



## **ROYAL MAIL: MYTH-BUSTERS**

### **Post Offices**

#### **Privatising Royal Mail means privatising the Post Office**

No, it doesn't. Royal Mail and the Post Office are separate companies with independent Boards. Royal Mail is the company that delivers parcels and letters – the provider of the universal postal service. The Post Office is the nationwide network of branches offering a range of postal, Government and financial services. The Post Office is **not** for sale.

#### **Privatising Royal Mail will lead to post office closures**

No. The Post Office is a separate and distinct business with its own independent Board that now has the freedom to focus on growing its revenues and getting the most out of its branch network. In addition, the Government made a clear commitment that there will be no post office closure programme. Instead, in 2010, we agreed funding of £1.34 billion over four years to maintain a network of at least 11,500 branches, and to modernise around 6,000 branches, bringing significant benefits to customers.

#### **Post Offices will lose Royal Mail's business**

That is pure scaremongering. Royal Mail and the Post Office are natural partners and the Chief Executive of Royal Mail has said it would be "unthinkable" that there would not always be a strong commercial relationship between the two companies. A long term commercial agreement between the Post Office and Royal Mail for the continued supply of services was signed in 2012.

### **Private Capital not needed**

#### **Royal Mail doesn't need any more money for modernisation**

Royal Mail needs access to private capital, like any other large successful business, so that it can make the investment necessary to innovate and seize the opportunities presented by new markets – like the rapid growth of online shopping. Private capital for Royal Mail will be good for both business and consumers; it will be a more efficient, better capitalised, faster-moving company better able to meet the needs of its customers. Deutsche Post is investing £750m to update its parcels network.

## **Royal Mail is a public sector success story**

The Government has reformed the regulatory regime and removed Royal Mail's historic pension liabilities, and Royal Mail's 2012/13 results show that the company is on the road to sustained profitability. But this is only the beginning of the journey. Royal Mail will need new capital to adapt to the changing postal market and to seize new opportunities. Given limited Government resources and competing priorities, that capital can only come effectively from the private sector. Royal Mail should not have to compete for scarce public capital against other priorities such as schools and hospitals.

## **Upheaval of a sale will undo good work that has already been done**

There is no reason why this should happen. The current and future modernisation of the business is necessary regardless of its ownership. The challenges of a changing postal market mean that Royal Mail has to have access to flexible capital to invest and innovate.

## **There will be job losses to increase returns**

The CWU has accepted that the modernisation of Royal Mail, for example more automation, means that the company needs fewer people. In the last 10 years of public ownership, 50,000 jobs have been lost in the company. Nobody wants to see job losses but, regardless of ownership, Royal Mail must continue to modernise and become more efficient.

## **Privatisations of postal operators overseas have been disastrous**

Let's look at the facts:

- Bpost (Belgium) has, since securing private capital in 2006, returned to profitability and has a profit margin of 17 %. Austria Post and Deutsche Post have delivered consistently high mail profitability since their flotations; for example their profit margins in their mails businesses are currently 8% whereas in Royal Mail reported a margin of 3.9% in its latest results.
- Deutsche Post is perceived as being at the vanguard of digital transition with innovative packets, e-retail and hybrid mail products.
- PostNL has delivered sustained high profitability since its privatisation and is now dealing with some of the most difficult postal market conditions in Europe through restructuring.
- Furthermore, levels of service have remained consistently high – for example in 2012, the percentage of letters delivered next day in Germany and Austria was 95% compared to a 93% regulatory target in the UK.

## **Why rush into the sale now – isn't this privatisation a 'fire sale' (as Labour has claimed) to pay off debt?**

This has hardly been a rushed process and certainly isn't a fire sale. It is 5 years since the Independent Review of The Postal Sector led by Richard Hooper recommended a sale as a means to access private sector capital and commercial disciplines and 2 years since the Government enabled a sale through the provisions in the Postal Services Act 2011.

## **How can it be in the taxpayers' interest to sell Royal Mail quickly and on the cheap?**

There's no way we will sell Royal Mail 'on the cheap'. As you would expect, we are approaching the sale as a commercial shareholder and will be seeking fair value for the shares and the best deal for taxpayers. The value of Royal Mail will be dependent on a number of factors, notably the company's on-going financial performance, its future prospects and the level of investor interest.

This is a commercial transaction and Government will follow normal commercial practices in setting and publicising the share price.

