Royal Mail sold off

Move seen as bad for employees, public and government

Photo by Bart Maguire

Though many critics of the United States Postal Service from time to time raise the idea of privatizing USPS, there is little political will in the nation's capital to make it a reality. Not so in Britain, where on Oct. 11, the coalition government under Prime Minister David Cameron sold close to 60 percent of its stake in Royal Mail, privatizing the state-owned mail service. This followed a series of privatizations throughout Europe.

The government said that offering Royal Mail for sale was a way for the company to access private investment in order to transform itself in the face of falling letter mail and take advantage of increasing package delivery. While the government had recently infused £3 billion ($4.7 billion) into the postal service network of 11,500 branches (which were not part of the sale), planned public-sector spending cuts for the next seven years put any future transitions at risk.

The move has been widely criticized from all sides, most notably from the British people. An opinion poll in July revealed that 67 percent of respondents opposed the sale, with 36 percent strongly opposed. Only 4 percent strongly favored it.

The same poll revealed that 96 percent of Royal Mail employees were against the sale, even with 10 percent of shares in the new company going to Royal Mail's 150,000 UK-based staff. The Communication Workers' Union (CWU), which fought unsuccessfully against the privatization, rejected the new Royal Mail's offer of an 8.6 percent increase in pay over the next three years, criticizing proposed changes to pensions. CWU went so far as to vote to strike if it could not work out an agreement with the new firm over pay and benefits.

"What we want is a groundbreaking, long-term, legally binding agreement that not only protects postal workers' job security, pay and pensions but will also determine the strategy, principles and values of how Royal Mail will operate as a private entity," CWU deputy general secretary Dave Ward said.

NALC President Fredric Rolando sent a letter of support to CWU General Secretary Billy Hayes, saying in part, "As the CWU fights the misguided plan to privatize your employers, NALC wishes

Photo by Roger Blackwell

Right: A rally in The Hague, Netherlands, to protest proposed cuts to the workforce of TNT.

Opposite page: A march by the Communication Workers' Union in Britain against the privatization of Royal Mail.

Photo by Roel Wijnants

to extend a standing offer to provide any assistance you might need in the weeks ahead."

Ultimately, CWU called off the strike and said that the union and company had made progress in talks over pay and working conditions. Both parties said that they now were committed to finalizing an agreement, which would include an improved pay and bonus offer, as well as a separate pension agreement, though CWU said that a strike could ultimately be called if an agreement can't be finalized.

Even if a fair deal is agreed on for the workers, critics say the privatization has been a rip-off for the public and the government, which grossly undervalued the company. For example, the Royal Mail real estate was valued at just £787 million, despite including a depot in London estimated to be worth £1 billion alone.

On its first day, shares in the new company rose by as much as 38 percent, making profits for the initial buyers of the stock and highlighting the low value the government received for the sell-off. Opposition lawmakers have called for investigations into the valuation—which was handled by the investment banks Goldman Sachs and UBS.

Though maintaining six-day universal delivery is a requirement of the new company, many fear that the new Royal Mail will cherry-pick the profitable parts of the business, or will degrade service in the name of profits. There are fears that the new company might lobby the government for future subsidies or to allow it to reduce the days of delivery, as other private mail services in Europe have proposed.

"Let's not forget that Britain's privatized rail companies have received around four times (more) in taxpayer subsidy than the publicly owned

Perils of Privatization: TNT Post

Royal Mail's privatization is the latest in a series of struggles over public versus private ownership of postal services throughout Europe in recent decades. One of the most controversial privatization experiences has been that of the Netherlands' PTT Post, privatized in 1989.

PTT, the first European postal service to privatize its postal operations, set the standard for future privatizations on the continent, and now in Britain. And it is widely criticized as a monumental failure, with service levels the lowest they have ever been, and many employees living in fear of losing their jobs.

What had been a nationally recognized name and symbol for the Dutch went through continual change. After the government yielded its status as majority shareholder in 1994, PTT Post became known as Royal PTT Post. Royal PTT bought an Australian company, TNT, in 1996, and 10 years later the name was changed to TNT Post. In May 2011, TNT was broken up into two companies—TNT Express (a global parcels and express document delivery company) and TNT Post (a domestic universal mail and parcels delivery company serving Belgium, the Netherlands and Luxembourg). Today, TNT Post in the Netherlands is known as PostNL.

Services also have been drastically scaled back. According to Britain's *Daily Mail,* 90 percent of the post offices in the Netherlands have been closed. During one month in 2009 alone, 10 percent of all of the post offices in the Netherlands were closed. Mail collection boxes are emptied only once a day, in contrast to three times a day in Britain.

"We all wait longer for our parcels to arrive these days," Peter Suurland of Amsterdam said to Britain's *Daily Mail.* "In the past four months, four packages sent from the UK have never arrived—one containing birthday money for my 9-year old. I'm still awaiting two more packages sent more than two weeks ago. Not a week goes by when I don't get someone else's post."

TNT Post also pushed for five-day delivery by ending service on Mondays, but it has been unsuccessful in this attempt.

Employees of TNT Post have faced the prospect of job losses and lower wages. In 2010, TNT Post threatened to terminate all of its 11,000 employees if they did not accept a 17.5 percent pay cut. TNT has not hidden its desire to replace these workers with part-time and temporary employees. In the race-to-the-bottom mentality of private postal entities, TNT, in 2010, claimed it has no choice if it wants to stay competitive. Incensed, postal employees went on strike two weeks before Christmas.

