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...
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...
British Rail did,” Neil Clark wrote for RT.com. “It’s a neo-liberal myth that privatization saves the taxpayer money—even 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.

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