

OFFICIAL SENSITIVE - COMMERCIAL

To: Baroness Neville-Rolfe
From: Michael Dollin, ShEx (x4383)
Date: 30th July 2015

Subject: Meeting with representatives of the Communications Workers Union (CWU) Wednesday 5th August 11.45-12.30

Meeting purpose: An introductory meeting with Dave Ward of CWU to discuss issues relating to Post Office.

Meeting attendees

- Dave Ward, General Secretary of the CWU
- Terry Pullinger, Deputy General Secretary CWU (Postal)
- Andy Furey, Assistant Secretary, CWU (represents on Post Office issues)

Biography of CWU attendees is attached at Annex D. Richard Callard, Tim McInnes and Michael Dollin from the ShEx team and Steve Guilbert from the Consumer and Competition Policy team will also attend.

Background

The CWU represent almost 200,000 workers predominantly in the telecoms and postal sectors. Of this number c. 4,000 are Post Office employees, working in the Crown branches and in the cash distribution supply chain. The CWU also claim a small number of active subpostmasters as members (c.100-150), although POL does not recognise the CWU on subpostmaster discussions in part because subpostmasters are not employees and in part due to the very small size of the numbers CWU represent.

This is your first meeting with Dave Ward, who became General Secretary of the CWU in June this year having previously been Deputy General Secretary.

The CWU have written to you twice since you became Minister for the Post office, criticising the Network Transformation programme, and the recent Memorandum of Understanding/funding agreement between Post Office Limited (POL) and the National Federation of Subpostmasters (NFSP). Both letters are attached at Annex D.

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While CWU will want to spend time discussing Network Transformation (NT) and other areas relating to subpostmasters. To the extent you can we strongly recommend that you steer the discussion towards areas which are within their remit, as direct engagement on NT may create a sense of legitimacy for the CWU on this issue. Similarly, we suggest that any points Mr Ward wishes to raise relating to Royal Mail or regulation of the postal sector more generally are covered in a separate meeting.

A suggested agenda and a list of other issues that may be raised is set out below. Lines to take on the issues we expect will be raised are attached at Annex A. Lines to take on issues we are not expecting to cover on the day are covered in Annex B.

Agenda

Points you will want to raise

1. **Welcome**
2. **HMG priorities for Post Office**
3. **What CWU can do for Post Office?**

Points CWU will want to raise

4. **NFSP – Post Office MOU**
5. **Network Transformation**

Other issues that may be raised on the Post Office (Annex B):

- a) **New chair of Post Office**
- b) **Horizon**
- c) **Government Services**
- d) **Specifics on Crown Transformation and Supply chain**

In your portfolio but not expected to be raised at the meeting (Annex C)

- **Universal Service Obligation and Post Regulation issues**

Outside your portfolio (Annex C):

- **Trade Union Bill**

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ANNEX A: Main Agenda and lines to take on issues that will be raised

1. Welcome

- a. ask attendees to introduce themselves*
- b. Explain your role – responsible for Post Office and postal regulation (but not Minister for Royal Mail).*
- c. Congratulations to Dave Ward who is new in post as General Secretary of the CWU.*

2. HMG Priorities for Post Office

Lines to take:

- It may be helpful if I set out HMG's objectives for government*
- a. A vibrant and successful network including 3000 community branches .*
 - b. A Post Office less reliant on public subsidy and operating as commercially as possible.*
 - c. We are keen to understand how we can get more apprenticeships in the Post Office.*

3. What can CWU do for Post Office?

- Post Office has negotiated a reform of the CWU's representation in the business. This will:
 - halve the cost of facility time (covering staff on Union duties);
 - improve the pace at which discussions are held;
 - remove CWU Royal Mail representatives from the discussions about the Post Office.
- The note prepared for you on 10th July is re-attached for convenience.
- From a situation with entrenched hostility and two strikes (2013 and 2014) this is a considerable achievement by the POL team.
- The revised agreements will now go to the CWU membership for ratification. While the leadership endorse this agreement if the membership rejects it Post Office can still implement them anyway though this will not be as positive an

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outcome as has been achieved through months of discussions with the CWU leadership.

