

June 19 2013

Royal Mail statement on Access Letters and Parcels

The Communications Workers Union (CWU) has in the High Court today (June 19) given an undertaking not to induce its members employed by Royal Mail to refuse to handle Access letters and parcels. This is pending a further hearing at the High Court on Friday June 28.

As a result any direction by the Communication Workers Union that postmen and women should refuse to handle Access letters and parcels would be unlawful. Royal Mail is the designated provider of the universal postal service in the UK. It is required by law to allow access to our network and deliver all the mail we are asked to. Royal Mail is fully committed to the delivery of all of the mail entrusted to us and we have consistently made clear we would take all appropriate steps to prevent any disruption of this.

Under Downstream Access contracts, Royal Mail accepts letters and parcels at its mail centres that have been partially sorted by large customers and other postal operators, and delivers them across 29 million homes and businesses for an agreed price.

Royal Mail operates in a very competitive market and customers can move their business very quickly. Any disruption could result in a significant loss of business.

Letters and parcels delivered by Royal Mail under Downstream Access contracts account for around half of the daily post bag and makes a significant contribution to the business. Any action against access letters and parcels would adversely impact on large numbers of the general public, and the postal industry as a whole by increasing e-substitution. It would also severely impact on our business, our reputation and that of our employees.

Direct delivery competition

The CWU has cited concerns over competition in direct delivery as a rationale for any action. Royal Mail made a detailed submission to Ofcom describing our concerns over the potential threat to the Universal Service posed by unfettered direct delivery competition.

In response, and following a consultation, Ofcom set out its guidance for the postal market. We welcome Ofcom's acknowledgement of its duty, powers and willingness to act at any time if it sees the universal service under threat as a result of direct delivery competition. We are also pleased the regulator made clear how it would intervene if direct delivery competition threatened the financial sustainability of the universal service. It could, for example, require other postal operators to deliver to a certain specification, such as a minimum number of days a week or a specified geographic area.

The CWU consultative ballot

Royal Mail is fully committed to seeking an agreement with the CWU on a way forward that equips the business for the future and is fair to our employees. Since 2011, we have been in talks with the union about a new agreement to replace the existing business transformation agreement that ended in March 2013. We have made good progress on a proposed new three-stage settlement. Phase one was agreed in February 2012, and phase two in the summer of 2012.

Royal Mail Pension Plan

Royal Mail has also written to all pension scheme members about proposals to make changes to pensions so that we can continue to keep the plan open. Because of the financial markets, including historically very low gilt yields, defined benefit pensions are becoming increasingly costly for all the remaining employers who offer such a scheme.

We do not want to close the plan, raise employee contributions or retirement age, or reduce future benefits. Instead, we have proposed an option to deal with the issue by using some of the £2 billion of assets left in the Plan following the pension transfer last year to help fund the gap between the Company's existing contribution rate and what would be required to keep the Plan open. This £2 billion, which comes in a large part from the Company's contributions paid in previous years, is held in trust by the Plan's trustees for the benefit of members and the Company. We now want to enter formal discussions with the unions to reach agreement.

ENDS

For more information contact Mish Tullar on 07423 524154

Notes to editors

Access Mail

As the Universal Service provider, Royal Mail is required to allow access to our network and deliver the mail we are asked to. Under Downstream Access contracts, Royal Mail accepts letters and parcels at its mail centres that have been partially sorted by large customers and other postal operators, and delivers them across 29 million homes and businesses for an agreed price.

Access mail typically includes items like bank statements, hospital appointments, energy bills and charity fund raising communications.