

Britain: Royal Mail to sell off half its business

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According to an article in the financial section of the December 12 *Mail on Sunday*, the Royal Mail is going to privatise a “large chunk” of its business. The newspaper reports that Royal Mail is to sell 20 percent of its shares to its workforce and 31 percent are to be sold on the open market.

The article hints that the Post Office chairman Alan Leighton is staying on in his post for a further three years because the Blair Labour government has given the green light to privatise a large slice of the business.

The *Mail* also claims that one of the reasons given for the selloff has been to plug the huge £2.5 billion shortfall in the Royal Mail’s pension fund. The money is needed to pay for early retirement of thousands of postal workers. The Royal Mail has to find £800 million a year just to keep its final salary pension fund running. Its pension deficit is one of the biggest in the UK and the occupational scheme is the fifth largest, with 180,000 members and 250,000 pensioners.

Around 7,200 workers left the industry in the six months up to September, taking the reduction of staff to 34,300 since liberalisation plans were announced in 2002.

The *Mail’s* claims were ritually denied by both the Royal Mail and the government. A Department of Trade and Industry spokesman said, “We have no plans to privatise any element of it.” But the *Mail’s* story is not the first report that the Royal Mail has been involved in talks with the government and the banks about privatising the postal service.

An article in the *Times* of May 28 noted that the Royal Mail was discussing the idea of selling a substantial part of its postal business to its employees.

The Labour government set up Postcomm, the Postal Services Commission, to oversee the break-up and privatisation of the Royal Mail. Postcomm has increased pressure on the Royal Mail to open up its near 400-year monopoly on mail services and has

expressed its unhappiness with the pace of privatisation.

Speaking at the UK Mail Summit in London, Nigel Stapleton, chairman of Postcomm, told a conference, “Postcomm will focus on preventing anti-competitive practices by the monopoly supplier, and improve customer protection in the next stage of its drive towards a fully competitive market in postal services.”

He said that the 80 million items a day handled by Royal Mail together with its daily national coverage allow substantial economies of scale and act as barriers to competition. “Royal Mail recently returned to profit but at the expense of customer service. Royal Mail has missed all its service targets for last year and the first quarter of this year: that is effectively a covert price increase and suggests competition should be quickened up so customers have more choice.”

The European Union has directed that all national postal networks must be liberalised by 2007. But Postcomm is thinking of bringing forward the introduction of full competition in postal services to January 1, 2006. The Royal Mail has already bowed to Postcomm pressure by opening up its monopoly. It recently signed a deal with UK Mail to allow them to use its infrastructure to deliver bulk mail

Postal workers have borne the brunt of these changes, with nearly 30,000 made redundant. The Communication Workers Union (CWU) has collaborated with the Royal Mail in implementing unprecedented attacks on working conditions, so much so that strikes are at a ten-year low.

In commenting on the sell-off plans, the union has claimed that this would not happen under a Labour government. Billy Hayes, CWU General Secretary, said that the “government has given the CWU clear guarantees about its ambition to see the Post Office as a success story in the public sector.”

The union does not oppose the liberalisation of the

postal network, but only urges that it takes place more cautiously in order to prevent a groundswell of opposition. A recent CWU contribution to Postcomm's competitive Market Review said, "We therefore believe that if liberalisation does need to take in the UK it should be at a pace that does not further exceed the requirement set out in the European legislation."



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