

## Message

**From:** Clarke, Stephen - UKGI [GRO]  
**Sent:** 03/09/2018 14:59:38  
**To:** Adegun, Oluwatosin - UKGI [GRO]; Cole, Alex - UKGI [GRO]  
**Subject:** FW: Points from Ministerial meeting today between Paula and the Minister

## For info

**From:** Parker, Nick - UKGI  
**Sent:** 03 September 2018 15:54  
**To:** Aldred, Tom - UKGI [GRO]  
**Cc:** Clarke, Stephen - UKGI [GRO]  
**Subject:** Points from Ministerial meeting today between Paula and the Minister

Tom,

Meeting went well earlier between Paula and the Minister. They built up a good rapport and Paula was very open and thorough with her summaries of the achievements POL has made in the last few years and on its ongoing and future challenges. Paula frequently confirmed that challenge from HMG is good, but also asked that HMG ensures the positive developments in Post Office are made clear and that HMG continues to stress the important role that Post Office plays in communities up and down the country.

In turn, the Minister was complementary on POL's turnaround and recent successes. She frequently stressed the importance of the Post Office and that she was keen to see it continue to grow and offer more products and services where possible.

I think Sam will be sending a more formal read-out of the meeting soon.

**Some specific points discussed are summarised below – thanks to Stephen for pulling together.**

1. Paula's intro/key points to make

- Turnaround of business: losses to 35m profit; aim is to for POL to be self-sustaining with declining need for government funding by 2020/21 or soon after; and growing network in contrast to other retailers
- Government should make use of this successful business and its 11,500+ branches – e.g. to communicate to local communities on Brexit – and Cabinet Office paper ought to consider this
- Social purpose – government has been a good shareholder/owner

2. Minister's initial thoughts/reactions

- Agree government should harness Post Office, particularly its trusted brand and presence
- POL is the only remaining physical banking space in Rochester High Street [in KT's constituency] – “a saviour for local businesses”. The only issue is the lack of an ATM [PV promised to look into this as it fits with POL's aim to be a ‘cash utility’]
- Struck by importance of FX business during a meeting with a local SPM [PV explained it represents 25% of business for many post offices]
- Importance of continuing to deliver services where not commercially viable – continued role for subsidy [PV suggested that spending review could specify certain POs to be protected. Subsidy to protect 3000 community post offices still important]

3. Banking framework

- Based on constituency experience, KT noted that banks are “very lucky” to have POL picking up the slack and enabling their closures/cost reductions. Important to remind them of this in negotiations and the need to pay more. KT offered to help in negotiations.

-PV said POL needs bank investment (for safes, fortress positions, cash systems etc) to handle increased transactions from 2000 announced bank closures. Already an imbalance between time SPMs spend handling cash plus security risks and the remuneration they receive.

#### 4. Other opportunities highlighted by PV

- opening up Royal Mail's exclusivity over click and collect services in upcoming negotiations
- area around digital growth/identity services/government services
- FRES – trying to leverage other BOI financial products like savings, mortgages etc to get a better deal from BOI on FX (25% of business in many post offices). Acquisition attractive option but contract and funding are obstacles. Flexibility of future funding for investment opportunities an area to be explored with HMT and BEIS as part of the upcoming CSR.
- Payzone – phase 1 pre-notification completed and CMA now have 40 days to take a decision. If not approved then phase 2 will last a further 6 months
- Travel insurance – a small acquisition to be rolled into POL's existing "PO Insurance Services" subsidiary

#### 5. PV update on Industrial Relations

- 2 year pay deal with Unite already agreed
- Same deal on offer for CWU but CWU not biting so far
- CWU ideologically opposed to franchising – PV stressed from a business perspective they are both more efficient (Crowns are paid 15-20% higher) and better for customers as postal services are available for same extended hours as the co-located retail spaces.
- POL can handle strikes at branches (only 2% of network would be affected) but a cash supply chain strike could hurt POL. However, drivers are well-paid and previously POL has offered better deals to avert strikes.

#### 6. Migration of IT system – PV update

- In next 3 weeks POL will decide whether to migrate the cash forecasting system before or after Xmas (part of the POLSAP migration). Bigger volumes of data over Xmas are a risk.
- POL has contingencies in place and a track record of delivery.

#### 7. Litigation update

- PV gave a brief summary of the issue along familiar lines, emphasising that they have no idea about the quantum of the claim and that QCs advise that POL will likely lose on some contract clauses but not on the highest impact ones
- KT emphasised the need to provide plenty of detail and PV said POL would be in a much better position to do so after further briefings from their QCs and hopefully more information on the claims.

***[Note KT did not specifically request sight of POL's contingency plan in advance of the 17 October meeting as briefed but she appeared to be up to speed with the background from the last submission]***

#### 8. PV's closing summary of key asks of Minister

- Banking framework support as POL negotiates new deal with banks
- Potential support on ending Royal Mail exclusivity around click and collect
- Talking up the Post Office – what a great asset it is for government