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SPECIAL CONFERENCE

Thursday 18 - Friday 19 June 2015
Holiday Inn, Birmingham Airport

Thursday 18 June 2015

OPENING OF CONFERENCE

NATIONAL PRESIDENT MR JIM NOTT: Welcome to Birmingham. Thank you very much for making the effort to come to the Special Conference so closely after our National Conference. Can I please hand over to David for the Health and Safety?

DAVID MILNER (National Executive Officer): Thank you National President. Morning ladies and gentlemen. The toilets, as you've probably found out, are out of the entrance to the room, turn to the right, there are some gents on the right hand side and the ladies are further around past reception. But apparently if it's congested at lunchtime there are some through the first door to the right and down the stairs.

In regards to fire alarm activation there is a planned alarm for twelve o'clock tomorrow lunchtime, so nothing today but twelve o'clock tomorrow lunchtime. There is only one exit out of this room so please if the alarm goes off you need to form an orderly queue behind me. (laughter) But it's the way you came in and then straight out through the double doors and you congregate at the far end of the car park. But please, it's quite congested, if there is an alarm form an orderly queue. I'll hand back to the National President, thank you.

NATIONAL PRESIDENT: Thank you David. Just further to that, lunch will be at half-twelve today is in Marco's and the bar which is the reception where we came in. There will be a tea break at 3.00pm and dinner will be served at 7.00pm in the Lancaster 1, which is the unit next to us here.

That's our agenda for today. We'll be running through the background of the change, the network reconstruction and why we can't stay the same. We'll outline the three choices for our future and at the end, number seven, there will be questions and answers. What we would ask you to do when the questions and answers are open to the floor, please use the rostrum that's available. Can I hand over to George Thomson.

GEORGE THOMSON (General Secretary): Colleagues, friends, thanks for coming today, this is probably the most important conference for a long, long time for the Federation, and just to give the background of where we are. Now, if you go back to 2003 the turnover of Post Office Ltd within Royal Mail, without any subsidy, and remember we had the benefit books at the time, 2003, £1.2billion. Now, if you look at the government inflation calculator from 2003 to 2015 inflation has been 45.35%. Now what does that mean? That means that £1.2billion just to have stayed the same as a turnover for a company would have had to have grown by £544million. So our turnover, to be as a big as we were, as a company, Post Office Ltd 12 years ago should have been in the region of £1.8billion. The reality is without subsidy it is now less then £900million. So that emphasises the background to where we are.

Now the customer numbers have drifted down and I just want to say, before we get much further into the presentation, in the right location with the right attitude and the right business mix you can still run a very successful, profitable post office but it is becoming harder and it's becoming harder for the reasons I've already indicated. If we look at the 28million, it's drifted down to 16million and the reality is the Post Office are still losing 500,000 customers per week per year. So this year the number will be down to 15½ million and if we don't address it it will be 15million and the year after it will be 14½ million. So the reality is whatever we do as an organisation the numbers, whatever we pick, CWU, NFRN, the MOU, we're still in a very, very difficult trading environment.

Now I don't have to go on too much about the change in new technology. The reality is many of the people when they came down to the airport, their boarding pass was on their mobile phone. Apple are doing an app very soon where people will be able to pay their bills. At the moment you've got a credit card and your debit card and it's contactless. Apple are bringing out an app where you'll actually be able to do with your phone what you do at the airport with you boarding pass. £5.50 at Starbucks, okay they won't pay any tax on it, £5.50 in Starbucks, you'll touch your mobile phone in the future. So things are changing enormously. How many people shop online now? I booked a holiday to Turkey for next week and it's online. We all do that, you go onto the different websites, the Trivago where you compare the prices and there's four or five booking.com, we all do it now, railway tickets, we know what's happening out there.

The high street has become ultra-competitive and one of the things that's really been a big struggle for all of us is that newsagents, convenience store operators, they're so desperate to survive now that they're doing competitive products against us for rates that they wouldn't have even entertained 20 years ago.

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So everybody is involved in a race to the bottom, everybody, and if you look at the bill payment, if you remember bill payment used to be in your core tier payment and it was worth about eight years ago, 23p, 25p per pop. Now for a bill payment you're getting 6p, 8½p, mobile phone top-ups the rates have collapsed, so you all know what's happening out there.

