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Anger as private equity firm CVC considers Royal Mail bid. Jan 18, 2009.

1. Anger as private equity firm CVC considers Royal Mail bid

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Union leaders and MPs have reacted angrily after it emerged that the private equity group CVC is considering a bid for a minority stake in Royal Mail.

CVC, which has stakes in three European postal services, is at the early stages of working on a bid. Its other investments have included the Debenhams store chain and Formula One sports rights.

The potential involvement of a private equity company has intensified anger felt by trade unions and the growing ranks of MPs opposed to the plans. "This move, by a private equity company, shows how dangerous the part-□□ privatisation of the Royal Mail is," said Billy Hayes, the general secretary of the Communications Workers Union. "We are opening the British public mail service to the dangers of profiteers.

"Around the world there are a number of private equity firms who have stakes in postal services ... they're not interested in public service but in the biggest possible profit."

Geraldine Smith, the Labour MP for Morecambe and Lunesdale, who is leading the campaign against the part-□□ privatisation, warned that private equity involvement would make Royal Mail's services more expensive.

"Private equity companies are just looking for a fast return on their money and the only way they can do that is through higher prices and postage." She said the fact that bidders were emerging suggested Royal Mail did not need outside help. "It's pretty telling how quick off the mark interest is coming once the government says it's a possibility. That doesn't happen if it's a business that's in such dire straits."

CVC could team up with TNT, the Dutch group that has already expressed an □□ interest in the plans for part-□□ privatisation, announced by the business secretary, Lord Mandelson.

But the company may prefer to go it alone, having just completed raising £11bn (£9.9bn) to fund new European deals. CVC's chairman, Michael Smith, has said there is enough money in place to make investments without needing debt financing from banks.

Mandelson's scheme to bring in private investors to the Royal Mail has been hugely controversial. An early day motion put down by Smith last week, has already attracted more than 90 signatures, while Jim McGovern, a ministerial aide in Mandelson's department, has resigned over the plans.

Last month, the government backed the findings of a report by the former Ofcom deputy chairman, Richard Hooper, that Royal Mail should forge "strategic minority partnership" with a private company as part of a range of measures to safeguard its future, though it should remain in public ownership. Aside from TNT, bidders for the Royal Mail stake could include the parcel courier DHL, part of Deutsche Post.

CVC's experience in the European postal market dates back to 2005, when it bought a 22% stake in Post Danmark from the Danish government. It later teamed up with Post Danmark to acquire half of the Belgian post office. Last year Post Danmark was merged with the Swedish post office, Posten, giving CVC a minority stake in the new combined company based in Stockholm.

A spokesman for CVC declined to comment.