

Royal Mail

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A lack of investment in Royal Mail could mean the end of the 'one-price-goes-anywhere' mail service. Is privatisation the answer?

Few are aware of the universal postal service under its formal title but it has two well known and cherished elements:

- A national network of Post Offices
- A 'one-price-goes-anywhere' mail service

The Royal Mail has always been the only postal operator considered capable of providing a universal postal service in the UK. The Post Office is a well-trusted institution, based at the heart of many communities, which customers depend on for their communication, banking and business service needs. The Royal Mail's one-price-goes-anywhere service, and the postman that delivers it has, until recent cuts, been part of the traditional 'breakfast table' routine for many families across the UK.

ROYAL MAIL

- Royal Mail Holdings plc is a major UK business with an annual turnover of almost ten billion pounds. It employs around 176,000 people.
- It has a nationwide delivery system and network of outlets that is unparalleled in the UK. It handles over 75 million items every day, delivering to 28 million addresses, six days a week.
- With the Government as the only shareholder, the plc is the ultimate parent company of The Royal Mail Group and includes amongst its prize assets Parcelforce Worldwide and the post office network.

Postal services are a prime example of how threats to local services can often engage constituents in the parliamentary process more than national issues can. During the last parliament, MPs' mailbags were flooded with requests for advice and assistance from constituents protesting about the closure of their local Post Office during the beautifully constructed, but much maligned, Network Change Programme. Nationwide, the programme reduced the post office network by just over two thousand branches but it was the closure of their local Post Office that was of primary concern to constituents.

A COMPETITIVE BUSINESS 'FIT FOR PURPOSE' IN THE 21ST CENTURY

Capital investment in Royal Mail's infrastructure by its only shareholder, the Government, has long been neglected. Rather than injecting the capital Royal Mail needs to modernise, successive governments have attempted to fund modernisation through finding efficiency savings within Royal Mail. Such efficiency savings have proved to be inadequate and modernisation, where it has occurred, has been slow. Royal Mail estimates it is still at least forty percent less efficient than its main competitors and sorts just seventy percent of letters by machine compared to the ninety-five percent achieved by others.

Some suggest the Royal Mail is uncompetitive because the UK liberalised its mail market ahead of the rest of the EU. This allowed state and former state mail monopolies to enter the UK market and 'cherry pick' Royal

Mail's customer base, while the Royal Mail has been excluded from EU markets. The counter argument is that these companies have received investment from their government or from the private sector and modernised, giving them a competitive advantage over the Royal Mail.

The Labour Government commissioned an independent review of the UK postal services sector in December 2007, chaired by Richard Hooper CBE. The review published its final report to Ministers in December 2008. Concerned about the ability of the Royal Mail to compete, the Hooper Review also identified the lack of on-going investment as one of the major constraints holding Royal Mail back. The review suggested that if investment is not made available for Royal Mail to modernise, it will be unlikely to be able to continue to provide the current universal service.

THE POLITICS OF PART-PRIVATISATION

The Hooper Review recommended a "single package of measures" including a "strategic partnership" with a private-sector company – effectively part-privatisation of the Royal Mail. This would inject capital into the business, improving the pace of modernisation and increasing Royal Mail's ability to compete more effectively in an ever-changing market.

The Labour Government agreed with the recommendations of the Review but the subsequent Bill was dropped in 2009 as an acceptable buyer failed to materialise. The Government blamed the poor economic

climate but it was also noticeable that part-privatisation had proved very unpopular on the backbenches. A total of 179 MPs, 147 of whom were Labour, signed an Early Day Motion criticising the plans.

The continuing need for investment in Royal Mail to enable it to modernise and become competitive means that the issue of privatisation is likely to return to the political agenda in the new parliament. With public-sector borrowing already at record levels it is very unlikely that government will borrow more to invest in Royal Mail. An injection of private-sector cash in return for part of Royal Mail looks an ever more likely option, despite the unpopularity of such a policy. This would not be the first time Royal Mail has been controversially part-privatised. In the 1980s, the telecommunications services arm of Royal Mail was transferred to a new corporation, British Telecom. This in turn became one of a raft of high-profile privatisations made by Margaret Thatcher's Government.

Opponents of privatisation argue it would be a step towards endangering the universal postal service. However, supporters maintain that without private sector investment, it is doomed anyway. What is certain is that postal services' status as a regular feature in MPs' mailbags is not set to end soon.