

UK: Thousands of City Link delivery workers sacked on New Year's Eve

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Thousands of staff at the UK parcel delivery service City Link were confirmed jobless on New Year's Eve, after the company went into administration (bankruptcy proceedings) just days before.

The Coventry-based firm, owned by investment firm Better Capital, employs 2,727 people but up to 5,000 workers are expected to be hit. More than 1,000 self-employed delivery drivers relied on City Link for employment.

The workers only learned that their jobs were at risk on Christmas Day, via the BBC's website and emails from their trade union, the Rail, Maritime and Transport Workers (RMT).

There had been persistent rumours since November that it was in trouble, but this was consistently denied by management. In the end, City Link called in the administrators Ernst & Young on Christmas Eve.

Jon Moulton, founder of Better Capital, denied that administration had been planned for some time saying, "We chased every possible way to save this company."

However, many workers have accused the firm of keeping silent on its long-standing plans to call in the administrators in order to ensure that Christmas deliveries went ahead, even though many of the drivers will never receive payment for the time worked.

The RMT said it understood that wages owed up to December 31 would be paid, but further payments could not be guaranteed. Redundancy costs for City Link's employees will be met by the government, Ernst & Young said, as the company is insolvent.

The large number of self-employed staff can expect little or nothing. Last year, City Link brought in new contracts. Higher rates for early morning deliveries were scrapped and a flat-rate £2.15 per drop (irrespective of the number of items) was introduced. Many of City Link's drivers were transferred over to

self-employment.

The claim was that this would enable them to earn up to £43,000 a year, but drivers say that when insurance, fuel and van lease is included the real figure is around £28,000. Those working for agencies have to pay a minimum of 15 percent on this. They also had to purchase new uniforms, scanning machines and pay for new livery for the vans. Most importantly, they lost all employment protections.

Just a handful of workers will be retained temporarily to wind down the company.

City Link's managers will fare far better. Founded in 1969, City Link was acquired by Better Capital in April 2013 for just £1 from the pest control firm, Rentokill. Along with the head office and main transport hub in Coventry, City Link had 53 depots across the UK.

Moulton, a former donor to the Conservative Party turned supporter of the United Kingdom Independence Party, rejected criticism that the government was picking up the tab. "The taxpayer has certainly made an enormous amount of money out of private equity companies and their trading and success," he claimed.

He denied that Better Capital was involved in asset stripping, stating that if so, "it is an extremely poor one because we will have lost a lot of money."

Better Capital had invested £40 million into City Link, Moulton said, to make it a going concern and had written that down to £20 million. But it has subsequently emerged that the £40 million was in the form of a secured loan, meaning Better Capital has first claim as creditor, far ahead of employees.

Writing in the *Daily Mail*, Peter Campbell detailed the complex financial arrangements between City Link and its private equity backer, which "raised questions about whether its owners profited in the run-up to its collapse."

Better Capital had received several million pounds in management fees, remuneration and expenses in the 12 months since it acquired the delivery service, he wrote: “A labyrinth of holding firms used to own and run City Link—along with other companies owned by Better Capital—has been used to make payments to the parent company. According to documents filed by Better Capital, its investments are owned by two Guernsey-based holding companies, BECAP GP limited and BECAP12 GP LP, which own the funds that run the investments. Better Capital receives fees from these subsidiary companies for ‘consulting services’.”

Registering in Guernsey reduces Better Capital’s UK tax liabilities. BECAP12 also owns double-glazing firm Everest, fashion chain Jaeger and business supplier OfficeTeam.

“Once costs are stripped out—which included paying £1.7 million in ‘remuneration’ to its 12 members—Better Capital then redistributes the remaining profits to its members,” Campbell detailed.

Better Capital received £1.4 million in consulting fees and a further £7,250 in expenses from BECAP12 GP Limited, which owns City Link. It also received fees and expenses from BECAP12 GP LP of £19,000 in the year to March 2014.

As director of Better Capital, Moulton was paid £45,000 a year. He was also listed as the “general partner” of Fund 11, which manages BECAP 12 companies, Campbell continued, and which paid “a total of £164,000 in fees to directors of the fund in the 18 months leading up to September.”

City Link is the latest in a number of private equity-backed companies that have gone into administration over the last few years. They include the care homes group Southern Cross, Phones 4U and Comet.

The fate of the City Link workers has underscored the bankrupt character of the trade unions. In September, the RMT called off a planned seven-day strike by City Link drivers—who had backed industrial action by nine to one—after the firm applied for a High Court injunction.

When news of the firm’s collapse came in, the RMT’s response was to seek talks with the administrators to try and delay posting the redundancy notices. When that failed, it called for talks with Liberal Democrat Business Secretary Vince Cable for a “rescue plan” to enable City Link to operate as a going concern.

Mick Cash, RMT general secretary, claimed, “If the government can nationalise the bankers then they can nationalise City Link, which is clearly in the public interest.”

The call for a government rescue was also taken up by the Stalinist *Morning Star*. “There may be a certain irony in asking Mr Cable, the privatiser of Royal Mail [the former national postal carrier], to nationalise a parcel delivery service,” it opined without any apparent trace of irony, but government intervention could “signal a step away from the market-driven madness that has seen so many of our public services thrown to the wolves.”

Such calls made to a government that is imposing austerity and facilitating a massive increase in exploitation are a cynical diversion, used to conceal the fact that the trade unions are complicit in this drive.

Trades Union Congress (TUC) General Secretary Frances O’Grady complained that the sackings were a “prime example of the unacceptable face of casualised Britain, with workers denied even basic rights to proper consultation... Too many employers are using insolvency to take the money and run, leaving the taxpayer to foot the redundancy bill.”

But the TUC have presided over this huge increase in casualised labour, including in the public sector where much of its membership is concentrated. Nearly five million people are registered as self-employed in the UK, some 15 percent of the workforce.

Cable has said that he will meet the RMT in the New Year. Nothing will come out of any talks for the thousands thrown onto the scrap heap overnight. The Department of Business, Innovation and Skills said, “Workers and businesses should be free to agree the terms of an employment relationship and the government does not want to restrict people’s ability to choose how they work. This ensures a flexible and vibrant labour market, supporting growth and delivering jobs.”



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