

# Britain: Threat of national postal strike

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The Communication Workers Union (CWU) has warned Royal Mail that unless it agrees to a “platform for meaningful discussions” over a union-management efficiency agreement it will consider strike action.

The union has accused Royal Mail bosses of renegeing on a 2003 deal to plough 40 percent of savings from the agreement back into wages. Instead, the company has imposed a £418 one-off bonus and a 2.9 percent pay rise.

It also intends to introduce a share scheme that could see postal workers receive 20 percent shares in Royal Mail to be held in a trust. However, workers who buy shares will have no say in how the company will be run as the shares are non-voting shares. Past experience shows that such shares usually end up in management hands within a few years.

The CWU has attacked the share scheme as a privatisation measure. CWU Deputy General Secretary Dave Ward warned Royal Mail that it had made a “huge mistake” by imposing the pay deal and banning the union from holding a workplace ballot.

The union had sold the efficiency agreement to postal workers, saying they would benefit from the savings accrued from the radical restructuring of the company and the gutting of jobs. Royal Mail has converted a pre-tax loss of £1.1 billion in 2002 into a record £355 million profit last year. But a recently released parliamentary Trade and Industry Committee report, “Royal Mail after Liberalisation,” showed how the efficiency savings have been at the expense of workers’ jobs and conditions.

The report notes that since the efficiency agreement was signed, 33,000 full-time workers and 25,000 temporary workers have lost their jobs. It suggests at least another 30,000 out of 170,000 postal workers employed in Britain could lose their jobs over the next couple of years.

It notes that Royal Mail has been able to introduce “changed working practices in 1,400 delivery offices and the jobs of all its front-line staff” whilst reducing the number of days lost by strike action from 100,000 in 2003 to less than 4,000 in 2005. Moreover, “The latest government figures... have shown an even greater gap now between average earnings in the country and average postal workers’ pay and that gap has widened.” Postal workers have remained

amongst the poorest paid workers in Britain, receiving a basic weekly wage of £320 compared to the national average of £395.

The report also revealed that Royal Mail has a huge deficit in its pension fund, which now stands at £5.6 billion—making the company technically insolvent. It appears that successive governments, like many private companies, took a 12-year “pensions holiday” from 1988 when the pension fund had been in surplus.

The value of the fund then slumped following the collapse in stock markets. This only came to light because international accounting rules now require companies to publish additional information. The Trade and Industry Committee recommend a number of measures should be considered to recover the loss, including further efficiency savings.

The pension crisis and the need to raise money for modernisation were seized on by Royal Mail management to signal another round of restructuring and cost-cutting. Royal Mail’s chief executive, Adam Crozier, called for a “radical transformation” of the post office network and claimed that the current number of post offices is “not sustainable.” Postal services regulator (Postcomm) Chairman Nigel Stapleton has “challenged Royal Mail to push harder for greater efficiency and to bring about a radical transformation in its letters business.”

Trade and Industry Secretary Alistair Darling announced a “Financing Agreement” that grants Royal Mail a £900 million loan for modernisation purposes and a further option of £850 million to prop up the pension fund.

The globalisation of trade and industry has undermined nationally based postal monopolies and forced them to compete at home and abroad against their international rivals. The enormous growth of e-mail has forced letter services internationally to cut costs and improve efficiency in order to remain competitive, and created new markets for parcel deliveries via internet shopping.

The Labour government opened up UK postal services to full competition on January 1, 2006, three years ahead of the deadline demanded by the 1997 European Union Postal Services Directive. The Directive called for all EU member

states to reduce the monopoly held by national postal carriers and open up postal markets to competition by 2009, although it spoke in very vague terms about governments maintaining a universal service obligation (USO). In Britain the USO amounts to a daily delivery anywhere in the country for the same price.

By speeding up deregulation of the Royal Mail, the government has attempted to position the company to take advantage of the European postal service market, which is worth some 80 billion euros a year and involves the delivery of 135 billion items. The governments in Sweden and Finland have already fully opened their postal services to competition, and those in Germany, the Netherlands, Slovakia and Norway are committed to do so before 2009.

“Royal Mail after Liberalisation” draws attention to Sweden, where Sweden Post has lost 25 percent of its business in the country’s three largest cities, even though it has reduced its prices in cities to half that of the rural rate, effectively ending the USO. As a result, 4,000 full-time postal workers have lost their jobs in Sweden and 28 percent of post offices closed. In Finland, 23 percent of postal workers have lost their jobs and two-thirds of offices have been closed.

Crozier told the Trade and Industry Committee that Royal Mail was way behind its European competitors, particularly those in Holland and Germany, and asked, “Do you want a modern Royal Mail that can compete in an open competitive marketplace with people like TPG and Deutsche Post who have modernised over a period of 20 years?” Currently, the Royal Mail only sorts half of its letters mechanically, whereas its competitors now sort 90 percent of the mail in this manner. Leighton added, “We compete like hell and one day we are going into Deutsche’s back garden and everybody else’s and try and do the same thing to them.”

The CWU’s testimony to the committee was so couched in similar terms that it prompted committee member and Conservative MP Peter Bone to exclaim, “I am a bit surprised because it sounds to me it is more like the employers sitting there than the union.”

CWU general secretary Billy Hayes had complained that “Latvia Post can deliver in Lewisham but Royal Mail cannot set up in Latvia.” That the CWU bureaucracy is indistinguishable from Royal Mail employers should come as no surprise. The bureaucracy has sold out every struggle by postal workers since the Thatcher Conservative government split the Post Office Corporation in 1981 into the Post Office and British Telecom (BT).

Historically, postal workers have been amongst the most militant workers in Britain, carrying out a third of all strikes—the majority of which are unofficial—mainly over the poor pay and harsh hours. The union has worked to suppress

such action and imposed increased productivity and flexible working practices—paving the way for further attacks and greater deregulation.

After a bitter struggle, BT was subsequently privatised, but the Post Office remained problematic due to the militancy of postal workers plus the overwhelming public opposition to the threat that privatisation posed to the USO. But with the help of the bureaucracy, the government was able to split up the Post Office in 1986 into four separate businesses and restructure the Royal Mail in 1992, reducing 64 postal districts down to nine divisions, with significant job losses.

In 1999, the Labour government’s trade secretary, Peter Mandelson, outlined a new commercial structure for Britain’s Post Office which involved “the most radical set of reforms since the modern Post Office was created in 1969.” The reforms were largely adopted from the CWU’s own proposals for an Independent Publicly Owned Corporation (IPOC) on the basis that it would allow “greater commercial freedom and investment for the Post Office without losing [state] ownership.”

After Mandelson’s plans were announced, then-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.”

Following Hodgson’s retirement in 2001—a year that saw 355, mainly unofficial, strikes—postal workers elected Billy Hayes, whom the media had labelled “hard left.” He was later dubbed a member of the “awkward squad” of trade union leaders with a history in the Communist Party or various radical groups.

In 2002, the post office regulator, Gerald Corbett, announced that the letter delivery market was to be opened up to the private sector, and from March 2006 the whole market would be opened up. In response, postal workers voted for the first national strike since 1996, but the CWU did not act on the ballot. While the union strangled any wildcat action, Royal Mail launched attack after attack on working conditions. The number of days lost from strikes dropped by over 90 percent.



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