

Royal Mail ponders break up as it loses £1m a day

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[ROYAL MAIL](#) plunged to a dramatic loss and embarked on another corporate rebrand as it headed into a summer of [strikes by unhappy workers](#).

It is threatening a [break up](#) of the business which can trace its [history](#) back to 1516.

Postal workers, among the feted heroes of the [Covid](#) crisis, voted yesterday for industrial action after refusing a 5.5% pay rise.

Today the business said it had lost £92 million in the quarter to June – about £1 million a day.

Booming demand for parcel deliveries and Covid testing kits during lockdown has faded and the letters business remains in something close to terminal decline.

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Twenty years ago, in an attempt to modernise, Royal Mail embarked on an expensive rebrand under the name Consignia.

This was ditched after 18 months to some embarrassment amid general bafflement from customers.

Today it said the holding company would be renamed International Distributions Services to give “clearer financial separation” between Royal Mail and GLS, the more successful parcels business.

That opens up the possibility of a split of the company. The statement today said: “In the event that significant operational change within Royal Mail in the UK is not achieved, the Board will consider all options to protect the value and prospects of the Group, including separation of the two companies.”

Chairman Keith Williams said: “The pandemic boom in parcel volumes bolstered by the delivery of test kits and parcels is over. Royal Mail is currently losing one million pounds per day and the efficiency improvements which are needed for long term success have stalled.”

Royal Mail shares plunged 15p to 270p – they have halved in the last year. The company controversially floated on the stock market in 2013 at 330p, a price that at the time was regarded as far too cheap.

About 115,000 staff are poised to strike unless a pay deal can be reached in the next few weeks in what will be the biggest industrial action of an already testy summer. The average postman is paid about £25,000 a year.

Julie Palmer, partner at Begbies Traynor, said:

“Having staff on board is crucial to Royal Mail’s hopes to modernise, not just a name change, if it is to become a more efficient business that can compete with rivals.

But with posties overwhelmingly voting to strike over a pay deal linked to overhauling working practices, it shows just how big the challenge ahead is for the former state monopoly.”

Analysts say the company is dragged down by the Universal

Service Obligation, which requires Royal Mail to provide a six days a week service at the same price no matter where it is delivering.

Palmer added: "There had been hopes this burden – something competitors are free from – could be reduced by regulators, but that now looks unlikely to happen for several years."

Laura Hoy, Equity Analyst at Hargreaves Lansdown, said: "Royal Mail's doing somewhat of an about-face with a new name to reflect increased focus on GLS, it's international delivery business. While this part makes up around a third of revenue, it's responsible for two thirds of operating profit, suggesting this could become somewhat a of a life raft as the group struggles to stay afloat in choppy seas. However, it won't be enough to weather a Tsunami, in which case the group's mentioned it's open to parting ways."

Management's distinct change in tone this quarter reflects its failure to gain union approval on this year's cost saving targets. Wages are one of Royal Mail's most crushing costs, so support from the union is essential to delivering on its efficiency ambitions."

Richard Hunter, Head of Markets at interactive investor, said: "In its own words, Royal Mail is at a crossroads, with recent progress having stalled and a weaker outlook in prospect."