Now again, I want to re-emphasise that this is not a silver bullet, whatever we do for the future of the Fed, there's some really hard choices coming our way, some really hard decisions coming our way and I believe it would be wrong for me not to tell you that we had a conference, a special conference in West Bromwich 16, 18 months ago, November 2013, and this is the presentation that we gave the delegates and this was to endorse Network Transformation 2 which allowed more compensation to leave, more investment money to stay, a degree of compulsion, but one of the pages we've got 18 months ago 'Don't miss the boat.' and what we say, every likelihood in three years' time there will be no money available for changes, no government money for restructuring, no government money for compensation and fixed pay could disappear for everybody.

So in the next two days regardless of what choice you made there will be a letter going out from the Post Office to the people that have not engaged with Network Transformation. Not the Community offices, and not the 5,500 that have said 'Right I want to go.' 'I want to stay' but what that's going to say quite clearly is that fixed pay is going to disappear from the network apart from the Community offices. The logic behind it is what I said at conference, the government subsidy three years ago was £210million a year, it's now down to £130million, the government want the subsidy to go down to £50million or £60million and the subsidy, as far as their concerned, is to pay the fixed pay of the rural Community offices predominantly and some urban deprived. That is it. So in the future there will not be the money, fixed pay is about £110million a year still for everybody, there will not be the money in the future for fixed pay for everybody. So the letter is going to say 'You have to engage with the programme, you have to tell us by 31 December if you want to go, if you want to stay, but you cannot sit on the fence any longer' and if you sit on the fence from 1 January fixed pay will disappear if you do not make your mind up what you want to do. Again colleagues, the Federation were the people four years ago that allowed you to stay on the contract you were all on and not have to engage in Network Transformation.

So there's big issues coming down the line regardless of the choices you make today, and if you think by joining the CWU you can stop fixed pay disappearing for most people, that will not be the case. If you think joining the NFRN will stop it happening, that will not be the case and signing the MOU we will not be able to stop that either. The government are not going to pay the kind of money they have to to keep fixed pay for everybody, it will not happen.

Now turning to the Mails market. The Mails market is massively aggressive, the myHermes, the CollectPlus, things are very, very difficult out there and the Post Office are a little bit concerned that maybe in the past they've closed too many offices and maybe there are some parts of the country where there's a post office desert, not enough post offices, and that myHermes, CollectPlus, DPD, do not have sufficient post office competition.

Now one of the things that we didn't tell you at conference because we actually stopped the Post Office doing it, we were at a meeting last September and Ian Kennedy, who has now left the company, Ian Kennedy thought it would be a great idea to have 8,000 new post offices, 8,000 new points and actually we stopped him doing it. Ian Kennedy has been sacked and any extension to this network will be controlled, it will be managed and it will be tiny, it will be tiny, because if you had 8,000 new post offices then we would have all went bankrupt. So this Federation never, ever sits on its backside, we always fight our corner and that threat is away and if you recall what Paula said at conference, she's opened the equivalent of 2,000 new post offices because of the extra hours and that making Network Transformation work is the most important thing.

And the last point up there, the customer base is still diminishing. Government services are declining. It's still their policy that the government should deliver Front Office of Government strategy but it is not going to happen I know some people feel that we should try again to launch a campaign. For 20 years different governments of all political persuasions, so this is not attacking Labour, it's not attacking the Lib Dems, it's not attacking the Conservatives, none of them have delivered new work and that's because new technology, quite frankly, is happening so fast and society is changing so fast that the government are being left behind and they've now got to save money, so it isn't going to happen in a serious way.

You all know this here. We have supported, if you like, three major restructuring programmes. Urban network reinvention 13, 14 years ago, Network Change very recently eight or nine years ago, NT1 and NT2. Now Network Transformation 2 was just a tweaking of Network Transformation 1 but what it did do, and just for the avoidance of doubt, if you left in the past with Network Transformation 1 you only got 18 months compensation. The Federation got it up to 26 months. If you converted to a Local the only money you got to help you reconfigure your shop and become more of a retailer was 18 times your fixed pay, so if your fixed pay was £1,000 you only got £18,000 to help you. We got that increased that you get one year of your normal pay, so if you changed to Local and your pay is £40,000 a year or your salary or your remuneration, whatever you want to

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call it, you got £40,000. Now that happened under NT2 as well, so Network Transformation 2 made it quite a lot better and we supported it.

