
From: Martin Edwards [GRO]
Sent: Fri 12/07/2013 1:58:38 PM (UTC)
To: Charles Colquhoun [GRO]
Subject: Re: Donald Brydon call

Well I take everything you say as gospel!

Enjoy the weekend

From: Charles Colquhoun
Sent: Friday, July 12, 2013 01:35 PM
To: Martin Edwards
Subject: RE: Donald Brydon call

No one has ever called my money smart before!! Have a great w/e

Regards

Charles

Charles Colquhoun | Head of Corporate Finance

First Floor – Old Street Wing, 148 Old Street, LONDON, EC1V 9HQ

[GRO]

Postline

[GRO]

[GRO]

[GRO]

From: Martin Edwards
Sent: 12 July 2013 13:30
To: Paula Vennells; Alice Perkins
Cc: Paul M Brown; Charles Colquhoun; Susan Crichton
Subject: RE: Donald Brydon call

Hi Alice

We haven't received any tip-offs about what he wants to call you about, so here's a quick list of the potential issues. Copying in the subject experts in case you need any more detail.

1. BPMA stamp sales - the smart money is that this will be what's on his mind. The BPMA had an auction of their stamp archives yesterday which was supposed to raise £4-5m to help invest in the archives (in particular the underground railway) to create a sustainable legacy. Instead it raised around £400k (see results below), leaving a massive financial hole in the plans. As you probably know, Donald is personally very committed to the BPMA, so he may well be calling you to say that both RM and PO need to cough up to fill this hole. If he does, then we probably need a constructive but hawkish response – i.e. our finances are under enormous pressure already and we don't have spare investment funding, but happy for our teams to explore the

options (for info – there might be a wheeze involving tax losses and RMH which we could use to help fund this at zero cost – I wouldn't mention this as requires a lot more work, but just so you know that there may be a way through this).

<http://www.sothebys.com/en/auctions/2013/the-british-postal-museum-archive-l13322.html>

2. RMH issues – could be one of three things:

a) if more than 50% of RM is sold as part of the IPO (as seems likely) then we are likely to be asked to manage RMH. We would be open to this option, provided the costs are covered appropriately. So if he raises, I'd suggest you say there are a number of accounting, tax, legal and financial issues which our teams should work through to identify the best way forwards.

b) RMH currently have a tax bill of c£2m which both RM and PO would like to sell as tax losses. RM thinks we should only get 7% of this benefit (which was the historical split), whereas we think we should follow the 50/50 convention which has been established since separation (e.g. RM insisted that we may 50% of the costs of D&O insurance recently). RM are unhappy about this, but struggling to come up with a principled objection...

c) Escrow – conceivable but unlikely that he may raise options for using. As you know, the Shex team are thinking about using this as a possible mechanism to help finance an additional funding request (although remains very difficult as it's not free money – would have the same cost fiscally so HMT will object). If he does raise, I'd just say this is a matter for BIS/HMT...

ISSUES RELATED TO PRIVATISATION

3. Industrial relations – the progress on privatisation and continuing CWU opposition could conceivably have prompted Donald to think again about the interdependencies with our IR situation. While we should certainly keep in close contact with RM on this, obviously we need to convey an impression that the situation is under control from our perspective – very limited media coverage; limited customer detriment; majority of Crowns staying open and the percentage of staff on strike is steadily falling in each one (see CEO's report for more details if needed). We have to remain focussed on delivering transformation and breakeven.

4. NFSP objections to privatisation (which mainly stems from their concerns around lack of FooG, but could also be exacerbated by the support we're asking them to provide on NT) – to date RM have been relatively relaxed about the Fed's position, but they could get more tense as the transaction approaches. I guess the main message is that we're engaging closely with the NFSP on a range of issues and seeking to find a constructive solution to our issues – and by keeping them talking we're lowering the risk that they pursue a more high profile campaign against us, the govt and RM privatisation.

5. Prospectuses – BIS have asked us to distribute hard copies of the prospectuses through a sub-set of our branch network, but only as an exceptions channel – i.e. members of the public will be encouraged to go on online if they're interested in the share offer, but will be directed by a helpline to a nearby PO if they really want a hard copy. We have told BIS that in principle we're willing to provide support, provided our cost are covered appropriately. And of course we've discussed the dynamic that both Crown staff and sub-postmasters could be fairly lukewarm about privatisation and therefore BIS should not be relying on them to provide a positive sales pitch, which they understand.

BUSINESS AS USUAL ISSUES

6. Mails issues – Paul Brown would normally receive a tip-off from his counterparts if Donald had been briefed

to raise something, which he hasn't. But so you're aware, here are the current issues bubbling away:

- packets pricing – we're in discussions with RM around introducing a new she boxed size parcel exception which would significantly mitigate the impact of the April price changes. RM are due to approve this change in the next fortnight. While this is incredibly important to us given the competition, it would probably be too heavy handed for you to raise this proactively – we're not expecting RM to block the decision (and it's unlikely to get up to Board level in any case). But if he raises, worth emphasising the importance of resolving and implementing this with utmost urgency – absolutely critical to our market position. We're also discussing with RM other price discounts through Drop&Go – again not something you need to raise.

- segregation compliance – the Fed action has had a significant impact on performance, although RM not yet making too much of a fuss about this. The RM/PO teams are in any case jointly reviewing the segregation requirements and methodology (which pre-dated the Fed action) and making good progress. In parallel, we're having more constructive discussions with the NFSP about the reinstatement of a performance-based incentive payment, which would be linked to the output of the joint RM/PO working group.

7. IT separation – some concerns expressed from the RM team the risks associated with the separation of our IT systems (particularly due to capacity constraints and competence of CSC). From our perspective the programme, while high risk, remains on track at this stage and we're working closely with the RM team. Lesley will be updating the Board on this as part of the wider IT discussion on Tuesday.

8. Second Sight – Susan briefed Jon M on Monday and shared our press statement. He was relaxed, clearly just saw it as our problem.

Think that covers it, but give one of us a call if you need any more detail.

Thanks,

Martin

-----Original Message-----

From: Paula Vennells

Sent: 12 July 2013 11:59

To: Alice Perkins

Cc: Martin Edwards

Subject: Re: Donald Brydon call

just pulling a potential list together - Susan was certainly planning to speak to SS and Mark had them on his stakeholder list, so assuming both those happened, they should be aware of that.

call me if you need to when you get the brief. P

Sent from my iPad

On 12 Jul 2013, at 11:37, "Alice Perkins" <[redacted]@GRO> wrote:

> He wants to talk to me this afternoon. No idea why. And he may not get lucky as I am on the move. But just want to check whether we briefed them properly re Second Sight??

> Anything else I should be aware of??

> A

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