



## **A REVIEW OF ROYAL MAILS SPECIAL PRIVILEGES**

### **THE RESPONSE OF THE TRANSPORT & GENERAL WORKERS UNION**

#### **Introduction**

The TGWU is one of Britain's largest Trade Unions with a membership of 800,000 across a broad section of the British economy. The TGWU is responding to this consultation paper as we have serious concerns about the potential cost implications of the removal of VAT exemption. Our response will therefore focus on this particular issue.

#### **TGWU Perspective**

1. As a Trade Union the TGWU relies very heavily on the postal service. Not only for communication with our membership but also for ballots and elections.
2. Postcomm should be aware that under Employment Legislation Trade Unions are not only obliged to conduct postal ballots for elections and in the event of potential industrial action. We estimate that postage costs are roughly half the total cost of any ballot or election.
3. In the year 2003 our total postage costs including ballots was £1.3m.
4. As a Trade Union we are unable to fully register for VAT therefore we would only be able to claim back a small proportion of any additional cost. If a VAT level of 5%, for example, was placed upon postal costs and that cost was passed on to us as a customer this would mean a total additional cost of £65,000 per annum. We would not regard this as acceptable especially at a time when we are trying to refocus the use of our resources on our core activities.
5. We note that the recent decision of the European Parliament amending Directive 77/388/EEC (as regards VAT in the postal sector) states that *"(5c) The Member States should take the necessary measures to ensure that charitable associations and organisations are not faced with additional financial charges as a result of this Directive, for example, by adopting special provisions on reimbursement mechanisms."* The T&G is wholly opposed to the proposal to add VAT to postal costs, however if such a measure was introduced the T&G, as a not for profit organisation, would expect to be reimbursed for any additional costs in a similar way to charitable organisations.

## **General Perspective**

The key purpose of Postcomm is to ensure the provision of a universal service at a uniform and affordable tariff. Royal Mail itself has obligations placed upon it in this respect that are not placed on private operators. It is because of those special obligations that reasonable legal provisions are in place. In criticising these provisions as 'special privileges' Postcomm appears to be pushing not only an ideological agenda, but also one that has as its main concern the profit margins and growth potential of the private sector post companies.

The T&G does not believe that the Postcomm consultation document in any way makes a convincing case that the removal of the Royal Mail's VAT privileges will improve services to the consumer. The T&G does not think that in proposing a measure that will clearly lead to price increases for a significant number of Royal Mail customers, including ourselves, Postcomm is effectively fulfilling its duty in this respect.

The Postcomm consultation document itself states that for business customers, who can reclaim any VAT charged, the choice is currently 'evenly balanced' between the Royal Mail and private operators (3.10). It is clear then that this measure will specifically penalise not for profit organisations such as ourselves who are unable to fully reclaim VAT. The Postcomm proposals seem to be aimed at providing wider choice for large business users at the expense of the Royal mail's wider customer base.

The T&G also believes that the Royal Mail should retain its 'privileges' in relation to exemptions from traffic regulations, carriage of mail bags by ship and aircraft, harbour legislation and compulsory purchase powers. We believe that as long as the Royal Mail retains its special obligations in relation to provision of a universal service, as it certainly should do, it cannot be treated in the same way as just another operator in the market.

## **Conclusion.**

The Transport and General Workers Union is strongly opposed to the Postcomm recommendations in its review of the Royal Mail's special privileges, particularly in relation to VAT exemption. If such a measure was taken, that will significantly increase the cost of the Royal Mail's VAT exempt customers, then thought needs to be given as to how these customers can be adequately compensated. As a final general point we believe that the push to open up the postal service to greater competition will in the long term fatally undermine the Royal Mail's vital role as the provider of a low cost universal service.

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