Now there are some people who have said to me 'George, the Federation have sold out. We've supported three lots of closures, it's not worked' and really if you look at the fact it's not worked is neither here nor there. I would have loved it to work, all of these programmes have tried to turnaround the fortunes of the post office network in a world that's changing and the customer is changing and it hasn't worked in the sense that we're really in front of the game or it's worked tremendously and we're all making a lot more money, but what these three programmes have done is help roughly about 7,000 of our guys and girls leave with compensation. The ones that are staying, some of them have had £80,000, £100,000 of investment and the question I would ask this conference is how much worse would the situation be facing subpostmasters if there had not been any network restructuring over the last 13 years? It would be chaos, there would have been thousands of people leaving with the keys getting handed in, so surely it was far better to do this than to actually have sat back on your bums and done nothing at all. I make no apologies that my predecessor Colin Baker, previous Executive Councils, myself and the team for the last 8 or 9 years, we make no apologies that this Federation has supported Network Transformation, Network Change, all the network restructuring. It would have been carnage for the network if we had not done that.

But there has been a price and the price for the Federation, quite obviously, is that the game is up. We were historically, and we've been around 118 years, we were an organisation that was independent, and we still will be, but we represented predominantly standalone postmasters, postmasters with not a lot of retail and maybe some cards and stationery, exactly as I was 25 years ago. That's what we've done and the network is changing, the multiples will have 25% of the branches, more and more people are becoming retail focused. Our National President became a Local and invested the money he got in becoming more retail focused because he realised that no-one owes him a living and he has to change because if he didn't change he wouldn't survive. The downside for the Fed is we're just the vast majority of our membership base and we knew it was coming. We knew every time we went into meetings if we support this this is another 2,000 members away, but we did the right thing, this Executive Council did the right thing. We put our members' investment first even though we knew, as an organisation it was bringing forward the day of reckoning where we could not survive on our own and that's exactly where we are now.

Now the first discussions with the Post Office on a MOU were probably well over three years ago, certainly intensive over the last two years. Now some of our colleagues have said to me 'George, why can't we stay the same?' and the reality is we just physically do not have the critical mass and the economics, the scale of economies to stay the same, because if you've got 10,000 members or 5,100 you've still got to have an Executive Council, you've still got to have a headquarters and we've cut back, there used to be 20-odd people in headquarters 10, 12 years ago, there's 12 now. So we've, as Assistant General Secretaries have gone we've not replaced them, we've always made savings on an ongoing basis as we lost membership. But you're now down to a situation where 5,100 members running about 5,400 branches run our outreaches, we don't have the critical mass anymore to survive, we're running a deficit now probably of £200,000, £250,000, £275,000 a year. For the Federation if 20 people turn up at a branch meeting it almost costs as much as 40 people turning up. If we have a conference, if we've got 100 people that doesn't give you a big saving from 140, so just because you get smaller doesn't mean to say your costs go down dramatically, they go down but not dramatically. So we are struggling to maintain going forward. We've got about £2miillion in the bank and our headquarters is worth about £1million. That's where we are.

The big issue for us isn't just money. Because we're a standalone organisation and we represent post office specialists, the new people that are coming into the network, the Local operators especially are not joining the Federation. They're saying to people like Ian Park and myself and Paul Haines 'Look my shop turnover is £20,000 a week, my post office salary is £10,000 a year as a Local, why do I want to join a post office specialist organisation? Retail is what interests me.' The big worry, in my opinion, if we do nothing is that quite rightly I believe that Post Office will say in the future 'You only represent 12% of Locals, we'll speak to you about the Community offices, we've speak to you about the Mains', because we've got about 50% of the Mains, 'but we won't speak to you about the Locals' and there's going to be 6,000 Locals, more than half the network and that is a big, big worry for us. New people are just not joining.

So the message from this Federation is quite clear, we would love a situation where we could continue as we are, we would love a situation where the post office network was 20,000 as it was 20 years ago. We'd love a situation where we had 12,000 members, we'd love a situation where everybody joined and it was almost a closed shop, but that is not where we are. The Federation cannot stand still it has to move on and there is not a better time than moving on now.