## **Universal Postal Service**

### **The Government's regulatory changes do not protect the universal postal service from competition**

The universal postal service is protected in statute – the Postal Services Act 2011 – and Ofcom has a duty to secure the provision of a six day a week, uniform price service. Competition is beneficial, but it should not undermine the provision of the universal postal service.

### **TNT is already providing delivery services: if such competition is allowed, it will threaten the universal service**

Competition can bring benefits to consumers but it should not, and will not, be allowed to undermine the provision of the universal service.

This is why Parliament gave Ofcom a clear statutory duty to secure the provision of the universal service and for it to be financially sustainable. This is set out in primary legislation - the Postal Services Act 2011 - which gave Ofcom the power to intervene if the universal service is under threat and they have said that they will do so if necessary.

## **Privatisation of Royal Mail will reduce services to rural areas**

Regardless of ownership, Royal Mail will still be the UK's designated universal service provider and will continue to provide deliveries to all UK addresses – rural and urban – on a 6 days a week basis. Royal Mail will remain regulated by Ofcom and will have to comply with quality of service targets set by the regulator.

## **Service standards will fall if Royal Mail is privatised**

Royal Mail is required to meet service standards which are set by Ofcom. This will still be the case whether Royal Mail is owned by the government or by the public or anybody else.

## **The Government intends to reduce the minimum requirements of the universal postal service when it privatises – it will scrap the Saturday delivery**

That is untrue. Regardless of ownership, Royal Mail will be the provider of the universal postal service. That service is protected in primary legislation – the Postal Services Act 2011 - and the Government has no intention of downgrading it. Six days per week delivery and collection at uniform and affordable prices are requirements protected in legislation. In fact, the Postal Services Act 2011 makes it harder for the level of the universal service to be downgraded: only Parliament can change it.

## **Services for the Blind**

### **Services to the blind will be scrapped if Royal Mail is privatised**

This Government was the first to make services for the blind one of the minimum requirements of the universal postal service. We did this in the Postal Services Act 2011 because of the importance we attached to these services. Only Parliament can decide to downgrade these minimum requirements.

## **Prices**

### **Stamp prices will go up**

Royal Mail's stamp prices for the universal postal service will continue to be regulated by Ofcom which has a duty to ensure that they remain affordable. The prices of Royal Mail's non-regulated services will be subject to competitive pressures.

## **Businesses will be squeezed through price increases**

Royal Mail values all its customers and will want to keep them. Prices for services used by businesses will be regulated by Ofcom or subject to competitive pressures.

## **VAT will apply to stamp prices when Royal Mail is privatised**

Royal Mail will continue to be the designated universal service provider regardless of its ownership. An ownership change would not, therefore, trigger a change in the current VAT exemption which applies to first and second class stamps as part of the one price, anywhere service.

## **Employee Shares**

### **Any employee share scheme will be worthless like ColleagueShare**

The employee share scheme, which Parliament has enshrined in statute, will not be the same as ColleagueShare. **Real** shares will be allocated to the employee share scheme – meaning that employees will own 10% of the company by the time of the Initial Public Offering. These shares will be free to all eligible employees. Our objective in setting up the share scheme is to secure strengthened employee engagement in the company and to ensure that staff benefit through dividends from any future profits.

## **Royal Mail's Heritage**

### **We will lose the Queen's head from stamps**

This is not true. Royal Mail is rightly very proud of its long-standing Royal association and there is no reason why it would want to change this. The Government included an additional safeguard in the Postal Services Act 2011 to ensure that the Queen's – and future monarchs' – head remains on stamps regardless of who owns the company in the future.

### **Privatisation poses a threat to Royal Mail's heritage**

Royal Mail is a trusted and valued brand, and it would make no commercial sense to dismantle it. Government has also legislated to protect Royal Mail's heritage. We included a safeguard in the Postal Services Act 2011 to ensure that the Queen's head – and future monarchs' – head remains on stamps regardless of who owns the company in the future. Royal Mail is also required by legislation to report annually to Parliament on its heritage activities.

## **Services to the Armed Forces**

### **A privatised Royal Mail will not want to continue to provide fee free services to the Armed Forces**

Free post to the armed forces does not depend on Royal Mail remaining in public ownership. These free services are available to service men and women who are undertaking operations such as those in Afghanistan. The Ministry of Defence fully reimburses Royal Mail for provision of these services.

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