

In this assignment you will need to read the case study and apply it when answering the questions below. You will also need to do some independent research to develop your knowledge on stakeholders, public corporations, public limited companies, shares and influences on decisions.

Royal Mail

Royal Mail plc provides postal services throughout the UK. Until recently Royal Mail was a government-owned public corporation but in October 2013 it was privatised, transferring ownership from the public to the private sector. At the moment Royal Mail plc still has a legal obligation to deliver post six days a week and at the same price to every address in the UK. When Royal Mail was privatised the demand for its shares was so high that applicants were limited to a maximum of 227 ordinary shares at a total cost of £750. In total 1 billion shares were sold to private individuals and other businesses, valuing the company at £3.3 billion. Over 10% of the 1 billion shares available were re-sold by shareholders in the first hour of trading and the share price immediately rose.

The most recent accounts of the company show that between April and September 2013 Royal Mail's profits were £283 million, almost double the £144 million earned in the same period in 2012. It had also reduced its loans by 20% and improved its cashflow position, which should enable it to pay high dividends. After the publication of these accounts (which occurred after the privatisation) the company's share price rose again to £5.60 per share.

From July to September 2013 Royal Mail's sales rose by 9%, mainly due to a large increase in revenue from its parcels business. Parcels now account for over 50% of Royal Mail's revenue and this figure is expected to continue to rise with increases in online shopping. However, conflict between Royal Mail and its employees remains. The Communication Workers Union (CWU) wants higher pay rises, greater job security and protection of pension schemes for Royal Mail employees. Approximately

115 000 of Royal Mail's 150 000 staff are members of the CWU trade union.

Analysts claim the business needs more investment to continue modernising and changes to its management style to achieve greater productivity.

1. Analyse how transferring ownership of Royal Mail from the public to the private sector might affect its stakeholders. (9 marks)
2. Do you think that buying shares in Royal Mail plc when they were first sold was a good decision? Justify your answer. (16 marks)

Answers should be written on lined paper or typed to be handed in the first lesson back.

For each question you need to show:

Knowledge and understanding of relevant issues (public and private sector, stakeholders, shares and influences on decisions)

Application – referring to the case study Royal Mail

Analysis and evaluation – impact on stakeholders, informed judgements based on evaluation of qualitative and quantitative of whether buying shares are a good idea.

Risks and opportunities.