

TO:

JUDY BRITTON

FROM:

DEREK DAVIS

GRO

GRO
8 November 1999

cc Simon Lancaster
Alastair Macdonald
David Sibbick
Martin Brebner
Nigel Lees
Jan Wright
Mike Whitehead

MR JOHNSON'S MEETING WITH NEVILLE BAIN & JOHN ROBERTS: 8 NOVEMBER

I attended Alan Johnson's regular meeting with Neville Bain and John Roberts this morning. It was agreed to make these monthly in future. The next date is 2 December when John Roberts will bring Richard Dykes to give the Minister a presentation on Mount Pleasant. Neville Bain can't make this and wants to hold on to 16 December for the moment. They also invited the Minister to join the Board for lunch after one of its monthly meetings and he accepted. (This is now fixed for 11 January at noon.)

Strategy and Profit Target

2. Mr Johnson said Alastair and I had given Neville Bain and John Roberts a feel for the problems Ministers had been wrestling with in the aftermath of the Party Conference. He believed that the way ahead was now largely freed up. The Bill would be in the Queen's Speech on 17 November as a priority item. Our aim was to endorse the thrust of the Strategic Plan and set the profit target between then and the end of the month.

3. John Roberts said their half year results which they were planning to issue after the Board meeting on 30 November would be down on last year before adjustment for Horizon. They were seeing reduced growth in volume of traffic - 3.5% compared with 4.5% planned and 4% actual a year ago. Half year profits before adjustment would be £130m, about £50m down on last year. The main focus, however, was likely to be the Horizon adjustment. They intended to agree a fully common PR line with the Department.

Board Bonus

4. John Roberts said they were in discussion with Jan Wright on this. I said that the principle of the approach Jan had tabled was fully agreed between DTI and Treasury at official level. Assuming the Post Office were content, it remained for the Treasury to talk their new Minister through the issues.

Board Contracts

5. I explained that this had become caught up in the other issues of which they were aware. We were working to free it. Neville Bain commented that there was no logical connection. I agreed and said the connection was accidents of timing.

Regulator & Profits

6. The Minister said he and the Secretary of State were happy to put something in the Bill requiring the regulator to have regard to have regard to Post Office profits and targets. He asked me whether there was a problem. I said that the Bill would be able to specify duties on the regulator and we were working on wording. What it could not do was tell the regulator how to interpret his duties. Neville Bain said he accepted this.

Price Increase

7. John Roberts said they were looking at 1p on the 1st class mail and holding 2nd class steady. They had planned to introduce it in March or April, bearing in mind that they had to give POUNC three months' notice. They were, however, looking at how to advance, given that the Bill would already be going through the House by then.

8. The Minister commented that it was three years since the last increase and that had been caused by an EFL hike. Neville Bain had already suggested (off the cuff and to John Roberts' surprise) announcing on 30 November and linking to the Horizon provision. This was left up in air.

Industrial Relations

9. John Roberts gave the Minister a tabulation of days lost through industrial action during October saying that it exceeded the figure for the year to end-September. The Minister was clearly concerned and noticed both unexpected participants and the non-involvement of London. John Roberts said they thought London was conserving itself for Mount Pleasant. He could not prove anything but found it difficult to believe that there were no messages passing round and no coordination.

PIU Study/Horizon

10. Mr Johnson encouraged John Roberts to make personal contact with the PIU team and give them all the cooperation they needed. Their report would be key. He envisaged the Horizon Working Group coming to their conclusions in parallel. POCL's revised offer to the Benefits Agency now opened the way to serious new discussions. He had written to Alistair Darling and would be meeting Jeff Rooker, who brought a fresh mind to the subject, this evening.

12. John Roberts said that they actively wanted a rapprochement based on acceptance by both sides that ACT was the way forward. He assured the Minister that the Post Office had had no hand in the weekend articles in the News of the World and elsewhere about prospective PO job losses related to Benefits Agency plans. They thought the origin was probably the Federation of Sub-Postmasters.

Bill

13. The Minister said it would be important that the Bill was well prepared and secured as smooth a passage as we could obtain for it. Discussion in Legislation Committee had pointed up that pressure on the timetable would very likely mean one or two bills falling by the wayside. The Bill would have priority but draft legislation which required substantial amendment after it had been introduced began to make itself look vulnerable. John Roberts said they would cooperate in every way possible.

EU

14. John Roberts said he had had recent exchanges with the French Post Office and Derek Hodgson about the prospect that the Commission would, as its next step, seek to drive monopoly down to around the 50p level. There seemed to be acceptance of this. Derek Hodgson appeared resigned to the prospect as long as it applied to everyone. (Judy Britton subsequently told me that the CWU in fact hope to ensure the Brussels process grinds slowly through combined resistance from several Member States.)

GRO

DEREK DAVIS