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Kelly Tolhurst MP  
Parliamentary Under Secretary of State  
Minister for Small Business, Consumers and Corporate Responsibility  
Department for Business, Energy & Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

4 June 2019

Dear Minister,

Following our meeting on 15 May and my attendance at the Select Committee, I wanted to write to you on a few points.

Firstly, thank you for your clear and forthright support. We appreciate it hugely.

There are a number of narratives overlapping and raising the profile of Post Office: the litigation; Postmaster pay; franchising DMBs; all coming together in the Daily Mail campaign and the Select Committee.

#### **Litigation**

I won't comment on the litigation here as Tim has just replied to your letter and we will meet shortly. Overall, I appreciate your anxiety and share it – the litigation is damaging.

#### **Postmaster pay**

As I said when we met, our financial position will continue to improve and next year we are forecasting profits that will enable us to increase Postmaster pay. We have already announced a £17m pay rise on banking deposits and we will do more.

I have announced a review of Postmaster pay to report back in the Autumn following the completion of the banking framework negotiations at the end of June. The review should enable us to ensure that commitments are deliverable, that we recognise the needs of the very different groups of Postmasters and we don't generate significant, new problems for the future.

However, as I have said to the Board and our Retail team, we may not be able to wait that long and we will work on an announcement, higher risk, that we could make in July.



### **Directly Managed Branches**

You discussed the approach to franchising DMBs with the team recently and my understanding is that you remain supportive of the need to undertake this activity and the approach.

I was struck at Select Committee, nonetheless, by the fact that a lot of the members nodded at the suggestion that our consultation is a sham. We are clear that we are not consulting on closure itself so I can defend the process at a factual level but our position is seen as disingenuous. I have therefore asked the team to re-design the communication and interactions, being much more explicit and visual about what we are delivering. We will obviously share this with your team to get the benefit of their input.

I am minded to flag to the Select Committee that we are undertaking this review. However, you may prefer to require it of us, a point you could make when presenting your own evidence? Perhaps you could let me know.

### **Select Committee and the Daily Mail campaign**

I appreciate very much your assistance with defending and explaining on our behalf at both Select Committee and with the Daily Mail.

There are points that I have raised with you, which, if announced, would underpin your status as a champion of Post Offices and which might help the campaigners recognise that we are in safe hands.

Specifically, I would recommend:

- an extension of Network subsidy to, say, 2024. I quite understand that you wouldn't commit to out of cycle spending. At the same time, the principle that Government remains committed to ensuring that unprofitable Post Offices remain open seems to be accepted. General support for the principle – without numbers - would reassure Postmasters and campaigners.
- an announcement from DWP, with your help, that the future of POCA will be decided with the impact on customers and Postmasters in mind. My meeting with the Secretary of State was cancelled and we have not yet had a reply to my letter. I do think this is likely to become a focus of future campaigning by Postmasters across the country if we don't demonstrate a joined-up way forward.
- stating publicly that you do want to see Post Office as the front office of Government. Mitigating the HMRC decision on foreign currency charges, which I know you had concerns about and running a tender that, if won, would give us the right to commercialise a much needed future digital identity provision would help.



The truth is that the actions of individual departments consistently take work away from the most vulnerable Post Offices, guaranteeing more subsidy for longer. As discussed, this can hit particular Post Offices or regions, with a significant number of Post Offices vulnerable to the removal of POCA, especially in Northern Ireland. This position where Government supports financially but not commercially is, I think, hard to explain publicly.

#### **Future financial settlement**

These and other issues, the litigation, Postmaster pay, network subsidy, Government revenue and dividends will all impact our future financial position, taking us beyond our current funding which ceases in March 2021.

While I appreciate Government timetables for this work are uncertain, we are working on our future financial position, which we will be debating at our Board meeting at the end of July. As you would expect we will fully engage Tom and UKGI in this process.

#### **How can we support you better?**

I was very struck by your comments that at times you have been under-communicated with and I have met with Tom and Carl to see how we can support you better. Obviously, from our point of view we share very widely and quickly through UKGI and directly between our communications teams.

I appreciate that there is a standard approach to briefing Ministers and I don't want to make that more difficult. However, if it would help you, I would be quite open to brief directly, perhaps by text, just to give you an immediate heads up on events? Or to communicate directly with one person in your team most likely to be briefing you urgently? You will of course know what works best for you and let me know. In the meantime, please feel free to contact me at any time on GRO

With best wishes,

**GRO**

Al Cameron  
Interim Chief Executive