Lines to Take

- *I understand that you have agreed a new Collective Engagement framework with Post Office. This seems a positive step forward in the relationship.*

Questions you may like to raise:

- *How they found the process and what they make of the new agreement.*
- *Can the CWU help to improve Post Office's viability further in the supply chain and in Crown branches?*
- *Can the CWU help with the Government's apprenticeship plans?*

4. NFSP and POL MOU

- The proposed arrangement with POL is for a 15 year funding agreement – NFSP will cease taking subscriptions and POL will support the basic operation of the NFSP (£1.5m p.a. subject to POL review of the NFSP annual business plan). It will also make available a further grant to be used to deliver special projects as agreed with POL from time to time (up to £1m p.a.). The CWU challenge is that this prevents them representing their small number of subpostmaster members due to the lock in they perceive this creates with the NFSP.
- Post Office's considered legal advice was that there was a small risk that the agreement could have been deemed an untendered contract and so published a Voluntary ex Ante notice advising the market of the agreement. They did not assess there to be a risk on the Human Rights Act.
- There has been no challenge so far nor is one anticipated.

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Lines to take

- ***The first thing to note is that the NFSP membership voted overwhelmingly for the new arrangement.***
- ***Second, it is a commercial arrangement between POL and NFSP.***
- ***Third it represents a fantastic opportunity for really constructive engagement between POL and NFSP as we move to make the network more viable.***

If pressed on the legality of the agreement:

- ***Can't comment on the legality of the arrangements which are a matter for POL and NFSP.***

5. Network Transformation

- Dave Ward's letter contained three main criticisms of NT. These were that it is
 - undermining the viability of the community branches;
 - putting at risk the viability of those yet to convert to NT the remaining branches; and
 - compulsorily ejecting viable postmasters.
- Suggested responses for these challenges are provided below.
- Note that the CWU does not have any concrete proposal for an alternative to the NT programme. Their only suggestion is a moratorium on further change while they form part of a wider engagement with others on how best to address the issues they believe it is creating.
- The NT programme is about getting a viable long term home for a community's post office. In a small number of cases where a branch could never be viable on the new models and there are potential alternatives in the community then Post Office has advertised for a replacement. If a viable alternative is found then the company has

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terminated the incumbent (with compensation) and moved the branch to the new site.

- Note that this is just one possible outcome for this group of c. 600 subpostmasters. Many in this category choose to convert or voluntarily leave the network and only a very small number – less than 100 - have had to compulsorily leave the network.
- Note also that the branch of one of the leaders of the CWU subpostmaster community Mark Baker is in this group of unviable post offices.

Lines to take on NT generally

- ***NT has had many successes so far – for customers, operators, Post Office and tax payers. These include:***
 - *increased retail*
 - *greatly increased opening hours*
 - *maintaining very high levels of customer satisfaction and*
 - *reducing the dependence on public subsidy.*
- ***75% of the branches in scope have either converted, signed up to do so or signed up to leave when a replacement can be found.***
- ***As the programme moves to conclusion the cases will get harder but we want to see the benefits of the programme realised across the estate.***
- ***Therefore we're not sure your suggestion for a moratorium is appropriate – the programme has the support of the NFSP and thus the vast majority of subpostmasters and has seen strong benefits so far.***

You may want to ask them what else they believe could be done instead of NT – which would address the decline in key markets and not require more subsidy.

