Case Study: Royal Mail

**Royal Mail fully privatised for first time in its 500-year history as Government sells off remaining 14% stake**

* **Government sells 13% holding to institutions raising £591.1million**
* **1% stake in firm gifted to eligible Royal Mail staff**
* **Chancellor George Osborne brands the sale a 'milestone moment'**
* **Union chief attacks Tories for their 'privatisation dogma'**

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The UK government has divested its last remaining stake in Royal Mail, raising a further £591.1million and ending the taxpayer's involvement in the postal firm.

The government has sold a 13 per cent stake to institutions, and gifted its remaining 1 per cent stake to eligible Royal Mail staff, meaning the company is now fully privatised for the first time in its 500-year history.

Chancellor George Osborne said: 'This is a milestone moment in the long and proud history of the Royal Mail, when we secure its long term future.'

Privatised: The UK government has divested its last remaning stake in Royal Mail, raising a further £591.1million and ending the taxpayer's involvement in the postal firm

He added: 'By fully leaving state ownership we have a win all round - for customers, the workforce and the taxpayer. And every penny will be used to pay down our national debt as we continue to bring our public finances under control.

'Once again, we are also going to recognise the hard work of the staff who have done a great job in turning the company around, and give them a 1 per cent stake to share between them.'

The Communication Workers Union, however, branded the government's latest move as a 'disgrace.'

The disposal of the government's shareholding was completed through an accelerated bookbuilding process to institutional investors at 455p per share.

In reaction, Royal Mail shares on the FTSE 100 index were down 22.00p or 4.6 per cent to 450.2p in early morning trade.

Under the 1 per cent gift, each of the company's 143,000 employees will receive around 70 shares, which are worth a total of £315 at current prices.

When added to the shares gifted as part of the last sale and those handed out when the company was floated in October 2013, each full-time worker has received roughly 900 shares throughout the sale process.

Such a stake would technically be worth around £4,000 at current prices, although it is worth noting that all shares must be held for three years before employees can cash them in.

In total, the government has raised £3.3billion from the sale of its stake in Royal Mail. Proceeds are said to be being used to pay off the national debt.

Business Secretary Sajid Javid said the sale marked 'the right step for the Royal Mail, its customers and the taxpayer.'

Mr Javid added: 'This is a truly historic day for Royal Mail with the workers gaining a share of this history.

'We have delivered on our promise to sell the Government's entire remaining stake which means that for the very first time the company is now wholly owned by its employees and private investors.

'Proceeds will also go to help pay off the national debt - a crucial part of our long-term plan to provide economic security for working people.'

Royal Mail's privatisation in October 2013 was met with criticism from trade unions and politicians who argued that the company had been sold off too cheaply.

One report by a panel under Lord Myners published in December last year suggested that the government made £180million less from the sale of Royal Mail than it could have.

According to the report, the postal group's shares could have been valued around 30p higher than the 330p flotation price given high demand levels.

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Pleased: Business Secretary Sajid Javid (pictured) said the sale marked 'the right step for the Royal Mail, its customers and the taxpayer.'

Dave Ward, General Secretary of the Communication Workers Union, said: 'This fire sale nails the lie that the Tories stand up for the interests of ordinary people.

'By their actions today they have made it abundantly clear that they are only interested in privatisation dogma and making the rich richer - even when their actions place public services at risk.

'The remaining Government share in this profitable company should have been used to safeguard the public's voice in Royal Mail and ensure the continuation of daily deliveries to every address in the country.

1. **Evaluate the view that the Royal Mail should not have been Privatised (10 marks)**