Now I'm going to hand you over to my colleague Ian Park for the choices for the future of the Federation and Ian's going to give part of the presentation and then big Jim and Paul Haines are going to go through the rest as well. Okay Ian.

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IAN PARK (Chairman, Negotiating Committee): Okay, thanks very much. Well, as George has just explained, we can't stay as we are, we recognised that probably two, two and a half years ago. We started making enquiries, we started doing some research, down at headquarters there was a lot of work done, what are we going to be able to do, what sort of options have we got? We looked at the possibility of a couple of options which would be to join other unions, we looked at a couple of options which were going to be changed and merge with other associations. So although we've only got two other options now and the MOU I'm going to tell you a couple of little bits about two options that we've not got to consider this morning.

We did consider approaching Unite, or we did approach them, we considered them as an option as an alternative union. They represent a couple of million people, they are a massive organisation and it became clear actually, very soon in the piece, that we would be completely swallowed up in their organisation, and truth was that when we approached them they also said they weren't really very interested in us. So that was a nonstarter.

We looked at the Association of Convenience Stores. That is also a big organisation, it claims to represent lots and lots of independent traders. It turns out that actually it is an association of some very big retailers, some very big wholesalers and it turned out that the likes of myself, because I'm a Premier Store, I'm represented by them. Nobody's ever told me I'm represented by them, a lot of these people supposedly are being covered by them, they claim to be speaking for an awful lot but in truth they speak for a bunch of retailers, big retailers, big wholesalers and big companies like Coca-Cola producers. So that was not really the right way to go.

So the options that we did have were a merger with the National Federation of Newsagents or a merger with the Communications Workers Union. When we get to looking at what those are you will see that there are certain similarities, that's not by chance, that is absolutely by design. We wanted a situation where we would go forward as best we can, that the new organisation that we'd become, be it one of these others or be it with the MOU, as close as possible on day one of the new organisation we will be how we were on the last day of the existing Federation of SubPostmasters. We wanted the same people to be represented, we wanted the same representation. Not only did we want that, Post Office wanted that, they don't want to have a completely clean sheet of new people who've got no experience with it, who've got no history with it, who don't really know the industry terribly well to come along and start being the ones they have to negotiate with or to be negotiating on our behalf and subpostmasters' behalf. So there are some similarities. There are similarities, obviously, in the MOU proposition because on that one it's absolutely intended to be as close as possible to what it is now.

So where are we? Moving us on. The NFRN offering. The NFRN, why did we choose them? They are very similar in many ways to what we are. They do have a branch structure, a regional structure, a national executive, they're quite similar in the way that they're set up and so there would be some easy long term methods of getting ourselves together, the type of set up that we are at the moment would fit into theirs, we would be able to have joint meetings, joint regions, joint executive at some stage. That would be the future, but it would have been a long way down the line.

There are also some other similarities, and these are more on the downside to be honest. They're an industry in decline, newsagents, absolutely an industry in decline. For all the reasons that George talked about this technology, there are less people buying newspapers, they're buying them online, they look at them on their tablets and the iPads as they're going into work on the train and that type of thing. I'm a newsagent, I can tell you with absolute certainty over the last four or five years my news bill probably dropped by 50% and we do not want particularly to be joining with another industry which is in decline. They've also got falling membership, the same as we have. Again, not a good situation.

But what would be the upsides and what would be the options that we would have with the NFRN? We would remain an autonomous organisation, we would be kept separate, we wouldn't be on the merger point straightaway, we wouldn't be on joint meetings straightaway, we would keep our organisation pretty much as it is right now, local branches would stay, regions would stay, Executive Council would stay. The headquarters would stay, that's quite important to us, not only because we like the people who work in headquarters but actually they've got a huge wealth of experience, they've got a good history and there is a real good reason for keeping them on board if we're going to have any sort of new organisation we will still need those people.

We would retain the principle negotiating rights in terms of dealing with the Post Office and that would absolutely be the necessity. The NFRN have got no history whatsoever of negotiating with the Post Office, although they do have some members who have post offices in their buildings they don't represent the post office part they represent the newsagent part. So that way we would retain the specialisation.

