
From: Russell Mark (ShEx)[/O=BIS PRODUCTION/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=D9F92FFB79DE4E9B9236EA2B7800AC26-RUSSELLM]
Sent: Fri 27/11/2015 3:40:11 PM (UTC)
To: Manson Justin (ShEx); **GRO**
Subject: FW: Readout - SoS meeting with Post Office Chair Tim Parker

You should get involved in this.

From: Javid MPST
Sent: 27 November 2015 12:51
To: Callard Richard (ShEx)
Cc: Thompson Laura (Shareholder Executive); McInnes Tim (ShEx); Perm Sec (BIS); SpAd Javid MPST; King Nick (MPST); Neville-Rolfe MPST; Shah Salma (MPST); Russell Mark (ShEx); Squire Emma (SGD)
Subject: Readout - SoS meeting with Post Office Chair Tim Parker

Richard, (all)

Thanks for your support when the SoS met Tim Parker, the Chair of the Post Office, on Tuesday. **My readout is below** – do point out any howlers/omissions and forward on as appropriate.

As you know, the SoS was impressed by many of Tim Parker's arguments for reforming the POL with a view to bringing in private capital. He asked your team to go away and think up options for him on how this might be done.

Please don't feel obliged to follow the usual submission format here. SoS likes Powerpoint presentations and may well ask the team to present the ideas to him once he has digested them, so you might kill two birds with one stone by doing a slide deck now.

As discussed, I am happy to discuss deadlines with you to work around your available resource. If you can provide a full summary by the final pre-Christmas box on **Thursday 17 December**, all the better. If, however, you want to put up a primer in the next 10 days or so you may get an early steer out of SoS which could inform your further work over the winter break. I'll leave it up to you but happy to discuss.

Regards,

George

SoS meeting with Tim Parker, Chair, Post Office Limited, 24 November 2015

SoS opened by thanking TP for taking on the job as POL Chair. He then asked TP to set out the key challenges facing PO.

TP explained that the 'public sector inheritance' is still a big factor – POL is a young company with many of the characteristics of a public agency. POL has a high cost structure and while Crown branches are profitable there is a significant tranche of branches that have barely any footfall/revenue.

Furthermore, POL is facing increasing competition in the mails market, and more and more mail is heading online. There is also increasing competition in the financial services sector, in which POL has interests.

POL is slowly trying to wean itself of Govt subsidy, TP added, and there have been "steady improvements all round". He does, however, worry that POL may "hit a buffer revenue-wise" in the medium term (2-3 years), and noted the challenge of keeping 11,500 branches open in this context.

Further challenges were that POL revenues driven by Govt services continue to dwindle; this makes sense to him, it seems an anachronism that many benefits are distributed by POL and not digitally.

TP said his principle concern about the future of POL is its contractual relationship with Royal Mail, which is up for renegotiation in the next couple of years.

The SoS asked if POL could move in to other markets.

“Not really, no”, TP replied. He reiterated that some POL branches are very profitable and could be spun out as part of a broader retail business. Where POL branches are “last shop in town”, he feels they would be better served be offering a range of public services (eg NHS outreach) under one roof.

The problem with trying to get a private operator to absorb Crown branches is that this cohort of branches are highly unionised and the staff benefit from higher wages and superior benefits than the employees of, say, WHSmith (the kind of business you would expect could be interested in POL).

Ultimately, however, this kind of change is TP’s vision, but it is a question of appetite among politicians and POL’s management – he reiterated that there would be real handling challenges to any privatisation push on POL.

SoS said it was better to take these fights on at the beginning of a Parliament rather than when a Govt had lost momentum. He asked TP what issues would need to be resolved in order to make POL really attractive to the private sector.

TP repeated that it is the Royal Mail relationship that must be resolved. He wondered if Royal Mail itself might want to own POL eventually.

SoS asked if the POL Exec Team is of the necessary calibre to explore radical options for POL.

TP equivocated on this, but then backed his team.

In AOBs, TP said Paula Vennells (POL CEO) deserved a pay rise – SoS agreed but noted the handling difficulties.

TP also asked that POL not be included as one of the agencies that are bound by the exit payment rules that will come in via the Enterprise Bill. (**Laura T** – does this sound right?)

SoS acknowledged TP had a “good point” but made no firm commitment.

Closing, SoS thanked TP for his ideas and said the Govt should explore reform options for POL.