



## Railways: Royal Mail services, 2003-

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Author: Louise Butcher  
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On 6 June 2003 the Royal Mail announced that it was going to withdraw its entire rail network of services for mail distribution by March 2004, in favour of a road-based distribution network. The Government's view was that the carriage of mail by rail was a commercial issue between the Royal Mail and its contractors and that they were essentially two private companies that were involved in commercial negotiations.

In January 2004, Royal Mail ran what was then thought to be its last Travelling Post Office, supposedly ending 166 years of service. Less than six months later the company announced that it was in talks to re-establish some kind of rail distribution and delivery service and was negotiating with GB Railfreight. Services were revived on a trial basis at the end of 2004 and in May 2005 Royal Mail signed a contract with GB Railfreight for a least two nightly rail services between London and Scotland until March 2006, this was subsequently extended to 2007 and then to 2010.

Information on other rail issues can be found on the [Railways topical page](#) of the Parliament website.

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# 1 The end of Royal Mail's rail contract, 2003-04

## 1.1 Royal Mail's decision, impact on freight and view of the Government

Royal Mail Group plc is a public limited company wholly owned by the Government, its sole shareholder. The plc was created in March 2001 by the [Postal Services Act 2000](#) that created a commercially-focused company with a more strategic relationship with the Government than previously. The Act established a new regulatory regime with an independent regulator, [Postcomm](#), and a consumer body, Postwatch.<sup>1</sup> Postcomm ensures, for instance, that a universal service is maintained. However, so long as it keeps within the terms of the 'licence' (the agreement between Postcomm and Royal Mail setting out the standards that it must meet), Royal Mail has operational freedom.

The Royal Mail had previously announced that some of its rail journeys were being phased out. Two years of protracted negotiations with freight carrier English, Welsh & Scottish Railways (EWS)<sup>2</sup> over the other mail trains ended in failure and it was announced on 6 June 2003 that it was going to withdraw its entire rail network of services for mail distribution by March 2004, in favour of a road-based distribution network.

Forty-nine train services served Royal Mail's distribution network each day. Thirty-three of these were freight services, used for the distribution of large volumes of mail across the country. Sixteen were Travelling Post Offices, on which mail was sorted during the trains' journey. Notice had already been given to EWS to end five mail train services by the end of July 2003 between Swansea and London, Warrington and London, Norwich and London and Doncaster and London. The phased cessation of the remaining services took place between September 2003 and the end of March 2004.

The decision appeared to have been made on the grounds of cost rather than performance. The restructure of the distribution network was a key element of Royal Mail's renewal plan to reduce annual costs by £1.4 billion to invest in improving services. Royal Mail forecast it would make annual savings of £90 million from withdrawing its rail services, partly through the opening of a new £40 million distribution centre in the Midlands, leading to road vehicles being used more efficiently. Paul Bateson, Managing Director of logistics, said that the price was 'just too high' and that the company could get the same quality from road and air.<sup>3</sup> Royal Mail's press notice stated:

Royal Mail today revealed its plans to have a more efficient and flexible UK-wide distribution network, integrating air and road, in place by the end of the financial year.

Original plans to include rail in the new network have now been dropped after Royal Mail failed to reach agreement with its rail freight supplier because the cost was too high.

As part of a complete review of its road, rail and air network, Royal Mail announced last year that it intended to stop using rail for the distribution of First Class mail due to poor reliability, but would continue using rail for less time critical items. This would have increased the amount of mail distributed by rail from 14 per cent of the daily postbag of 82 million items to around 18 per cent.

However, following the failure of protracted negotiations with rail freight supplier EWS over the transfer of existing services to the new network, Royal Mail has concluded

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<sup>1</sup> now part of [Consumer Focus](#)

<sup>2</sup> now [DB Schenker Rail](#), owned by the German company Deutsche Bahn

<sup>3</sup> "[Mail trains to be scrapped](#)", *BBC News Online*, 6 June 2003

that it has no alternative but to move forward with a restructure based on a road and air network only.

Paul Bateson, Royal Mail's Managing Director, Logistics, said: "There is a marked difference between the price we believe we should be paying for rail services and that which was on the table. Quite simply, other forms of transport can give us the same benefits, in terms of flexibility and quality, but at a lower cost.

"We are disappointed that, after two years of discussions with EWS, we have been unable to make any headway. But we cannot negotiate any longer. We need to move ahead and create a new distribution network which is more robust and has greater flexibility to improve quality of service as well as one which is more cost effective than we have now."

He added: "To continue talks would simply have caused unacceptable delays to our plans to restructure our distribution network, costing us money and impacting on the service we provide to our customers."

Royal Mail will now begin a process of cancelling its train services, in line with the terms of its contract with EWS, and expects its new distribution structure to be in place by the end of the financial year.

Mr Bateson said: "We are totally confident that the newly designed road and air solution, based on a hub and spoke network, will give us the improved quality of service expected under the original plan.

"Work on a new £40 million National Distribution Hub in the Midlands, which underpins the new road network, is underway and the phased opening will begin later this year. Detailed planning of the air element of the integrated network will be completed by the end of July."

