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Your ref:  
Our ref: 335690

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Dear [REDACTED]

Thank you for your email. You raise some really important points which I will try to answer as fully as possible. There are some areas where we have yet to make final decisions, but I will make sure that I continue to update you and all employees at Royal Mail.

Let's start with some facts. The Government intends to sell shares in Royal Mail this financial year (2013/14) to give it future access to private capital that you rightly say it needs. Royal Mail should not have to compete with hospitals and schools for scarce public sector resources. It needs access to flexible capital so that it can continue to modernise and take advantage of opportunities to grow.

The universal service will not change, regardless of the ownership of Royal Mail. The Postal Services Act 2011 guarantees the universal service: deliveries six days a week for letters and five days a week for parcels to every postal address in the UK. Only Parliament can change that service: neither the company, future shareholders, Ofcom, the Union nor anyone else can change it.

Some myths are being peddled about the future of the universal service. Claims that it will be watered down, damaged, or changed in any other way are simply untrue. The Save Our Royal Mail campaign, who are peddling these myths, should be ashamed of the way they are playing on the fears of vulnerable people.

It is too early to say whether you will have to pay for shares. What is clear is that, as Parliament decided, ten per cent of shares will be for you and other workers in Royal Mail as part of the sale process. It's two years since that commitment was made and I want to make sure you and your colleagues get the ten per cent sooner rather than later. Once we have finished talking to the CWU and others in Government, I will set out, in full, the details of the scheme. Whether the shares are discounted or free, the offer will be attractive and will give you and others in Royal Mail a real stake in the business.

Your shares will pay you dividends depending on the future performance of the company, enabling you and your colleagues to share in the success of the company. The success of any company is dependent on its staff and it is right that you should have a real and meaningful stake in its future.

Unless Royal Mail has the capability in the future to access public equity markets, every £1 that it borrows is another £1 on the national debt. That means growing public sector net debt, and less available debt funding for other Government services. It would be irresponsible to propose diverting public money away from essential services when Royal Mail – run on a fully commercial basis – has the capacity to be profitable and perfectly able to raise the capital it needs from the private sector.

We will be seeking a fair commercial value for the shares and will make sure that we get the best value for the taxpayer. We have no intention of selling Royal Mail off cheaply. I expect NAO and Public Accounts Committee to scrutinise independently any transaction. Once any deal has been completed I will publish, in full, the fees for advisers and other costs of selling Royal Mail. But I can assure you that my officials are driving a hard bargain when signing off contracts, I will not have advisers making a fast buck off the back of Royal Mail.

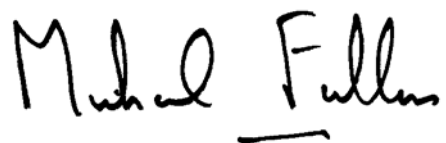
You rightly point out that there is significant value in the company's property holdings. As you will be aware, Royal Mail's property portfolio is managed by Royal Mail Estates Limited and the company's strategy for some years now has been to seek to create a network of processing and delivery centres and branch offices which reduces its operating costs. As with any other business in public or private ownership, Royal Mail should look to identify and release surplus value in its estate and this has typically involved a mix of disposals, sale and leaseback. Your employment terms are a matter for Royal Mail. There is a benefit to you in working for a successful financially sustainable company. And you will also benefit as a shareholder in Royal Mail through the employee share scheme.

Regarding pension arrangements, in line with the Postal Services Act 2011, in April 2012 the Government transferred the historic obligations of the Royal Mail Pension Plan (RMPP) to a new statutory scheme run by Government, the Royal Mail Statutory Pension Scheme (RMSPS), which sits on the Government's balance sheet. This historic pension deficit was a huge burden on the company, draining much needed cash which could be used to help transform the business. The continuing RMPP remains the responsibility of Royal Mail and the Pension Trustees.

I hope the above helps you to make your decision. I know how hard you and your colleagues work at Royal Mail and that you have embraced change to make Royal Mail more successful and efficient. As you said new investment in Royal Mail is necessary and giving it access to new capital is the best way to secure that investment.

Your questions and these answers are key to this issue. I am therefore going to publish a copy of this letter on the gov.uk website so that other Royal Mail employees can see my response to you.

Yours sincerely,

A handwritten signature in black ink that reads "Michael Fallon". The signature is written in a cursive style with a horizontal line underneath the name.

**THE RT HON MICHAEL FALLON MP**  
Minister of State for Business and Enterprise