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## Post Office – COVID-19 & ‘Setting the course’

### Introduction

1. Let me get straight to the point.
2. The COVID-19 outbreak affects Post Office as it is affecting all our lives.
3. I want us to be clear how we will manage together the risks we face whilst enabling our Postmasters to keep serving customers, in particular our vulnerable customers, at this time of national emergency.
4. This is our number one priority for the coming months.
5. I also want to recognise that notwithstanding COVID-19, Post Office has additional challenges to overcome to secure its future in the difficult and complex markets that we operate in.
6. This week marks six months since I joined the business.
7. In parallel to how we will handle COVID-19, I want us to be clear on our strategy as we set the course for the future.
8. We must work together to see us through these uncertain next few month and deliver a sustainable Post Office.

### COVID-19

9. Let's start with our plan to tackle the COVID-19 outbreak.
10. For our customers and Postmasters we are in uncharted territory.
11. Already the dedication that everyone across the business is showing gives us all cause for pride.
12. Thank you *all* for your hard work.
13. Our Postmasters deserve particular thanks.

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14. Every day of this week, I have learnt about new local initiatives being spearheaded by Postmasters to lessen the impact of the current crisis on their communities.
  - Postmasters knocking on doors of vulnerable customers to check they are ok.
  - Postmasters working with Post Office Card Account holders as they nominate a family member or carer to help get the cash they need for urgent supplies.
  - Postmasters offering to receive and hold more parcels and help get them into the hands of those that need them.
15. This is Post Office at its best.
16. We're in constant dialogue with the Government about how we can use our network – the UK's largest retail network - to support the public better.
17. For now the priority is to focus on supporting our Postmasters and providing them with practical, up-to-date information daily.
18. Their health, and that of their customers, is our priority. Where Postmasters are themselves vulnerable, they should self-isolate.
19. We will support them and find the best ways to ensure their customers can still be served.
20. I am also pleased to see that the Government has announced strong financial support measures.
21. Twelve months respite from the burden of business rates - combined with cash grants of £25,000 through local authorities - will really help the small businesses run by many of our Postmasters .
22. I know that the Government is also working hard to try to finalise further measures designed to help small business to continue to pay staff and these will be announced shortly.



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23. I also make this commitment to Postmasters today.
24. No Postmaster should worry unduly about getting paid.
25. For the next three months – April, May and June – Post Office will be making additional funds available for postmasters who have suffered a loss of trade, through the creation of a dedicated 'COVID-19 Relief Fund'.
26. March remuneration payments which are due in 11 days will be received as normal - they are based on the sales period which finished in February.
27. And fixed remuneration payments will not be impacted at any stage.
28. The financial allocation within the relief fund should help meet the gap from any potential loss of variable remuneration if footfall declines.
29. We will be advising branches shortly what are the criteria for applying for funding.
30. This will be as straightforward as possible and driven by the variable remuneration levels of their branch.
31. I want all of us to ensure that no postmaster feels they have to close their doors unnecessarily though this national crisis.
32. Working together, we will ensure that we can remain open for business and provide the vital services communities across the country need – not least access to cash and banking services.

**Postmaster and customer first attitude**

33. We will only do this - as leaders in Post Office - if we ensure that we always put our Postmasters and customers first.
34. That should be our attitude.
35. It should pervade every decision we make.



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36. What is right for our Postmasters and our customers.
37. From my review of the business as Chief Executive these past six months, to achieve that we will need wholesale reform.
38. I am unapologetic. This is not the time for tinkering.
39. We need to reform our culture.
40. We need to reform our operations.
41. We need to reform our business strategy.
42. The 2020s provides the opportunity to reinvent this great national institution for the modern age, ensuring its relevance to all communities of the UK.
43. But it will not be easy as we must maintain an equilibrium between often-competing interests.
  - a. The Government, as our **shareholder**, rightly expects us to safeguard public money in our network and reduce our reliance on subsidy.
  - b. Yet our **customers** want us to be present in everyone their communities, no matter how remote, delivering high quality services relevant to them.
  - c. And our **Postmasters** want good products, simple processes and decent remuneration.
44. That difficult balance is currently out of kilter with modern commercial practice.
45. In recent years the imperative has been to restore a loss-making business to profit.
46. Our focus on profitability became too singular, with the result that insufficient time and effort was devoted to maintaining that delicate equilibrium.
47. In particular, the balance shifted too far away from the vital experience of our greatest asset, our Postmasters.