He stressed: "We expect this solution to provide us with the annual cost savings of £90 million originally envisaged and the reduced impact of our distribution network on the environment through more efficient use of road vehicles."

Mr Bateson said a return to rail for some elements of the distribution network had not been ruled out for the future. Options will be scoped when the new network is in place and rail companies will be invited to tender for services if Royal Mail feels they can add benefit in terms of quality of service and price.<sup>4</sup>

At the time Mail represented around two per cent of total rail freight moved.<sup>5</sup> In 2003 EWS operated 49 trains per day for Royal Mail hauling 20 million items of mail, about 14 per cent of UK mail volumes a day and including one quarter of all first class mail, across Britain's railway network. EWS said that the performance regime that these services operated to was the toughest regime on the rail network. Every service had to arrive within a ten minute window at every calling point. Services operated at punctuality levels of 93.5 per cent. 99.9 per cent of all trains ordered by Royal Mail operated. Apparently no mainland rail passenger operator met these performance levels so trains operated for Royal Mail were the best performing services on the rail network.

EWS invested £50 million in class 67 locomotives, which were upgraded for 125mph operations. These locomotives delivered an excellent level of performance and also reduced the impact on the environment of emissions by replacing older locomotives. Royal Mail

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<sup>4</sup> Royal Mail press notice, "Royal Mail goes ahead with new integrated road and air network", 6 June 2003

<sup>5</sup> [HL Deb 8 July 2003 c128](#)

invested £150 million in mail by rail operations. This included state-of-the-art rail connected distribution centres and the purchase of 16 class 325 trains. According to EWS, Royal Mail's decision to stop carrying the post by train could cost EWS more than 500 jobs, while 19 depots were in danger of closing. The contract accounted for 10 per cent of its £550 million per annum revenues. EWS responded to Royal Mail's decision as follows:

Royal Mail has advised EWS that it may withdraw its entire rail network of services for mail distribution by March 2004.

Royal Mail is considering abandoning rail in favour of a road-based network. If implemented, this move would increase road congestion, damage the atmosphere, increase road accidents and threaten the service quality of mail deliveries across Britain.

EWS currently operates a high-speed and high performance rail network throughout Britain that handles 25% of first-class mail. The proposed shift of this volume would add 160,000 lorry journeys, covering 30.5 million miles, per annum, to Britain's beleaguered road network.

The rail services have achieved high performance levels for Royal Mail. 99.9% of all trains have run over the past 17 months, and Royal Mail train punctuality for this period has been 93.5% against a 95.0% objective. In addition to issues of road congestion, pollution, safety and service reliability, the proposed move by Royal Mail threatens 500 jobs within EWS plus Royal Mail jobs at eight dedicated rail terminals and 27 other loading points across Britain.

Allen Johnson, EWS Chief Operating Officer, said: "We are shocked that Royal Mail is threatening to walk away from the railway. EWS has made numerous competitive price offers in response to changing specifications from Royal Mail. EWS will continue to press the many benefits of rail to Royal Mail as an integral part of the mail distribution solution."

EWS has had discussions with a number of companies who are exploring mail liberalisation. These discussions have focused on providing a rail-based network for mail distribution, as the companies concerned recognise the problems with increasing road congestion affecting the reliability of a road-based network of operations.<sup>6</sup>

According to press reports Royal Mail was offered far greater flexibility in its use of trains than had previously been claimed, with 37 alternative rail schemes offered by EWS.<sup>7</sup> Royal Mail claimed that it was only offered three options by EWS for maintaining its presence on the railways - 66 nightly services, eight nightly trains or 22 services on container trains shared with other forms of freight. A leaked EWS document, however, revealed that the company offered 37 different train plans between September 2001 and May 2003. The options varied from six to 94 trains per night, at speeds of up to 100mph, serving different networks taking in London, Scotland, Wakefield, Bristol and the Midlands.

The Government's view was that "the carriage of mail by rail is a commercial issue between the Royal Mail and its contractors" and that they are "essentially two private companies that are involved in commercial negotiations". The then Railways Minister, Kim Howells, stated that he did not intend to interfere "in any way in those negotiations".<sup>8</sup>

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<sup>6</sup> EWS press notice, "Royal Mail threatens to abandon rail services", 6 June 2003

<sup>7</sup> "Leak challenges mail train claims: EWS offered 37 options to keep the night post off the roads", *The Guardian*, 17 July 2003

<sup>8</sup> [HC Deb 17 June 2003, cc202-204](#)

Transferring freight from road to rail was central, however, to the Government's policy of developing a sustainable and integrated transport system. It was also a necessary part of tackling the problems of congestion and pollution. The [Strategic Rail Authority \(SRA\)](#) published a framework document in May 2001 to show how the freight industry could deliver a shift of freight from road to rail.<sup>9</sup> It published a progress report in May 2003 that showed only a very slight improvement in the performance of rail over road.<sup>10</sup> Neither the Government nor the SRA could force a company to use the railways.