So what are the pros and cons of the NFRN offering? They represent about 15,500 small self-employed independent, and they are all independent they're not multiples, they don't look after the likes of Co-ops and so on, they are small self-employed independent business people and we are the same, so that would be good.

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They do have a significant commercial offering, rather better than ours in fairness and that's partly what keeps them going. They're finances, they're also losing membership, they're also losing subscriptions, but they do have a very good commercial department which is keeping them going and they have good assets.

It would, for the time being at least, keep the critical mass of both organisations and the two together when they were talking with government about things would obviously be claiming that they speak for that many extra members. It would keep that pressure going when they're talking to government, when they're talking to the industry in terms of saying we now represent, what would it be, 17,000,18,000, more, 20,000 maybe, because there are some common members.

What it would mean is that actually when we did go down the path of merger completely in three, four, five years' time, you would be talking then in terms of having lost the specialisation. They would obviously be starting to try and learn that specialisation but it would not be an easy learning curve, it would be quite difficult if the existing people are no longer on the team then they've got quite a steep learning curve if they're going to get up to speed in terms of negotiations with the Post Office.

There's currently about 2,000 members that we think, although they claim nearer 3,000 of their members, who currently own a post office, so it wouldn't be an absolute, the two, 15,500 of them and 5,500 of us, it wouldn't be those two joining together, so it would probably be nearer 18,000 members.

But the other bit that is the most important part about their offering is that they have to say to us 'You look after yourselves financially, we can't support you, we've not got the sort of resources behind us that will allow you to be just taken over and we support you' so we have to stand on our own two feet with their offering and actually we're not in a position to stand on our own two feet now, why would we be doing this if we were in a position, George has explained why we can't stay as we are, whilst there would be some savings, some centralised costs, they would not be sufficient to keep us going for any length of time we would still fall apart in my opinion if we went with the NFRN.

So I'm going to talk a little bit now about the CWU offering and there are definite similarities here with some of the things that I'm going to talk about so it probably won't take quite so long. We would remain autonomous, we would keep a separate section within the CWU for five years. They also run with local branches, regions and a national executive, so those things would stay the same and we would retain our branches, regions, executive, we would have a seat on their national executive and they've probably have a couple on ours, but actually essentially we would stay pretty much the same. Again they've agreed that our headquarters staff and premises would be retained for the five years, so again we keep that wealth of knowledge and that experience.

The NFSP would be the ones who would lead on all matters with the Post Office and Royal Mail which are relating to subpostmasters, but they do also have their own experience and their own expertise in dealing with Post Office and Royal Mail. So the specialisation would be retained now and going forward when there was more of a merger they've got some of their own specialisation and expertise, it wouldn't be such a steep learning curve for them.

Our assets would be ring-fenced, they would not just take us over but actually they do also have big assets behind them, they have big reserves and they are able to offer some sort of financial support when we get into financial difficulties. We would also have, I think, a better option of being able to lean on them for some of their centralised support, things like printing, their helplines, legal help, that type of thing. We would get a better benefit from the CWU offering than the NFRN when we're talking about those centralised things, so from that point of view there would be savings.

So the pros and cons of the CWU. They are a strong organisation, they've got a couple of hundred thousand members. They are all basically in the same types of industry that we're in, the Mails, the telephony, the Crown office staff that type are thing are mainly their members, so we've got similarities in that respect.

There is the concern, would we be swallowed up? I don't think we would be in the same way, it isn't so big and when they presented to us they did make it clear that they have sections now and one section does not necessarily fall foul of another one, if it does then they help them out, they don't keep the decision that says 'Well actually if the cleaners have got a problem and that would cause a whole load of Crown office staff to be out because there's no office cleaning, that's what they have to do.' They don't say to the cleaners 'Well we can't support you because it will upset the rest of the membership'. They have a way of getting around that, they did explain to us that that's what we would be, we would be a separate autonomous section and we would still get the right level of the support, we wouldn't necessarily just be outvoted if it ever came to that type of thing.