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48. Over the last decade, the high street has changed dramatically. Post Offices have changed too. But we have not always kept up.
49. Most of our agents no longer run a Post Office providing solely Post Office services, with the unsustainable costs and overheads that model implies.
50. We have rightly moved to a business model whereby, running a Post Office includes a much wider retail offering, such as a convenience store.
51. Today, you are more likely to find food and drink sold in a Post Office than envelopes and stationery.
52. As former CEO of Nisa, I saw entrepreneurial convenience store owners viewing Post Office as another supplier. An important one, but nevertheless one of many.
53. I do not think we have fully understood this change and modernised our culture and operating models to match.
  - We did not do enough to support a very different type of Postmaster – an entrepreneur with a wide retail offer in a very competitive market.
  - We did not show enough curiosity about the practical, knock-on implications of moving Postmasters away from fixed to variable pay.
  - We did not invest enough to make it sufficiently remunerative, having radically changed the formats in the business.
54. In the process, we became rather distant and hugely complicated for Postmasters to work with.
55. In short, our focus on the needs of our Postmasters got lost and, in that difficult equilibrium I referred to earlier, we allowed things to tilt far too far away from them.
56. We must now recognise fundamentally, that Postmasters ARE the Post Office and that we exist to serve them, and not the other way around.



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## Addressing the Past

57. However, I am deeply conscious that we will not be able to move forward and meet the needs of the 50,000 Postmasters and assistants working with us today - and indeed their successors – until we have done all we can to resolve the past.
58. After long discussions with former Postmaster Alan Bates and his colleagues, we were able to reach an agreed joint settlement with all the 555 claimants to resolve the issues in the Group Litigation.
59. Beyond the financial aspect of the settlement, we also undertook to establish an historical shortfalls scheme.
60. The scheme will provide any Postmaster, past or present, who was not part of the Group Litigation settlement with a simple, accessible, and fee-free route to addressing issues with past shortfalls they believe were caused by the versions of Horizon criticised in the litigation.
61. From next Monday, the 23<sup>rd</sup> of March, that scheme will be open to receive applications.
62. We will write to every current and former Postmaster and launch a national advertising campaign to explain how they can apply to this independent scheme.
63. As agreed with Alan Bates and his colleagues, applications will be open for at least a three-month period. We will keep this timeframe particularly under review during the COVID-19 outbreak.
64. Individual cases will be investigated and assessed in the light of lessons learned from the litigation by a body completely independent of our day-to-day operations.
65. If an agreed resolution on specific cases cannot be reached, Postmasters can use an independent mediation service to try to do so - we want everyone involved to have the opportunity to have their disputes resolved.



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66. In addition, we are co-operating fully and transparently with the Criminal Cases Review Commission (CCRC) in their review of criminal convictions of some former Postmasters.
67. We understand that the Commissioners will meet from next Tuesday (24 March) to decide the next steps.
68. The CCRC is wholly independent and receives applications directly from individual Postmasters.
69. Post Office will, of course, respect the decisions made by the CCRC and has not sought to influence the outcome of these decisions in any way.
70. Ultimately, only the Court of Appeal can overturn criminal convictions, and the legal procedures exist for a reason.
71. While I share the frustration of many in relation to the time these matters take, I also recognise that this is extremely complex work that must be undertaken carefully, independently, and with due process.

**Taking Action Today**

72. Just as we shoulder our responsibilities for the past, we must also lead with purpose and clarity.
73. To do this properly, we need to go far beyond giving what Alan Bates described to the BEIS Select Committee Inquiry 10 days ago, as a new lick of paint.
74. We need to strip things right back to the underlying structure, make the necessary modifications to the design, and ensure that it is rebuilt fit for the 21<sup>st</sup> Century.
75. We are going to turn the business on its head. Changing it, from a model that was more akin to command and control, to one of support and service to our Postmasters and customers.
76. This is fundamental – and the mission of everyone gathered in this room to deliver.



