Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Can the Czech Sphinx put his stamp on troubled Royal Mail?

When was the last time you posted a letter?

Apart from the annual chore of dispatching Christmas and New Year's greetings to far-flung friends and family, most people are increasingly less reliant on the core service of institutions like Britain's Royal Mail.

In an age of e-mail, messaging apps and online billing, the smartphone has replaced many of the functions of the old-style British postie.

It is true that there has been a boom in the parcel delivery business, fuelled during Covid lockdowns and now sustained by consumers too idle to walk to the shops. But that is a market in which the venerable Royal Mail faces competition from swift-footed rivals.

With its origins in a country-wide postal network established by Henry VIII in 1516 to serve the monarch and his court, the Royal Mail was privatised in 2013 but has so far failed to fulfil the early optimism of investors.

Plagued by strikes and labour discontent, it has failed to deliver the standard of service that the public had come to expect during its state-run incarnation.

Customers have become inured to some of those seasonal greetings not turning up until mid-January, while others have missed medical appointments, and even the opportunity to vote via postal ballots, because the postman failed to knock on time.

A declining business

Royal Mail's challenges have been reflected in its share price. Back in 2013, it floated on the London Stock Exchange with an initial public offering of £3.30 pence per share, valuing it at £3.3 billion.

At the time it was viewed as cheap at the price. A parliamentary committee found that taxpayers had lost a potential extra £1 billion because the coalition government of the day had underpriced the stock in its enthusiasm to push ahead with privatisation.

The market initially appeared to agree with that assessment as buyers swiftly pushed up the price. Since then, however, shares in the company's owner, International Distribution Services (IDS), plunged to lower than £2 at some points.

> Who would want to run what on some measures might be regarded as a declining business?

So who would want to run what on some measures might be regarded as a declining business? Step forward Czech billionaire Daniel Křetínský, who has just had his £3.70 per share offer to buy the company accepted by the IDS board.

The £3.6 billion deal is subject to approval by shareholders and regulators.

Křetínský, who is already the largest shareholder in IDS, will be adding to a portfolio of UK holdings that include stakes in the supermarket chain Sainsburys and a top football club, London's West Ham.

In a 2015 comment quoted by The Times that might appear somewhat ominous for Royal Mail, he said: "We want to make money in industries that are dying because we think they'll die much more slowly than the general consensus says."

The Czech Sphinx

As Royal Mail's owner, he would have to commit to maintaining the company's historic obligation to deliver to anywhere in the UK at a standard fixed price. He has made no commitment to peg the already spiralling cost of first class stamps.

The man known as the Czech Sphinx intends to focus on the competitive parcels market. "If Royal Mail is not capable of defending its market share, it starts a deadly downward spiral," he said in an interview with the Financial Times.

Among other conditions of the sale, which Křetínský says will insure fresh investment in the business, will be a promise to recognise the Communication Workers Union that looks out for the interests of Royal Mail's 130,000 employees.

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They and the public will be hoping that Křetínský can turn the company around, both in terms of better services and job protection.

The Labour party, to which the workers' union is affiliated, said in a statement that it will hold the Czech to his promises to safeguard Royal Mail's British identity and not to undertake any compulsory redundancies, if it is elected in July.

These are encouraging words from Labour. But will they survive the economic realities and setbacks suffered in other parts of the UK's privatised sector?

Problems in the privatised public services

Among the arguments for privatisation of state-owned companies, pioneered in the 1980s by Prime Minister Margaret Thatcher, were that business owners would be more efficient and innovative, leading to lower costs and improved services for customers.

When it comes to vital public services - water, electricity, transport and mail - the results have been decidedly mixed.

The Post Office is blamed for the prosecution of some 900 sub-postmasters wrongly convicted of theft, fraud and false accounting on the basis of faulty software

Some of the UK's regional water suppliers are in a state of crisis after a quarter of a century in private hands. With sewage spills polluting national waterways, families in various parts of the country have been advised not to drink tap water potentially contaminated by unattended leaks.

The Post Office, from which Royal Mail was hived off in 2012, has been undergoing a trauma of a different kind. Responsible for maintaining a network of post offices and customer-facing services, it is blamed for the prosecution of some 900 sub-postmasters wrongly convicted of theft, fraud and false accounting on the basis of faulty software.

A public inquiry is ongoing, having heard that some executives were aware of problems but went ahead with prosecutions anyway.

Britain's rail services, split up and privatised in 1993, meanwhile are falling well short of expectations. On some lines, late-running trains and staff shortages have become the norm, not to mention the high price of tickets.

With a growing number of regional companies failing to fulfil their contracts, much of the network has been effectively renationalised.

Some of the problems in the privatised public services might be put down to managerial incompetence or even investor greed. Or perhaps the challenges are more linked to the lack of competition in what are essentially monopoly services.

At the moment, investors can just walk away if the going gets tough, leaving politicians and taxpayers to pick up the pieces.