

# POSTAL NEWS

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Deutsche Post Sees Decline In Mail And Logistics Business. Feb 26, 2009. CWU Hits Out As Mandelson Pushes Through Royal Mail Reforms. Feb 26, 2009. DX - Royal Mail Reforms Must Encourage Competition. Feb 26, 2009. Paying for postal staff pensions. Feb 25, 2009. CWU Rally In Protest Over Royal Mail Privatisation. Feb 25, 2009.
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## **1. Deutsche Post Sees Decline In Mail And Logistics Business**

26 February 2009 by Franz Groter - © Hellmail.co.uk

Deutsche Post has reported that it lost 1,7bn Euros last year. It said the loss was due to restructuring changes in the U.S. and difficulties with its banking subsidiary, Postbank.

Earnings are likely to fall in 2009 with a slowdown in the world economy. Both mail and logistics are said to be being affected.

Its subsidiary DHL Express, called a halt to its domestic US services last year after sustained losses.

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## **2. CWU Hits Out As Mandelson Pushes Through Royal Mail Reforms**

25 February 2009 by David Lynch - © Hellmail.co.uk

Billy Hayes, CWU general secretary, today said: "It is outrageous that Peter Mandelson can put this legislation to an unelected House at a time of his choosing with little political or public scrutiny.

The row is over the part-privatisation of the Royal Mail which the CWU says is unnecessary and will lead to worse services and job cuts.

"Lord Mandelson wants this to be all on his terms. He might be immune from the voting public, but his government is not.

"The House of Lords traditionally never opposes a Bill which was in the manifesto of the party holding power. Royal Mail privatisation was clearly and definitely opposed in Labour's manifesto so the Lords should reject this Bill.

"Peter Mandelson is taking no notice of the concerns and considered positions of the public and major stakeholders, not to mention democratically elected members of his own party.

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### **3. DX - Royal Mail Reforms Must Encourage Competition**

26 February 2009 by Steve Lawson - © Hellmail.co.uk

The DX Group, the leading independent mail and courier company, has given a cautionary response to the proposal to partially privatise the Royal Mail.

John Coghlan, CEO of DX, said that Whilst DX welcomed the report by Richard Hooper, it said the detail of the proposed plan which will be published today, must focus on encouraging competition rather than dampening it down.

"The focus must be on providing the maximum benefit to users of postal services, who over the past few years have suffered from periods of severe disruption of their services and from prolonged uncertainty." he said.

"The UK postal market, and customers within it, need a strong and successful Royal Mail. We believe that will be best achieved if Royal Mail faces effective competition, and it will therefore be of key importance that any form of private sector partnership and Government support for the pension fund deficit are structured in such a way that sustainable competition is fostered rather than diminished. Similar considerations should inform the transfer of regulatory responsibilities from Postcomm to Ofcom.

"If Royal Mail stumbles, the competing electronic substitutes are ready and waiting to benefit. The resulting loss in faith in mail as a medium could not only damage Royal Mail but private operators such as DX as well" concluded Coghlan.

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Page last updated at 23:54 GMT, Wednesday, 25 February 2009

### **4. Paying for postal staff pensions**

Analysis

By Ian Pollock

Personal finance reporter, BBC News

The state of the Royal Mail pension scheme seems, rather suddenly, to have become a vital public issue.

This week, the chair of the scheme's trustees wrote a letter to Lord Mandelson, subsequently leaked, warning of a catastrophe for both the pension fund and the Royal Mail itself if the company was not part-privatised.

This was the central recommendation made last year by businessman Richard Hooper in his government-sponsored review of the future of the UK postal service.

But amongst all the hoo-ha about whether or not a partial privatisation would be beneficial for the Royal Mail, it is only now sinking in that he identified the size of the scheme's deficit as the single biggest financial problem facing the service.

So worried was Mr Hooper that he made no fewer than 80 separate references in the 167 pages of his report to dealing with the pension problem.

By contrast, there were just 25 references to his semi-privatisation plan - the need for a "strategic partnership" with a private investor.

Uneconomic

Of course, the size of the pension scheme deficit is not the only problem bothering Royal Mail management and the government.

Adam Crozier, chief executive of the Royal Mail, told MPs this week that the company faced a continuing and sharp fall in the number of letters people send, not least because of the ubiquitous use of e-mail these days.

Within five years, he warned, the decline in letters would mean that delivering parcels would make up 75% of all Royal Mail profits.

Rival postal services can employ the company to deliver their letters at charges of just 13p a go, which it finds frankly uneconomic.

And it wants to spend huge sums on buying new sorting office equipment, and on recruiting external management expertise, to further modernise its operations.

Rising deficit

So where does the pension scheme come in?

The answer is startlingly simple.