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- 77. We will help our Post Offices across the UK survive the COVID-19 outbreak.
- 78. We owe it to them to help them emerge stronger with a proposition that drives footfall, makes money and develops their business, delivering for our shared customers in their communities.
- 79. What does this mean in practice?
- 80. Well, I think there are three broad areas we need to address:
  - 1. a change of a **culture** at Post Office, becoming one of service to Postmasters and customers;
  - 2. greater **transparency around our commercial and financial strategy** and what we mean by success; and
  - 3. whether there are new ways in which Postmasters can participate in the business more fully, providing **more involvement and better incentives**

#### Culture of Service

- 81. Our focus for the future at Post Office is on the business-to-business proposition that we offer all 11,500 Postmasters, helping them deliver excellent service to the 10.4 million customers that come routinely into their branches every week.
- 82. I want us to listen, learn and better understand the complexities of their businesses.
- 83. We need to focus on ensuring our proposition is easy to use and simple to access and critically, that we offer a consistent service across the branch network.
- 84. We've already taken a lot of measures to reset the relationship.
- 85. Every Postmaster now has support from an Area Manager, a nationwide programme which was launched last year.



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86. We have recruited 15 people and repurposed 34 people from within the business amounting to an investment of £2 million in our new 94 strong area manager network.
87. They have regular contact with Postmasters, helping with operational issues, day-to-day advice and support and someone that they can run ideas past and ask question.
88. I pay tribute to our Area Managers right now helping Postmasters tackle COVID-19 and keep Post Offices open at this time.
89. We've also made changes to our training programmes with more people taking part in online modules.
90. Classroom hours have been increased for new and current Postmasters.
91. This will increase the quality, duration and availability of training for Postmasters, amounting to an additional investment of £1.2million.
92. We're also running a pilot trial of business development training, which is aimed at helping Postmasters develop their wider retail business, not just their Post Office.
93. The initial results are positive and I'm aiming that this programme is rolled out across the network in due course.
94. We also, of course, need to make sure Postmasters are fairly rewarded.
95. Remuneration had already been increased shortly before I joined by £20 million.
96. To my mind that wasn't enough to reward Postmasters for the service that they deliver to our 10.4 million customers every week.
97. So, we increased it again – by a further £17 million.
98. This means that from 1<sup>st</sup> April 2020 onwards, Postmasters will see a 10% year on year increase to their remuneration.



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- 99. We've also secured more customers walking through their doors every week through the exclusive bill payments agreement with British Gas.
- 100. Over 200,000 customers are routinely coming to Post Offices up and down the country every week as a result of this deal.
- 101. Over 10 million additional transactions have been processed in branches since Christmas, strengthening footfall in the first three months of this year.
- 102. We will need more such initiatives to counter the impact of COVID-19.

**Transparency about Commercial/Financial Strategy**

- 103. And all the more so as over the last five years we have seen very little top-line growth – with our revenues flat at around £1bn per annum.
- 104. Whilst we have driven efficiencies and cost savings to reduce the subsidy payment that we receive from Government, we now also need to think more creatively and strategically about how the business can grow towards a truly sustainable future once the COVID-19 outbreak has passed.
- 105. That is not to say that the reduction in our costs was not necessary – it plainly was, and indeed we will be strengthening our efforts, but we can't rely on this alone.
- 106. Growing our revenue, then, must become a medium- and long-term preoccupation. After all, our Postmasters rely on us to drive new business, so that they in turn are giving their customers what they want.
- 107. We therefore need to refocus our commercial priorities to our core strengths, simplifying our business proposition in three principal pillars: Mails & Parcels, Cash & Banking, and Foreign Exchange.
- 108. I want our established strengths in these areas to be consolidated and extended, beating off disruptors, and solidifying our position as best in class on the high street or village green.



