Royal Mail shares crash as City fears a big fight with unions over pay

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OYAL MAIL today ramped up its cost cutting plans and said prices would have to rise, potentially setting itself on a collision course with already fractious staff and with the City.

Critics say its performance during lockdown was “a mirage” and that management won’t be able to reinvent the business before rivals sweep it away.

The shares sank.

The letters and parcels giant, part of the UK national landscape since 1516, reported a 6.5% rise in profit to £707 million for the year.

That left unions demanding proper pay rises for posties seen as among the heroes of the pandemic.

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CWU Deputy General Secretary Terry Pullinger said: “Every single penny of the profit was from letter, parcels and test kits collected, processed, distributed and delivered by key postal workers – not by Board members and not by shareholders, but by our members.”

Chief executive Simon Thompson has been quick to praise staff in the past but today preferred a cost cutting narrative.

“We’re at the crossroads, now is the time to change” he told the Standard. “The last two years have shown how quickly customer needs can change.”

It is in the process of axing 700 management jobs as part of a bid, said Thompson, to “move accountability to the front line of the business”.

It is now looking for cost cuts of £350 million up from £290 million previously. It has already put prices up by 7% for letters and 4% for parcels and warns more increases are coming.

Thompson added: “Our future is as a parcels business, so we need to adapt old ways of working designed for letters and do it much more quickly to a world increasingly dominated by parcels.”

Royal Mail shares, floated at 330p in 2013 today tumbled 42p, 12%, to 299p.

Investors do get a dividend of 13.3p a share. That is worth £120 to staff handed 913 shares when the business went public.

The City is very nervous about industrial relations and future profits.

John Moore, senior investment manager at Brewin Dolphin, said: “Royal Mail’s shares have been on the back foot since last summer, amid fears that the company’s performance during lockdown was merely a mirage.”

Walid Koudmani at financial brokerage XTB said: “We’ve seen investors aggressively sell out of Royal Mail shares this morning. The key aspect here is the fact that 2023 guidance relied on the firm agreeing a pay deal with CWU that is in line with its current offer. There is no market confidence that the existing deal on the table will achieve an outcome. The firm admits that the road is long and it’s at a crossroads in its journey to modernisation. What we are seeing however is investors refusing to give management the time it needs to transform.”