relations. (You can find this document at: <http://www.cwu.org/news/newsarticle.php?id=292>). The outcome of the review was to bring the CWU into a closer relationship with management in order to suppress unofficial strike action.

In the February article I said the union had already agreed in June 2001 to clampdown on unofficial strikes. Under the latest agreement, the CWU has agreed to suspend any ballots for industrial action and Royal Mail undertakes not to press ahead with any changes to working practices at local level that have not been agreed. Both Royal Mail and the CWU are determined to build on the deal. It represents a further significant step towards achieving a lengthy period without strikes.

So closely do the CWU and Consignia work together that it is difficult to see where the union ends and the company starts. The fruits of this collaboration can be seen in the union's refusal to oppose the job losses stemming from the restructuring of the Post Office in preparation for privatisation. The CWU has said it is "committed to reaching a new agreement in relation to the handling of staff surpluses".

It made a show of opposing compulsory redundancies during negotiations, but the final text of the deal is at best ambiguous even on this question. The agreement will be "built upon *reasonable alternative job offers* and voluntary redundancies" (emphasis added), which means that if "reasonable alternative" employment is turned down, a worker can be said to have made himself redundant.

Consignia recently said it wants to incorporate the union even further into management structures and renegotiate the industrial relations structure with the union. Consignia managers have given three months notice that they will withdraw from all the current executive, divisional and area structures. The proposals outline a plan for the postal executive to be elected every five years rather than annually. The CWU is to change its structure whenever management changes the business structure, unit reps will be elected every three years rather than annually. Consignia also wants to involve the union in focus groups and seminars and insists on outside arbitration to solve arguments.

To answer the main part of your question, of course we are opposed to privatisation. Since the 1980s the traditional state post offices and telephone services have been broken up and privatised. This development goes hand in hand with massive attacks on postal workers around the world. But while we oppose the attacks by global capitalism, which in the postal service takes the form of

privatisation, we are not against the process of globalisation itself. One of the prerequisites for a socialist society is a harmonious world communications network. Left in the hands of the capitalists these changes benefit the bosses rather than the workers. Under socialism, however, these changes could lead to a shorter working week and the use of new technology to do away with the backbreaking work of postal workers.

In your letter you speak of the “proposed” privatisation, but really you can trace the privatisation drive back to the early 1980s. Deregulation of letter delivery is only the latest measure in a 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 Giro Bank) and British Telecom (BT).

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

Post Office reform or privatisation 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. In 2000 for the first time, the volume of email in the United States exceeded the number of letters delivered by the US postal service. Computers now 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 monopoly status as a domestic carrier, today it is forced to compete at home and abroad against its international rivals.

In Britain restructuring is being stepped-up due to the pressure being exerted from the European Union to reduce the monopoly held by national postal carriers and open up markets to competition. The first stage of this liberalisation programme is to be completed by 2003 and the next stage in 2007. In Europe over 45,000 jobs have been lost in the German post, 4,000 full time jobs in Sweden, with 28 percent of post offices closed, while in Finland 23 percent of postal workers have lost their jobs and two-thirds of offices have been closed.

In an amending directive to the proposal to liberalise the postal services, the EU emphasises, “The postal sector is at the crossroads of three markets, which are vital to the European economy: communications, advertising and transportation. These markets are largely open to competition and experiencing rapid development, driven by market demands and technological change.

“Overall in the EU, postal services are estimated to handle 135 billion items per year, generating a turnover of about EUR 80 billion or about 1.4 percent of GDP.

“About two thirds of this turnover is generated by mail services, including the reservable area. The remainder is generated by parcels and express services, which are already in the competitive area.

“If the EU’s postal service are inefficient, goods and services will not flow optimally throughout the union damaging economic growth and jobs. The benefits of electronic commerce will also not be fully realised if the EU’s postal services, at the heart of business-to-business and home delivery in Europe, are not top class. There are therefore strong consumer and business interests in ensuring that a wide range of high quality postal services are available. Moreover, the postal market does not exist in isolation but interfaces and competes with other forms of communication, making it doubly important that it keep pace with modernisation and technological advances.”

The use of computer technology is revolutionising the way the postal services operate. The business and private use of emails is undermining the need for traditional letter services. Email now accounts for 90 percent of all personal correspondence in Britain. In many respects Consignia is lagging far behind these developments. Hence its need to carryout an extensive restructuring and privatisation programme.

This is why the Postal Services Commission (PostComm), set up by the government to regulate the postal market, has told Consignia to allow its potential rivals fair access to its network infrastructure, including issuing licenses to deliver letters bearing less than £1 postage. The state-run service will now face competition in its core letters business for the first time in 350 years.

I hope you find these remarks helpful and please do not hesitate to contact me again.

Keith Lee

References:

1. *The international tasks posed for postal workers* (International Worker, June 23 1990).
2. *The Last Monopoly, Privatising the postal service for the information age*, Edited by Edward L. Hudgins. Cato Institute 1996
3. *Independent Review of industrial relations May 2002* www.cwu.org/news/newsarticle.php?id=292



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