The deficit in the scheme - the difference between the value of the assets it needs to pay pensions, and the value of the assets it actually has - is shooting up.

Just three years ago, it stood at £3.4bn, but thanks to increased longevity of postal staff and lower anticipated investment returns, the shortfall is now estimated to be about £5.9bn.

Both Mr Crozier and Lord Mandelson have said they expect the next scheme valuation, starting soon, to put the deficit as high as £8bn or £9bn.

So what? Isn't a few billion pounds just loose change in these days of bank bail-outs?

The problem for Royal Mail is that it is obliged to pay off this deficit from its own earnings.

Payments

Currently the deficit payments to the scheme are running at £284m a year, on top of the normal pension contributions.

So together, they total £850m a year, and this level of payment will continue for the next 15 years.

If the deficit becomes even bigger when this year's scheme valuation is published, so will the repayments demanded from the employer and, possibly, the length of time over which they will be made.

Even if the Royal Mail hoped to be consistently profitable over that time, such a call on its money would swallow up all its spare cash and more.

In fact, Mr Crozier warned MPs that the firm would fall into the red again this year.

No wonder he described the deficit as a "giant millstone around our necks".

Changes

If you thought nothing had been done about all this until now, you would be wrong.

In early 2008, the Royal Mail pension scheme was changed drastically to make it much cheaper in the long term, and to make it a much inferior deal for postmen and women.

It now offers new recruits a "money purchase" fund, rather than a final salary scheme. And all existing members were moved to a so-called career average scheme.

Along with raising the standard retirement age to 65, the Royal Mail hopes these changes will eventually cut its total contribution rate from about 30% of staff salaries now to about 11%.

But that will take a long time - and may, in fact, never be achieved if the deficit just keeps on rising.

What next?

Richard Hooper did not use the phrase "partial privatisation" once in his report. Nor did he use the word "nationalisation".

But that second concept is, in fact, the solution he put forward to the Royal Mail's pension problem.

He suggested that, one way or another, the government should lift the burden of the deficit from the company by simply taking over the scheme and filling in the financial hole with taxpayers' money.

That could be done, he suggested, in various ways.

The government could pass a law to take over the scheme's assets and obligations, paying the pension out of taxation; use state funds to pay insurance firms to pay the pensions; or continue to run the fund as a stand-alone operation, but with government backing.

Lost investments

Would any of those ideas be a gesture of astonishing generosity to the postal staff, past and present?

The Communication Workers Union points out that all this involves a very large chicken coming home to roost at the Treasury.

For 13 years, from 1990 onwards, the Royal Mail - in common with other large organisations - made no contributions at all to the old pre-1987 section of its scheme, in a grand contribution "holiday".

It should have been paying in money at a rate of 9% of salaries per year.

Ostensibly this was to avoid running up a very large surplus, which was a very common phenomenon in final salary pension schemes in the early 1990s.

But the saving of £1.5bn over that time - when staff were still paying in 6% a year - rather neatly covered the £1.3bn that the Royal Mail paid back to the Treasury during that time in an annual dividend.

If that money had been steadily invested over the past 19 years, there is little doubt that the scheme's deficit would be far smaller now.

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## **5. CWU Rally In Protest Over Royal Mail Privatisation**

24 February 2009 by Steve Lawson - © Hellmail.co.uk

As hundreds of postal workers make their way to a protest rally in Westminster today, Billy Hayes, general secretary of the Communication Workers Union said:

“If the Government puts this Bill through with help of the Conservatives it will be a stain on the Labour Party that will last for years to come.” said Billy Hayes, general secretary of the Communication Workers Union.

He was referring to plans by government to part-privatise the Royal Mail as soon as possible after a report by Richard Hooper recommended that Royal Mail should form a strategic partnership with another postal operator. The report also recommended that

responsibility for the pension deficit, now thought to be close to £6bn be transferred to government. 139 Labour MPs have rejected the plan, alongside the CWU.

The Communication Workers Union oppose any moves to part-privatise Royal Mail over concerns that it would lead to further job cuts, lead to worse services and be a testing ground for full privatisation.

"Labour MPs, postal workers and the British public all oppose privatisation of Royal Mail." said Mr Hayes.

"Peter Mandelson is running scared of his own party and of the public by putting legislation to an un-elected House of Lords this week. We don't need lectures from the House of Lords on how to run Royal Mail.

"The Pension Trustees letter leaked last night is a distraction designed to scare MPs . Privatisation is not linked in any way to sorting out the pension fund. It's not even about protecting pension benefits, it's about making the company viable for take-over." he said.

The rally today comes two days ahead of Lord Mandelson's more detailed plans for the Royal Mail. Chief Executive of Royal Mail, Adam Crozier, said he supported the introduction of a strategic partnership.

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