

# POSTAL NEWS

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## **1. CWU Tells Committee - Royal Mail Should Remain Public**

20 January 2009 by Steve Lawson - © Hellmail.co.uk

"Why should we nationalise the debt and privatise the profit?" - the words of Billy Hayes, general secretary of the CWU at a Business and Enterprise Committee meeting today, discussing the future of Royal Mail.

Mr Hayes said there were many things in the Hooper report that he welcomed, but said comparisons Richard Hooper had made with Europe were unrealistic and that even Royal Mail's six days a week service was unique. He said the Belgium model was uncomparable with 100g mail actually double the price of those in the uk and the report was more about profitability than efficiency.

"One of reasons its not as profitable as other operators in Europe is because of pricing."

He highlighted the fact that none of the political parties in the United States backed privatisation. Mr Ward said that Royal Mail had suffered from underinvestment for years with a 13 year pension holiday that had seen some £2.5bn go to the treasury.

Mr Hayes said that in order to achieve efficiency, they needed to reach agreement with Royal Mail on how modernisation should be introduced. He said there was an assumption that postal workers themselves were not as efficient and that the CWU rejected that analysis.

Dave Ward said that the CWU was still waiting for the introduction of machines that will increase efficiency but on the whole if comparing like-for-like, the physical demands on postal workers due to poor equipment demonstrated that they were highly efficient but that the Hooper report failed to demonstrate direct comparisons with other operators.

Hayes said he wanted to see management at Royal Mail that were committed to keeping the service in the public domain, not guessing on how privatisation might work.

Peter Luff, the chairman of the Committee said the United States model was not good either because of the common useage of community post boxes. He asked CWU leaders how they felt about the issue of late or unpredictable post. Hayes said there was scope for a tailored delivery service and that the present situation where small companies were waiting for cheques was intolerable.

Dave Ward said that Royal Mail needed to invest in people who work in the service. He said management seemed to have a thousand plans running at once but never able to coordinate them fully and that collection, distribution and sorting should be locked into delivery. He said there appeared to be no rational approach to modernisation and that for it to be effective, planning should begin at the delivery end and then work backwards.

On the issue of high labour costs at Royal Mail, outlined in the Hooper report, Hayes said that the report was not based on like-for-like comparisons although he acknowledged that mechanisation would lead to job losses. He drew attention to the use of Hybrid mail and how the US Postal Service had seen proportionally less decline through embracing such technology.

On the idea of part-privatising Royal Mail, Hayes said: "People don't like to see pledges broken." He said it was possible to strengthen Royal Mail but that management must be committed and see it through, pointing out that board members at Royal Mail had left at an alarming rate making it impossible to build any kind of bridges between management and the union.

Dave Ward accused Royal Mail of hiding plans for fear of reaction from union and introducing changes in a piecemeal fashion as a result. He said it was essential that both sides sit down and establish a shared vision. He said he did not believe that the Royal Mail bosses had that committment.

Billy Hayes said:

"Why should we nationalise the debt and privatise the profit? Everyone seems to accept now that the government has to deal with the pension liability because they've benefitted from it when there was a 13 year pensions holiday"

But on the lack of transparency on costs he said: "Its almost like playing charades, with this committee trying to guess the future of royal mail"

On the possibility of a strategic partnership and how that would fit into industrial relations, Hayes said it was not entirely clear how the structure would work given that the partnership could be as high as 49 percent but he pointed out that the CWU already deals with private sector companies. However, he could see no reason why Royal Mail could not go forward and yet remain in the public sector.

Chairman Peter Luff noted that press articles mentioning a possible bid by private equity group CVC, would not by Hopper's definition, fulfil the requirements of network expertise.

Hayes said it was clear to him that Lord Mandelson wanted to complete his plan to privatise Royal Mail, comparing him to Dr Who and going back in time. The credit crunch had changed all that and that the CWU saw no convincing argument to privatise Royal Mail

Dave Ward:

"The idea that somehow Royal Mail has over the last 30-40 years been a drain on the exchequer is just simply untrue. We've actually pumped money into the taxpayer and theres a balance here to be had ultimately about what do you actually want from Royal Mail. Do you want it to be a public service? If you do, the government really has to decide what it really wants the service to be and if it wants to maintain the USO in its current format, which we support 100% then theres got to be a balance there around a public ownership framework.

"This is not just a question of the government taking on the liabilities, there are assets to our pension scheme with even whats happened on the stock exchange, are still going to be in excess of £20bn. We want to know exactly what is happening with our members pensions. What we do accept is that they need to take it onboard."

Hayes was against the idea of splitting Post Office Ltd from Royal Mail and said that a post office people's bank could actually help undermine royal mails ability to go forward. He said a better definition of the USO would be useful and a careful look at delivery times as well as more flexibility. He said the UK had one of largest numbers of small businesses in Europe and there was a need for tailored deliveries.

Finally, Billy Hayes said that Quality of service should apply to competitors not just Royal Mail.

"Access Pricing should be established in advance of 2010 because its killing the company. Its unfair competition and its damaging." he said.

The committee had shared concerns about the absence of agreed facts and figures.

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21 January 2009

## BUSINESS POST GROUP PLC

### **2. INTERIM MANAGEMENT STATEMENT**

Business Post Group plc today issues the following Interim Management Statement covering the period 1 October 2008 to 31 December 2008.

Performance has continued in line with the Board's plans, and despite the difficult economic back drop, the Group is on track to deliver results for the year in line with expectations.