They do understand the industry, there's no question that they understand the industry but it has to be said that they stand on the other side of the industry when it comes to what they're supporting and who they're supporting. How long have we been saying as a Federation it's time they got rid of Crown offices they lose us a

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fortune as an industry. The CWU are absolutely on the other side of that argument, they say 'No these are our members, these are the people we need to support, we do not need to be closing Crown offices we need to be keeping them open.' In the past they've approached some of my staff and said 'Would you like to be a member of our union?' I can't see how going forward that's going to be very helpful to me if they're representing me as a member and they're representing my staff as members and there's a pay dispute between the two. Which do they support? There are going to be tensions, they say they can get around them but there will be tensions. But they do understand the industry, there's no question of that.

Dave Ward, when we met him, I quite liked him as a guy, but he did come across, to me at least, as a bit of a traditional trade unionist, he sort of fulfilled the role in my eyes. That may not be fair but it's how I saw it. But he's more progressive than Billy Hayes was when we're talking to him, although Billy Hayes has moved on now and Dave Ward is the General Secretary, he seemed to be more forward-looking. He's absolutely keen to be looking to be representing the self-employed section, they already have self-employed people, some of their self-employed drivers and that type of thing. They do have members like that and they see no problem in being able to represent self-employed subpostmasters, there is no problem in the way that there was with the Certification Officer, with us being only self-employed. There's absolutely no problem with self-employed people ourselves being part of the CWU because they would still have, the majority of their membership would be employed. So those things don't come in to it. So those are the good sides.

The downsides would be that although we've got, that says 5,400 up there, that should have been changed to 5,100, we will not be taking all of those with us if we go to the CWU. That is not because they're not entitled to it's because there's just a cultural change, some of our members as we've been going around holding these meetings have absolutely said 'I'm a self-employed businessman, there's no way that I'm going to go and join' what they perceive to be 'a militant trade union.' That's just a fact. How many would go over is anybody's guess, in a worst case scenario it might be 3,000,. 3,500 if we paint a really bad picture of what the future is and we thought the CWU were going to save us from it. But, as George has said, we don't think the CWU are going to be able to change us from the future that's going on right now, namely the change in the structure going forward, that's as it is. They're not going to be able change the fact that government subsidy is what it is going forward, we will be what we are.

For the same reason that existing subpostmasters are unlikely to join it is the same thing that George talked about with new members coming along, most of the new members that are coming along have got a large retail business and a relatively small post office alongside it. Those sort of people they're not joining our trade association, our Federation, they're certainly not going to join the CWU going forward, so it is still going to be a continuous diminution of numbers. And actually we will be faced, if went with the CWU, of actually winding up just looking after existing subpostmasters, standalone subpostmasters largely, but there we are. That is how it is at the moment, that's the offerings. I'm going to handover to Paul now and he's going to talk to you about what the options are with the MOU. Thank you.

PAUL HAINES (Chairman, Transformation Committee): Thanks for that Ian. Good morning, colleagues, friends. It falls to me to take you on to the offering on the MOU which, I have to say, gives me great pleasure. There were many times, George said this first came on the table maybe three years ago, but absolutely the very, very tough work started 18, 20 months ago and it's been a long road and at many times down that road I absolutely wondered whether today would ever come. So it's great to be here to be able to stand up and officially put this to our members and the delegates here as to what they want to do and what choice they wish to make.

So what's different about this? Well, you can see from the first line that this is a 15-year deal, whereas the other assurances from the other two organisations, the CWU and the NFRN are long term deals but there's kind of five-year 'Well we'll see how we go for five years, you're all right for that five years, that's the assurance we'll give you, but we'll have to assess it after that.' I'm not saying it's going to stop with either the NFRN or the CWU after that but they're not daft, they're not just going to give us carte blanche for 15, 20 years and go 'Yes, get on with it and we'll just support you come what may.' They're going to want to see how it goes, if we join either of those other two organisations.

