

**MEETING WITH GEORGE THOMSON GENERAL SECRETARY OF NFSP: 15
OCTOBER 2008**

Reason for the meeting: Introductory meeting with George Thomson, General Secretary of the National Federation of SubPostmasters (NFSP).

The NFSP is a trade union/trade association representing around 10,000 subpostmasters and negotiates their remuneration and contractual terms and conditions with Post Office Ltd (POL). It has a keen interest in the future of the network and the viability of its members' businesses and a clear agenda to protect subpostmasters' collective £billions investment in their businesses. Its lobbying power makes it a force to be reckoned with.

Tactics: Given the sensitivities and the timing uncertainties around the POCA decision, you may wish to be primarily in 'listening' mode as George will be very keen to argue his view that awarding the new Card account contract to POL is critical to the survival of the network. The NFSP launched a postcard campaign in May this year, directed at MPs, claiming that 3,000 Post Offices will close if POL loses the contract. He may also complain that recent DWP letters to pension and benefit claimants have misleadingly given the impression that there will be no card account after the current contract ends in March 2010.

George will also want to argue the case for a Post Bank strategy, with POL provide a full range of banking services. His views will no doubt be immeasurably strengthened by the recent events in the banking sector and reports of savers looking to move their funds to 'safe havens' such as National Savings and the Post Office.

It is important to keep the NFSP 'on side' as far as possible with the Government strategy for the network to 2011. George has provided a series of useful quotes in support of the current closure programme which we have relied on heavily to defend the closure programme.

KEY POINTS TO MAKE**Introductory**

- Glad to have an early opportunity to meet you, know you have fairly regular contacts with Pat McFadden.
- Important for us to maintain an open dialogue on post office network issues.

Network Strategy

- NFSP is a key stakeholder in the post office network because of the £ billions your members have invested in their businesses and the important social and economic role sub post offices play.
- Government's broad policy strategy for the network to 2011 is in place underpinned by a funding package of up to £1.7 billion to put it on a more stable and sustainable footing.

- Very grateful for the Federation's support for the network change programme. Despite the political and media criticisms, believe the programme has generally been well handled – though there have been some aspects that have needed attention and improvement as it progressed.
- What do you now see as the key priorities and challenges from the Federation's perspective?

Future Options

- Know you are keen to see the Post Office re-establishing a full banking service and that you have previously raised this with Alistair Darling and with Pat McFadden.
- Understand that Alan Cook shares your aspiration for the Post Office to provide a full range of banking services.

Post Office Card Account (POCA)

- Appreciate strong NFSP interest, but I cannot comment or speculate on the outcome given that the DWP tender process is still underway.

When is DWP going to announce who has won?

- A matter for DWP. Understand that no decision has yet been made and none is likely for some weeks at least.

Has BERR carried out its own assessment of the consequences of POL losing POCA? What will you do if POL loses?

- We keep under regular review with POL the opportunities and risks involved in meeting its business plan forecasts to 2011.
- Cannot speculate on the consequences of POL losing the contract, not least because of my Department's shareholder interests in the company. We must allow the tender process to take its course.

DWP letters are misleadingly saying there will be no card account after the POCA contract ends in March 2010?

- Understand you received an apology from DWP Ministers recently for misleading information given to the public in a small number of cases.

DWP failing to publicise availability of POCA?

- For financial inclusion objectives, DWP are keen to encourage people to receive payments into bank accounts where possible, and is therefore not actively promoting POCA as an alternative means of receiving payments.
- POCA remains an option for people who cannot or do not wish to receive payments into a bank account, and the new Government Card Account will keep this option available after the current contract ends in 2010.

Background

George Thomson is a former East Lothian subpostmaster (his family continues to run the post office business in Tranent near Edinburgh – a former small Crown office he acquired about 12 years ago) who knows the Chancellor (from local politics). Since becoming General Secretary in May 2007, George commutes long distance from Edinburgh to Shoreham by Sea.

Contacts with NFSP and attitude to closure programme

In recent years, the NFSP General Secretary has maintained close and regular contact with Ministers over network issues. In general they have been supportive of the network change programme and its compulsory nature (subpostmasters receive 26-28 months compensation if their branch is closed). However, they have been concerned about the limited potential to date for new business in financial products and services to replace the much reduced income subpostmasters are now receiving from traditional (government) business.

Postbank

George Thomson is a strong advocate of the Post Office again becoming a full bank (Girobank was sold off in 1990 to Alliance & Leicester) and in particular re-establishment of the link (broken in 1969) between National Savings and Investments (NS&I) and the Post Office. He has raised this with Alistair Darling as SoS here and as Chancellor and has raised it on a regular basis with Pat McFadden. He has suggested that this could be a means of reducing the Network Subsidy Payment (NSP) for the non-commercial network. He also wrote to the Prime Minister urging the Government to commit to making the Post Office a bank and subsequently had a meeting with Geoffrey Norris to discuss this and other network issues.

National Savings and Investments (NS&I)

We do not agree that NS&I is a credible option. Any cross-subsidisation of POL via integration with NS&I would significantly impact HMG's ability to influence plans to bring POL's business back to profit. We fear that access to NS&I "profit" might embed the subsidy within the minds of POL's management and subpostmasters. Currently POL's need to seek funding directly from HMG provides a lever for HMG to ensure that POL's strategy is directed towards a return to profit, while also ensuring the provision of a suitable network. HMT would also lose control over the application of NS&I proceeds to the extent they funded POL's losses.

An additional difficulty is that replacing a direct subsidy with an indirect one adds opacity to POL's financial position at a time when greater clarity is being sought (particularly by Postcomm and the BERRSC).

At an operational level, there are substantial state aid obstacles to further integration of POL and NS&I. Any such move might lead to intensive scrutiny of the tax exemption available on NS&I products. NS&I is currently purely a revenue-raising arm of the state, but if integrated with POL (which undertakes commercial activities) it would be far more open to challenge from a state aid perspective.