

Royal Mail's reign coming to an end as UK's sole post

Five hours before the ball dropped in New York's Times Square to signify the start of 2006, letter carriers across the Atlantic cautiously marked the beginning of the end of Royal Mail's 360-year reign as sole provider of postal services in the United Kingdom.

This transition—a full three years ahead of schedule—is the latest in a string of changes brought on by Britain's inclusion in the ever-expanding European Union. The 25-member federation has formally decreed that by 2009 all national monopolies, including postal services, must be opened to competition. The idea is that businesses will be able to compete more fairly across national borders.

In many ways, the issues facing the British mail system parallel the questions facing the U.S. Postal Service in the context of postal reform legislation, from rate-making to the definition of universal service. As in the United States, there are still unanswered questions about how to secure the financial future and the scope of Britain's post and concern about the accelerated timing of deregulation.

"This is an unnecessary pressure on Royal Mail at a time when it is only starting to recover from significant financial difficulties," said Billy Hayes, general secretary of Britain's Communications Workers Union (CWU). The rest of the EU, he said, is "taking a much more cautious line on competition." (*See the July 2005 Postal Record, pages 4-7, for a review of privatization in the European Union.*)

In the British Parliament, the House of Commons' Trade and Industry Committee has also called the quickened change untimely, considering Royal Mail's ongoing financial struggles, including a pension shortfall estimated at \$7 billion.

Britain's Postal Services Commission, known as Postcomm, which oversees Royal Mail and the deregulation program, began moves to include more competition three years ago when it took steps to open up 30 percent of letter mail to private firms, and welcomed bulk mailers who move batches of 4,000 letters or more to handle their own processing and delivery logistics.

At the dawn of 2006, 14 companies, with Postcomm's blessing, were positioned to chip away at all of Royal Mail's traditional business—everything from single-letter collection and delivery to value-added tracking and business services. For now, though, Royal Mail still controls almost all of Britain's postal business, and remains the only institution—public or private—legally obligated to provide universal service in Britain, Scotland and Northern Ireland.

That universal service is largely subsidized by business mail. The CWU is worried that if competition takes away too much of Royal Mail's business mail services, service to rural areas will suffer. And Royal Mail officials feel it cannot compete on an equal footing with private business mailers because it can't easily tie its rate structure to costs.

Currently, a first-class stamp in Britain costs 30 pence (around 53 cents). Because of Royal Mail's troubles in setting rates, it estimates that it loses about 5 pence (8 cents) per first-class letter delivered. Royal Mail has received approval for an increase next month for first class mail to 32 pence (up 6.6 percent, to 56 cents), aiming toward 39 pence (63 cents) by 2010—increases that it believes would begin to offset actual delivery costs and help stabilize its pension fund. Royal Mail also says a rate increase will help it catch up to other countries in terms of modernizing operations, something that would help it engage in healthier competition with the private firms. For its part, Postcomm supports a "one-price-goes-anywhere" stamp, as well as universal collection and delivery.

There is some concern in Parliament, however, that there could be a shift in how the term "universal" is understood. The legislative body is considering measures to protect the current definition of "universal," including requiring private companies to pay fees to Royal Mail to subsidize the less-lucrative rural and residential deliveries that the new competitors are likely to ignore in favor of business mail opportunities. ✉