So why is the Post Office one 15 years? Well, quite honestly because George and the team that George has led through all these negotiations told them that's what we wanted and we weren't taking anything less. They tried, the Post Office, when they saw, because it wasn't long after we had the talks with the NFRN and the CWU that it was pretty soon back to the Post Office and they were fully aware that the assurances we've got were only 5 years and that was one of the major sticking points why this has taken so long, because they suddenly came back to us and said 'Well you can have a 15-year deal but actually we'd like to review it every three years, every two years maybe and we'll see how we go' and we went 'No' and I think that was a meeting we walked out of fairly quickly. So they came back and they went 'Well okay then, you've got five years from the others, we've give you a 15-year deal and we'll have a review after five years and ten years and see how we're getting on.' So we left that meeting fairly quickly as well. So there were two days when we travelled down and I suspect the meetings started at nine o'clock and by quarter-past-ten I was headed out of Old Street at the time back towards Kings Cross to get on the train back to Doncaster. So we stuck at it and it came down to the eleventh-hour and

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we said 'No, this is absolutely it, it's 15 years or it's nothing and if it's nothing we'll just have to admit that this journey is too hard to get this done' and it was the eleventh-hour as well, it was not so very long ago and there was a very tense hour or so when the Post Office team walked out of the meeting to go and check things with legal advisors and get some further approvals from their slightly more senior colleagues. But all went well in the end in that meeting and we stand here today with a 15-year deal, there are no breaks in this one whatsoever.

So what would it mean for us? Well we've talked about our finances and why we cannot go on the way we are. Under the MOU, there are two strands to this. For our general costs and the cost of a national organisation which potentially, should you delegates here today accept this, will represent 11,000 sub post offices, is going to cost around £1.5million a year to run and our subscription income, currently diminishing, is not going to get anywhere near that cost as we go forward. So it would secure the specialisation that we keep, the pressure that we keep on government, the pressure that we keep on the Royal Mail and with the Post Office to support subpostmasters and stop some very bad things happening and try as we move forward to turn this boat around again, and it's like driving an oil tanker, to start getting you some good news coming in the future. The £1.5million, so that's just our general day-to-day operating costs.

There is a second section which will be a minimum of £1million a year which will be for specific grants. Certainly as I've gone around the country and it's one of my key ones that I really like, that it's been really interesting that if you're travelling to a meeting and you drop into a couple of offices on the way, or if you've got there early you go and see two, three, four offices in a day, and whether they agree with you or not, and I remember being over in Belfast and there was a chap in Newcastle in County Down, I got that bit right, I remembered where I was although I did have to check behind me for a nod but there we go, and he basically perhaps tended towards a more militant side and would have wanted to join the CWU. We spent an hour in his office, lovely shop, he told me all his problems, and he has got some even though it's a wonderful shop, but he was so pleased at the end of it that somebody had taken the trouble to actually go and see him and spend an hour in his shop. So I'd like one of these specific projects to get somebody out in the field in every region in this country and they'd become paid employees of the Federation, but that won't come out of the £1.5million that will come out of the specific grants going forward over the next 15 years.

So I've already said this will eventually practically double, or more than double, our numbers. So if you guys accept this on 1 October all new model operators, so everyone who has signed up for a Mains or a Local will automatically be enrolled by the Post Office into the NFSP. They will obviously have the choice of declining that but they will be enrolled and then if they write in and say 'Well actually I don't want to join you' then we accept that, but the Post Office are still going to pay for them because they'll still be entitled to any benefits that the NFSP has for members, even if they don't want to be a member they would still be entitled to the benefits of the organisation and that's part of the deal and I feel that's very important as well.

You might question why this is slightly different and I'll tell you why this is slightly different, all current members who have not changed onto a new contract will automatically cease paying subscriptions as of 1 April 2016. Now you might say well why the six-odd month difference? Well actually we put it in there as potentially a fighting fund if we needed to because George had said to you earlier on that they were talking about an extension of the network of about 8,000 offices and we went 'Well we might be signing this MOU but if this carries on we might be breaking it in about three months' time because that would have been so catastrophic for our members that we probably would have had to.' So that extra six months was designed to give us a bit more of a war chest just in case because if they had said they were going ahead with 8,000 new offices it would have been some time next year and then we would have had to have gone into a mode of maybe going to war with them completely.

So we're obviously then also, the fourth point down, we're going to be able to continue as a separate independent organisation and we will, undoubtedly, retain the sole representation rights of all subpostmasters, all post office operators, whatever term you wish to choose, prefer subpostmasters myself, and the Post Office have made that abundantly clear.