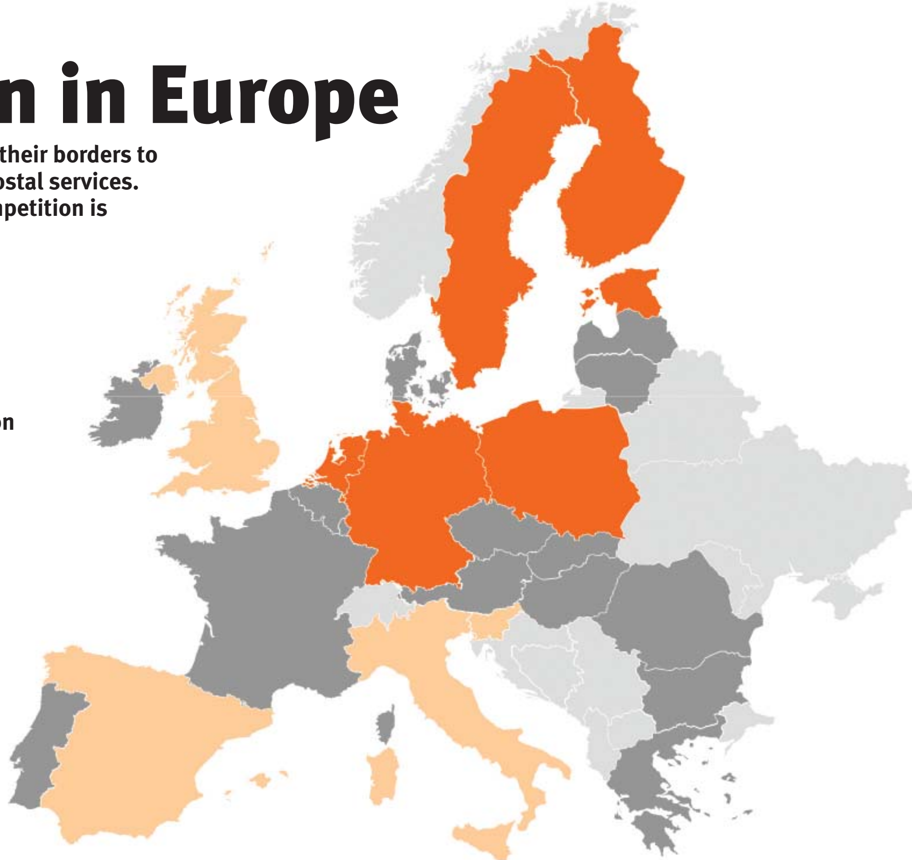
"I'm 57 years old. Our company has an aging workforce. These older workers won't stand a chance in the labor market, and there is no alternative," Gerard van Os, a postman for 37 years, told Radio Netherlands.

Yet, because TNT reports profits, it often is cited as a success, most recently by the British government as it enacted its own privatization push.

"Letter carriers in this country have to understand what is at stake whenever the privatization theory is proposed," NALC President Fredric Rolando said. "It's bad for the American people, bad for business, and bad for the letter carriers and other employees of the Postal Service. We must not, and will not, let that happen here." PR

Privatization in Europe

Countries in Europe have steadily opened their borders to competition from private companies for postal services. Below is a map to show where private competition is allowed in Europe.



Both 5-day delivery and 3-day delivery

New Zealand has turned the international discussion of postal delivery upside down by announcing that it would move from six-day delivery to two standards: five-day delivery in rural areas and three-day delivery in urban areas.

Most postal services prefer urban delivery, which requires less resources and allows for greater profits, and urge the reduction of rural delivery. But in New Zealand, to get authorization to reduce days of delivery, New Zealand Post had to make concessions to rural customers.

The change comes as a result of lobbying from the company, which quickly announced that it would cut its workforce by up to 2,000, about 20 percent of its workforce, over the next few years to deal with the reduction in days of delivery. PR

British Rail did," Neil Clark wrote for RT.com. "It's a neo-liberal myth that privatization saves the taxpayer money—on the contrary; it invariably costs us far more than keeping the service 'in house.' "

Even the late Margaret Thatcher, the British prime minister who started the privatization trend in the U.K. in 1979, thought selling off Royal Mail was a step too far. She is famously quoted as saying that she was "not prepared to have the Queen's head privatized," referring to Queen Elizabeth II's image on the stamp.

The short-term gain for the government—estimated to be worth up to £2 billion—will only be of use in the short term, as there will be no future revenue to deal with pension fund liabilities of about £37.5 billion.

Even the right-wing *Economist* magazine was critical of the sale, saying that selling Royal Mail as it did was unlikely to produce the results the government claimed it wanted. Publicly listed companies (those on stock exchanges) are more likely to focus on short-term profitability than long-term success, as compared with privately held companies (with a limited number of owners), it reported.

"As Harold Macmillan, a former prime minister, once suggested," *The Economist* printed, "the British government may well find it is selling off the family silver too cheaply and to poor effect."

NALC President Rolando said, "As we've seen elsewhere in Europe, governments are taking successful and popular institutions, like their postal services, and turning them over to private interests, who will run the service into the ground, and destroy the good middle-class jobs of the employees who make these postal services so successful.

"As NALC and the United States Postal Service have shown, when the employees and employers work together for a postal service devoted to serving all of the American public, it can deliver great service, for a great price."

For more on how privatization can lead to degraded service for customers and reduced wages for employees, see "The Perils of Privatization: TNT," on page 17.

But privatization is only one way countries are dealing with their evolving postal services. In the next issue of *The Postal Record*, we will look at some of the innovative ways governments are improving publicly owned postal services around the world. PR