Royal Mail seeks to reduce letter deliveries as strikes plunge parent firm to first half loss

Royal Mail is seeking to reduce its commitment to letter deliveries as an estimated £70m impact from strike action is blamed for plunging its parent firm into the red.

International Distributions Services, which includes its GLS global delivery division, reported pre-tax losses of £127m for the 26 weeks to 25 September.

That compared to profits of £315m a year ago.

Royal Mail, it said, slumped to an underlying operating loss of £219m after recording profits of £235m in the same period in 2021.

It cited weaker parcel volumes and said three days of strikes over the six month period cost the UK business £70m.

The company estimated a further five days of action during October had resulted in additional losses of £30m.

Royal Mail, which is no stranger to strikes amid an often tempestuous relationship with its largest union the CWU, remains locked in a dispute over pay and its modernisation plans, including Sunday and flexible working, affecting 115,000 frontline postal staff.

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The union has threatened further walkouts in the run-up to the core Christmas season.

The strike dates are pencilled-in for 24 and 25 November, which is Black Friday, 30 November and 1 December.

For its part, Royal Mail has warned it could axe up to 10,000 jobs without an agreement.

Just last month, it revealed a consultation on up to 6,000 redundancies.

It has also approached the government about slashing letter deliveries to five days a week – instead of the current six – with its boss Simon Thompson saying he must do “whatever it takes” to turn the business around.

A government spokesperson said there are “no current plans to change the universal service”.

He added: “While we recognise the issues that Royal Mail raise, there would need to be a strong case that showed changes would meet reasonable needs of users of postal services and ensure the financial sustainability of the universal postal service.”

There is a sign of progress in the company’s negotiations with the CWU, which resumed last week.

Royal Mail revealed earlier this week that the talks, which had been scheduled to conclude on Tuesday, had been extended to allow more time for a resolution to be reached.

A spokesperson said then: “Time is tight given the notified strikes starting on 24 November.

“If these strikes go ahead, they will cause more damage to the business and make our improved 9% pay offer over two years less affordable.”

IDS said it still expected a full-year adjusted operating loss for Royal Mail of between £350m-£450m.

It is targeting for Royal Mail to return to adjusted operating profit in the next financial year.

Keith Williams, non-executive chairman of IDS, said: “We are now heading in a clear direction in light of the substantial losses in Royal Mail.

“Whilst our frontline management population under Unite/CMA has agreed both pay and change in the last few months, progress on a deal for frontline employees has been blocked by the actions of CWU.

“Accordingly, we have started to implement the change needed to rightsize Royal Mail which will ensure that it is both better placed to serve our customers’ needs in parcels, as well as letters, bring it back to profitability and provide a sustainable future.

“We believe that this is the best course of action for the long-term survival of Royal Mail even if it results in short-term disruption.”

He added: “The board reiterates that in the event of the lack of significant operational change in Royal Mail it will look at all options to preserve value for the group including the possibility of separation of the two businesses.”

Such a move would affect Royal Mail staff who have retained shares awarded under its 2013 flotation.

IDS shares opened more than 6% down but later recovered much of that ground.