Lines to take on Criticism 1 that the Community Branches are being undermined:

- ***The NT programme will not change the contractual terms of these “last shop in the village” branches.***
- ***There is also a £20m fund available to subpostmasters to make investments in their branch.***

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- ***This is led by the subpostmasters themselves - they choose what applications to make. Over £2m from this fund has already been approved.***

Lines to take on criticism 2 that there is a risk to the remaining branches- those which have not yet converted under NT and who have recently received the letter talking about the withdrawal of fixed pay:

- ***Of the branches who have yet to sign up to NT most should be viable on the new models and should convert as equivalent businesses have already done.***
- ***Public subsidy should not be spent supporting viable businesses.***
- ***Even if the engagement on a particular branch shows that it will not be viable then Post Office will look to find another site in the community.***
- ***These relocations are subject to local consultation and subpostmasters who leave the network receive compensation.***
- ***The goal is to keep a viable post office in the community.***

Lines to take on criticism 3: that the programme is compulsorily ejecting viable sub postmasters

- ***We support Post Office in its goal to establish a viable long term post office for each community. If in a small number of cases this couldn't be so with the current branch and there is an alternative in the community that is viable then, difficult as this is, it is in the best long term interest of the community to move the branch to the new location .***
- ***Remember that should a viable alternative be found the leaving postmaster will get compensation.***
- ***Note also that where there is no alternative (i.e. where no other local business wants to take on the post office) then the branch stays as it is on its current terms.***

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Annex B Other Post Office issues that may arise

New Post Office Chairman Tim Parker

- Tim Parker starts as Chairman at the beginning of October.
- While we have not seen any specific reaction from the CWU to Tim's appointment, we expect they may have some concerns, reflecting the media coverage which focused on his having been dubbed "Prince of Darkness" by a GMB Union official given his career history of business transformation and restructure (e.g. Clarks, Kwikfit, the AA and Samsonite).

Line to Take

- ***Tim Parker has an excellent track record of turning around retail businesses and brings invaluable experience to the role. We are pleased to have him on board.***

Post Office's Horizon Accounting system

- While the CWU have not been as vocal in the debate on Horizon as the Justice for Subpostmasters Alliance (JFSA), their small subpostmasters branch is highly critical of Post Office on this matter. They claim to have a small number of individuals affected by the issue and you recently wrote to Mark Baker of the subpostmaster's branch in response to his letter seeking to take part in any meetings alongside other representative groups. Your letter back to Mark Baker should reach him by the date of the meeting.
- It remains the case that following intense scrutiny over nearly three years, there is no evidence that the Horizon system is flawed. Moreover, there are options available to individuals who have raised concerns – mediation has been offered to all individuals remaining in the mediation scheme who do not have a criminal conviction, and individuals who feel any conviction they have is unsafe can launch an appeal or raise their case with the Criminal Cases Review Commission.

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Lines to Take

- *There has been a lot of independent scrutiny of Horizon and it remains the case that there is no evidence of systemic flaws in the software. Where improvements are identified, Post Office are making them, and I hope you will continue to work with Post Office on those improvements on behalf of your members working in the Crown offices.*
- *I would encourage individuals who have been offered mediation to take up the offer. Any individual who has a conviction may appeal it, or raise their case with the Criminal Cases Review Commission.*
- *[If needed: It is not appropriate to discuss individual cases, but I would encourage individuals to do so with Post Office and/or their MP].*

Government Services

- CWU may want to discuss the fall off in government services provided through the Post Office.

Lines to take:

- *Government cannot simply award contracts to Post Office, but it remains the largest provider of counter-based Government services in the UK and has renewed or extended a number of key contracts including the DVLA, Passports, and the Post Office Card Account.*
- *We recognise the importance of non-digital channels, and Post Office is well placed to play a role here.*

If pressed on recent withdrawal of NS&I premium bonds

- *I argued strongly for the direct channel through post offices but the Government must take a balanced view on what is the most effective means of delivery in each case.*

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Long Term changes to the business- supply chain and Crown estate

- CWU may be concerned about the on-going branch mergers (closing unprofitable crown branches and merging their business into the surrounding network).
- While there will be further mergers these will only happen where there is capacity and capability in the supporting mix of branches to provide sufficient cover for their communities.
- Post office will also be looking to make further reforms to the supply chain where the industry equivalents to Post Office are both more flexible and less costly. These are not yet public domain.