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109. We will, therefore, in the new financial year be prioritising our investments into each of these three commercial priorities.
110. This will include finding new ways to leverage technology to improve the customer experience - such as starting your mails journey at home, but marrying this up in a way that will still deliver branch revenue.
111. Digital and physical retailing working together for the benefit of Postmasters and customers.
112. We have already shown that this can work through Post Office Travel Card, where Postmasters are remunerated every time a customer tops up their Travel Card on the App or in branch.
113. We will also be looking at new and innovative ways to work with Royal Mail and with other carriers in the coming years – making it more convenient for people who shop online or run small businesses, to access more services through our branch network and online.
114. The growing volumes of cash withdrawals and cash deposits we are seeing in branches, by individual customers and small business alike, are a testament to what we bring to people, communities, and the wider economy.
115. These are the services that our customers have told us they value again and again.
116. This is where we see the biggest opportunities for sustaining revenues, innovation and investment potential.
117. We are doubling down on the core.
118. But we also need to be honest about our position.
119. While it is my expectation that in the coming years we will be looking towards a degree of growth in overall revenue - primarily driven by the simplification of the business and returns from parcels, banking and foreign exchange - there can be no doubt that the changes we need to make this happen will have an impact on our profit.



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- 120. And that's before the impact of COVID-19 is considered.
- 121. So, I can today confirm that we will no longer be targeting £100 million profit in FY2020/21 and our performance measures will be recalibrated in agreement with the board and our shareholder.

**Involvement and Incentivisation**

- 122. The third and final issue is how we might look again at the very model on which our business runs.
- 123. I want to explore whether we can enable Postmasters not only to have a greater say in its future direction, but a greater stake in its future success.
- 124. I want Postmasters to be more involved and better incentivised.
- 125. I want to see whether the opportunity exists to consign the 'them and us' culture which continues, regrettably, to pervade in both directions, to history, and move forward in a much clearer and meaningful partnership together.
- 126. The first step is establishing a Postmaster Forum, which will run on a monthly basis and allow Postmasters to have far greater access to leaders within the business and raise issues that they are facing.
- 127. I hope that this will also be a space to develop and cultivate ideas in a cooperative and collaborative way, utilising frontline insight from Postmasters to come up with creative and innovative solutions that work well for our customers.
- 128. I think there is a very strong case for considering direct Postmaster representation in the leadership of the organisation, something I note was raised by one of the witnesses at last week's select committee hearing.
- 129. While one would of course need to examine the practicalities, it is the sort of step being taken in other organisations both at home and abroad, and I am open to its adoption.



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130. We will review this as we engage with Postmasters this year. I will listen to Postmasters at a series of events in every nation and region of the UK later in the Summer and Autumn.
131. Beyond that, though, I would like to engage in a more profound rethink, with Government, about how we might incentivise our Postmasters in the success of the organisation as a whole.
132. Postmasters are businesspeople and, while our interests should coincide, I am conscious that it too often does not feel that way. This should not be a parent to child relationship.
133. Is there a way to address this at a more fundamental level, giving them further incentives to complement their remuneration as Postmasters?
134. It seems to me that this has the potential to transform the nature of the relationship and make it truly mutually reinforcing for the long term.
135. So just as I listen to Postmasters about how to deepen their involvement in Post Office, I will engage with the government, our shareholder, about how to incentivise them more for the vital services they provide across the country.

## Conclusion

136. Let me end, then, by simply saying the following.
137. Right now our priority is to defeat the effects of the COVID-19 virus.
138. The economic uncertainty will be unnerving.
139. We must do all that we can to keep Post Offices open - providing vital services, particularly to the most vulnerable.
140. We will not waiver from the doing the right thing for our Postmasters and customers.



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- 141. And this will be the key to the wholesale reform we need to make Post Office sustainable for the decade ahead.
- 142. We must and we will fundamentally change the culture and operations of Post Office to serve our Postmasters and customers better.
- 143. Wholesale reform of the way we think, speak and act.
- 144. Make no mistake. This is going to be hard work.
- 145. But with honesty, clarity, and a determination on the part of everyone here and across the business to do the right thing, not the easy thing, we can overcome the effects of COVID-19 and secure a stronger and better Post Office.

ENDS

3,500 words - Approximately 27 minutes