The Group has continued to grow revenues, which for the period increased by 3% on the equivalent period last year.

Our Mail business, UK Mail, again achieved good double-digit growth, increasing our market share to 15%, through new business wins and the securing of further mail volumes from existing customers. As previously indicated, the rate of Mail revenue growth will moderate from the exceptionally high levels previously achieved. We welcomed the findings of the Independent Review Panel's report on the UK postal services sector, published on 16 December 2008, and we look forward to continuing our relationship with the more commercial Royal Mail that would result.

As expected, Parcel revenues showed a decline on the same period last year reflecting the current economic situation. Parcels operations over this period achieved high levels of efficiency as we continue to reduce our operating costs. These efficiency gains have compensated for the lower revenue we have experienced.

Revenues in Specialist Services for the period were up significantly on last year, driven by a continued strong improvement in our Courier business.

The Group's balance sheet remains very strong with negligible net borrowings.

Our plans continue to be based on moderate overall revenue growth combined with a strong focus on operational effectiveness to deliver increased profit.

- Ends -

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### **3. Royal Mail Sell-Off Bombshell**

25 January 2009 by Editors Comment (Steve Lawson) - © Hellmail.co.uk

Its difficult to guage the strength of any revolt to plans by Lord Mandelson to sell a share of Royal Mail to possibly another postal operator, but Mandelson will be determined to push them through and resistance merely move from boil to simmer.

However, recent concerns raised by the Business and Enterprise Committee that Royal Mail's costs were far from transparent, a long-running disagreement between Postcomm and Royal Mail over the true financial state of the company, and Royal Mail's announcement that last nine months of 2008 had seen profits of £255 million, have done little to clarify the situation. Confused? So are most of us.

Mandelson maintains that even if the responsibility for the present pension deficit were transferred to the nation, Royal Mail would still require hundreds of millions of pounds to modernise and that without a minority stakeholder, Royal Mail is, well, doomed.

However, as members of the Business and Enterprise Committee and the Communication Workers Union recently pointed out, without true figures, it was impossible the know just how much money is needed to help Royal Mail slot into a liberalised postal market and yet still retain the Universal Service and there is still the small matter of some £600m of Royal Mail's modernisation loan unspent apparently. The rest of the country is also wondering why around a fifth of the post office network has been sacrificed and yet we are apparently no further forward than we were before the UK first adopted a liberalised postal market. The rest of Europe has yet to adopt the model in full and the situation in the UK is one which many other European countries are watching closely.

The last straw probably, has been the recession and a mass borrowing binge to take the edge off a deep financial crisis within the UK's banking system but whilst email and texting has undoubtedly had an impact on Royal Mail's business, by far the greatest damage has been done by apparent blissful ignorance of Royal Mail's future during a pension holiday of over ten years and a complete lack of investment prior to liberalisation. To be trying to modernise Royal Mail at this late stage seems absurd.

To make matters worse, the relationship between union members and Royal Mail bosses is frosty at best, a void that if anything, appears to widen. Its an issue lightly touched upon within the Hooper report, but to date the government has avoided even discussing it, particularly as the Labour party relies on donations from the union. The reality is that as time goes on, the problems faced by Royal Mail just continue to grow and even with a

backbench revolt, the financial pressures are likely to be the deciding factor rather than a wholly political one.

The complete fallout from rural post office closures has yet to be felt. Clearly without these focal points, many rural areas will witness the death of nearby businesses as villagers shift their buying habits to large supermarket chains, and all at time when many will be scratching around for a living.

Even transferring the Royal Mail pension deficit opens yet another can of worms with so many already victims of private pension fund losses who saw little or no government help when their own pensions collapsed. Shifting the pension problem on to everyone else does make Royal Mail a far more attractive proposition for any potential stakeholder and the government doesn't see a minority shareholding of 30% or more a sell-out at all and that it is committed to a publicly-owned postal service. Those against say exactly the opposite and the rest are left scratching their heads as to what is or isn't privatisation.

Perhaps it is the wording that fuels the confusion but until someone can actually work out how much modernisation will cost and how much money Royal Mail is making or losing, we seem to be drifting towards a radical shake-up/break-up based on guesses and hunches. Perhaps if someone could point out to me what real gains have been made since we liberalised the UK postal market, this unease that seems to grip me could finally be lifted.

It doesn't matter how many ways you attempt to rephrase "we're about to sell a third of Royal Mail" - it still sounds the same and 'minority' seems a superfluous word in this context. Trying to soften a bombshell of that magnitude changes nothing. We've already lost thousands of post offices, and for what?

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#### **4. French Postal Workers To Join General Strike**

27 January 2009 by Franz Groter - © Hellmail.co.uk

French postal workers are to join many other public sector workers by striking in protest over what they see as poor leadership from the French government over the economic downturn.

Others expected to join the general strike include journalists and car workers. The action is backed by the major unions as the French and other European governments desperately

try to minimise the damage of what looks likely to be a prolonged recession.

In the UK, Prime Minister Gordon Brown said that doing nothing during the downturn was not an option and only by maintaining a fiscal policy across Europe could European countries see a faster return to stability and growth. Opposition leaders say that massive borrowing will only create an extended period of high taxes later on and would do little to stimulate the economy, drawing attention to the recent drop in VAT rates which they say has so far not seen a resumption of consumer confidence.

Growing unemployment and a fall in growth in France has fueled the protest which could yet escalate into further protests.

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