Lines to take on future changes to the Crown estate and the supply chain

- **We support Post Office in its continued drive to reduce the need for public subsidy which has dropped from a peak of £210m in 2012 to £110 this year and is forecast to fall further.**
- **Where Post Office proposes changes, for example to a Crown branch, they consult locally with the affected communities.**
- **We acknowledge the need to maintain the capability and the capacity needed to serve communities.**
- **However, as a sensible business Post Office should be seeking to improve the financial performance of the business.**

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Annex C: Non Post Office issues that may arise

Postal Services market and regulation:

Current CWU lobbying campaigns:

- **The People's Post:** CWU has launched a campaign 'to defend postal services and decent employment standards in the postal industry', which it considers to be 'under serious threat from privatisation (and the complete loss of a public voice in Royal Mail) and aggressive regulation, with Ofcom determined to push Royal Mail into a race to the bottom on terms and conditions and to promote competition and efficiency at the expense of daily deliveries.'
- **Keep Me Posted:** CWU supports the retention of the paper option for billing/info.

Line to take:

- *We fully appreciate the concerns of the Campaign to maintain the availability of paper bills and statements through the post. There is no current or foreseeable barrier to individuals receiving paper bills/info through the post. Should companies wish to charge for a paper bill or make a reduction for a digital bill or digital payment, they must ensure that the charge reflects only the differential processing costs incurred.*

BIS Select Committee Report on impact of competition on universal service

Lines to take:

- *BIS has responded direct to the Committee (June 2015). It will be for the Committee to publish the Department's response.*
- *Whistl's decision to withdraw its direct delivery operations has meant that dynamics within the market have changed since the publication of the Committee's Report.*
- *Our overall objective in relation to post is to secure a sustainable universal service that meets the basic needs of postal users in the UK.*

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Ofcom's 'fundamental review' of regulation

Lines to take:

- *We encourage all stakeholders and interested parties to participate in Ofcom's current consultation on its discussion paper on the proposed scope of the review. (Closes on 11 September).*
- *In the light of Whistl's decision to withdraw its direct delivery operations, seems reasonable for Ofcom to reassess the working of the regulatory framework.*
- *It is for Ofcom, as an independent regulator, to determine how it uses its regulatory powers to meet its statutory duties.*

If pressed on CWU's concerns over Ofcom's review of 'efficiency' at Royal Mail:

- *In carrying out its primary duty to secure the universal service, Ofcom is required under the Postal Services Act 2011 to have regard for the financial sustainability of the universal service and its efficient provision. If it did not give consideration to the efficiency of delivery, it would not be meeting its statutory duty.*

Privatisation of Royal Mail

- The CWU is lobbying for the re-nationalisation of Royal Mail.

Lines to take:

- *There is no case to re-nationalise Royal Mail. Royal Mail has shown that it can thrive in the private sector, successfully raise private sector capital from the bond markets and continues to provide the universal postal service.*
- *The Government does not need to hold onto its shares in Royal Mail. The public's interest in ensuring the provision of the universal service is protected through legislation and regulation.*
- *A successful Royal Mail with a sustainable future is the best way to achieve the CWU's aspirations on terms and conditions.*

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Employment standards:

- During the BISCOT inquiry, RM and CWU raised concerns over the lowering of employment standards by their postal competitors.

Lines to Take:

- *Terms and conditions are for employers and employees to agree.*
- *Zero hours contracts have a place in today's labour market, supporting workplace flexibility.*
- *Exclusivity clauses in this type of contract are wrong, which is why The Small Business, Enterprise and Employment Act 2015 effectively bans them. Also note that Community, the union at Whistl (the second biggest postal company), has negotiated an end to zero hours contracts.*

Whistl access pricing complaint

- Ofcom is investigating Whistl's complaint under the Competition Act 1998. Ofcom has now sent Royal Mail a Statement of Objections – a provisional view that RM breached competition law by discriminating against competitors – namely Whistl. Royal Mail now has the opportunity to respond.