## 1.2 Opposition to the end of services

The advantages and disadvantages of sending mail by train are much the same as using rail for any product. The disadvantages of more road traffic can be summed up by increased pollution, more environmental damage and more accidents on Britain's congested roads. The SRA, in its 2003 freight progress report, summarised the case for rail freight generally:

The Case for Rail freight remains strong. By reducing the number of lorries on the roads, rail freight contributes to the mitigation of congestion, reduces the number of fatal accidents and injuries, reduces pollution-related deaths and illness and helps reduce the level of CO2 which causes global warming and climate change.

Rail freight offers benefits for industry. Congestion has been described by the Freight Transport Association (FTA) as .the curse of modern logistics. Much of the trunk road network is already congested, especially in peak periods, and the FTA reports that average speeds on all types of trunk road fell between 1995 and 1998, with the largest decreases - 8 mph - on motorways. The Government's 10 Year Plan is designed to tackle congestion and prevent it getting worse. Rail freight has its part to play and, while policies to contain congestion take time to implement, rail freight offers industry an alternative by providing a freight bypass for the most congested sections of the UK's motorways.

Rail freight can offer fast, cost-effective and reliable transits, helping to keep industry's costs down in the face of congestion, driver shortages and the anticipated effects of the Working Time Directive.<sup>11</sup>

[Freight on Rail](#) offered more specific criticisms of Royal Mail's decision:

The proposal by Royal Mail threatens 500 jobs within EWS. In addition, Royal Mail jobs at eight dedicated rail terminals and 27 other loading facilities will be lost. We estimate it will mean an extra 30.5 million lorry miles per annum and release an extra 15 thousand tonnes of pollutants, mostly CO2, into the atmosphere each year.

Campaign Co-ordinator Philippa Edmunds said, "This business should stay on the railways in order to protect the environment, avoid many unnecessary deaths on the roads and control road congestion. Society will have to pay for these road accidents, suffer the misery caused as well as the increased health service costs associated<sup>1</sup>. It is a shocking decision. We already have the most congested roads of any of the leading Western European nations".<sup>12</sup>

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<sup>9</sup> SRA, [Freight strategy](#), May 2001

<sup>10</sup> SRA, [Freight: progress report 1](#), May 2003

<sup>11</sup> *ibid.*, p4

<sup>12</sup> Freight on Rail press notice, "Royal Mail plans to desert railways for congested UK road network", 6 June 2003

There was also opposition in Parliament. In June 2003 Labour backbencher Alan Simpson tabled Early Day Motion 1380 which garnered 192 signatures:

#### ROYAL MAIL WITHDRAWAL FROM USE OF RAIL

That this House condemns the decision of Royal Mail to transfer the movement of mail from rail freight to other modes of transport by the end of the summer with a direct threat to 500 rail jobs and other jobs at dedicated rail terminals, depots and loading facilities; believes that this decision is short-term and ill conceived and represents a direct challenge to the Government's own policy of increasing the use of freight on rail; notes with dismay the increased congestion on Britain's already over busy road network which will result in an extra 30.5 million lorry miles and the release of an additional 15 thousand tonnes of pollutants per annum; believes that the decision not only undermines the Government's own transport policy but also its environmental and employment objectives; and calls upon the Government to immediately review the decision of Royal Mail in view of its consequences for congestion, the environment, jobs and the rail industry.<sup>13</sup>

Union leaders urged the Government to halt the move and together the rail unions ASLEF, RMT and TSSA, postal workers union CWU and the Confederation of Shipbuilding and Engineering Unions launched the ['Save Mail on Rail' campaign](#) at a press conference in Parliament on 24 June 2003, with the support of Mr Simpson. The campaign sent a briefing to Members of Parliament which is available from the [Save Mail on Rail archive website](#).

## 2 Return of mail services, 2004-

In January 2004, Royal Mail ran what was then thought to be its last Travelling Post Office, supposedly ending 166 years of service. Less than six months later the company announced that it was in talks to re-establish some kind of rail distribution and delivery service and was negotiating with [GB Railfreight](#). Services were revived on a trial basis at the end of 2004 to deliver the Christmas mail and in May 2005 Royal Mail signed a contract with GB Railfreight for a least two nightly rail services between London and Scotland until March 2006 with an option for a further 12 months.<sup>14</sup> GB Railfreight announced on 6 April 2006 that the contract had been extended for a further year and in June 2007 that it had been extended for a further three years to 2010.<sup>15</sup> The contract allowed the Royal Mail to increase or reduce the number of services they run on a night-by-night basis. The service uses only two trains compared with the 49 trains a day previously operated by EWS. Royal Mail said its shift from rail to road and air had saved £10 million and created a distribution network that was now "performing well".

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<sup>13</sup> [EDM 1380 of session 2002-03](#), 10 June 2003

<sup>14</sup> "In brief: mail trains are back on track", *The Guardian*, 21 May 2005

<sup>15</sup> GB Railfreight press notice, "[FirstGBRF wins new contract with Royal Mail](#)", 15 June 2007