Line to take

- *This is a matter for Ofcom, as an independent regulator and Royal Mail's management. Would not be appropriate to comment on the ongoing investigation.*

Trade Union Bill

- The CWU may want to discuss the upcoming bill. It will:
 - enable the hiring of agency staff during a dispute;
 - require a majority of union members to vote in a strike ballot;
 - in key services require that 40% of those in the union are in favour of strike action before it can take effect (i.e. up to 80% of those who voted if only just over half of the membership did so); and

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- limit a mandate for a strike to 4 months.
- All recent CWU ballots for strike action in the Crown estate in 2013 and in the supply chain in 2014 would have been legal under the new terms with well over half the membership voting on both disputes.
- If these were repeated under the new bill the ability to hire agency staff would likely reduce the impact of a future strike in the Post Office supply chain as there is a good supply of non-unionised labour in the sector. Based on experience last time the main impact would be on cash flow management- with POL having to increase levels in branches to offset possible interruptions in service.
- Based on experience future strikes on the Crown network would likely see most Crowns remain open but with a much reduced service.

General Line to Take

- ***The Government has been clear that it intends to fulfil all its manifesto commitments. The Trade Union Bill is delivering one of our key election promises and my colleague Nick Boles is leading the team on it.***

If pressed on the rationale for the legislation (same lines being used by the bill team):

- ***The Government supports the right to strike but we need to get the balance right between the interests of unions and the interests of the majority of people who rely on the services provided in important public services.***
- ***We want to pass this fair law to make sure that strikes are based on a clear majority of votes by a reasonable proportion of a union's members, and that they are based on up to date and audited membership lists, and state clearly the reason for the dispute.***

If they raise specific points on the bill:

- ***While I do not lead on the bill I'll be happy to pass on your specific points to Nick and his team until they get them more formally as part of your consultation response.***

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ANNEX D: BIOGRAPHIES OF MEETING ATTENDEES

Dave Ward, General Secretary of Communications Workers Union (CWU)

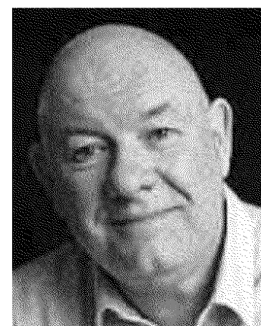
Dave started work as a messenger boy at Tooting Delivery Office back in 1976, becoming Tooting Branch secretary six years later and then holding the same post in London South West Branch from 1992.

After a year as London regional secretary, Dave was elected as one of the CWU's two divisional representatives for the capital in 1996 and he served in that position until being voted onto the postal executive council in 2000.

Dave succeeded Billy Hayes as outdoor secretary in 2001 and then two years later, he stood for, and was elected to the post of DGSP. In 2015, Dave succeeded Billy Hayes as general secretary.

Born in Lambeth and a lifelong resident of south west London, Dave is married with four children.

As well as being a supporter of Chelsea Football Club, Dave is also a keen blues guitarist and cites Rolling Stones legend Keith Richards and US slide guitar wizard Ry Cooder among his musical heroes.



Terry Pullinger, Deputy General Secretary (Postal)

Branch Committee 1989, Branch Organiser/Assistant Chairman 1990-92, Delegate to Annual Conference 1991 to date, Unit Processing Representative Dartford MLO 1992-94, Area Processing Representative 1992-2000, Sub Divisional Officer 1994-96, Divisional Assistant 1996 to date, Delegate to TUC 1996-99, Branch Chair 1999 to date, Postal Executive 1998-2000, Assistant Secretary Parcelforce/Mail Centres, Deputy General Secretary (Postal) 2015.



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Andy Furey, Assistant Secretary, CWU

Andy began working for the Post Office as a Counter Clerk in 1978 at the age of 16. In 1988 Andy became a Divisional Representative working at the London Regional Offices. In 1993 he was elected as a Postal Executive member, a position he held for 8 years. Andy was then elected as Assistant Secretary to the Clerical and Cash Handling Department, and is currently in his third term, having been successfully re-elected in 2012. He is responsible for representing over 4500 members working for the Post Office, including Crown Offices and the cash processing and delivery operation. He is also responsible for a growing number of Postmaster members working in sub-Post Offices.