But we will have to do things a bit differently. What we'll never do is lose the specialisation because if a member is in trouble with the Post Office going to an RTU, an appeal or anything like that, is something that absolutely we will keep that specialisation, we will keep the specialisation in running a post office. But we're also going to hopefully be able to tell you, not to tell you, put to you, ideas about how to run a better business, a better retail business, and should this all go through I think one of the first moves that will be made would be that a new retail specialist would be recruited at headquarters. We will need, and this is kind of tipping into tomorrow's bit, but the move with the Post Office to an MOU will enshrine the journey from what we were, a trade union, to become a trade association.

So the pros and cons. Well, I've already said, we'll keep the specialisation, we clearly and intimately understand post office issues and problems, members' problems.

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We'll have a stronger, a much stronger collective voice because we'll be telling government, not that we represent 5,100 members, although we always tell the government we represent a few more than that because you can always count statistics any which way you want to, but you'd be talking about over 11,000 and that's got much more power to it when George has got to go and see the Minister at BIS, there's more punch to 11,000 than there is to 5,000.

And it will let us, as I've described, expand into other areas which we've probably never had the resource to touch before. Yes we have a trading company but, to be fair, with such a small membership it's very difficult to get trading partners excited about potentially supplying 5,000 people. Again, people like Bookers are going to be much more interested in talking to us and helping us when we tell them 'Actually we've got 11,000 people' who are, you know, you put an advert in The Subpostmaster that's going to get seen in over 11,000 locations around the UK.

So they're absolutely the upsides for us. It would be an exciting time, an exciting journey, I really do hope that I won't be running a post office by the time this 15 years is up but what happens after that will certainly be a negotiation for those who come after me and probably all of the rest of the team sitting up here.

The downsides. 'Well yes, you'd be in the Post Office pocket, you know, they'd shout and you'd have to jump.' Well no we don't, because unless it's absolutely something that is going to break the deal wide open then we will discuss with them. Think back over 118 years, have we, well we have once asked you not to segregate mail and they didn't like that, but once in 118 years. We don't do it every day of the week, we've got to be pragmatic, I can't afford to shut my office, because I'm on a Mains contract, if it's not open I don't earn a penny on that day although I'll still have to be paying my staff for that day, just because I've thrown my toys out the cart and decided that I don't like what they're doing and I'm not going to open on that day as a point of principle. Points of principle sometimes absolutely hurt your pocket.

I've heard again, it's kind of the same thing 'You'd lose your financial independence, they could just threaten you with pulling the money out and then you're absolutely stuffed'. But, again, they have a will, the Post Office, to make this work. Paula Vennells absolutely wants this to work and I think if we do manage to convince you all today that this is the right way forward for the future of this organisation then I absolutely believe it will work because they want us to work collaboratively with them. So upsides and downsides. We put this in here.

Just to say that's probably £20 to somebody over there but I'm not sure whose it was. If that was yours Ged that's absolutely £20. Right okay, it wasn't. No, no, you can tell me tales afterwards out of school.

But there's seemingly, or has been in certain quarters, a perception that this came easy. Well a negotiation that took over two years to conclude certainly didn't come easy and the Post Office didn't come running to us with the idea, George basically went to them and went 'This is absolutely what we need' and we have dragged this out of them kicking and screaming. So not easily won but an absolutely fantastic opportunity for this organisation.

The other upsides. Over the course of history the likes of the Co-op, One Stop, Martin McColl's, have always kind of resisted joining the organisation. They could have done and progressively over, I certainly know over George's time he's made two or three absolutely grand efforts to go and recruit the likes of the whole of the Co-op Group, but they will automatically become members. So 600-and-something, 625 offices I think they have, overnight would join us on 1 October. All of the new operators automatically will become members and it's no laughing matter when you go out trying to recruit that you've got a hit rate of 12 out of 100. It's very, very difficult to get a Local to sign up because, absolutely what George has said, if you've got a £20,000 store and, you know, George quoted a £10,000 post office salary, some of these Locals the post office salary is £5,000, £3,000. I met a lady in Lincolnshire who had a Local, her post office pay at the end of every month was less than two hundred quid. So automatically they will become members and a lot of them don't join because, well actually from what they earn out of the post office they couldn't afford it right now in one term and, as George said earlier on, for most of them the retail so dominates their business that can they really be bothered to join us.

So it will allow us, as I've described, the ability to provide new services which will help you all, we absolutely hope, run a more profitable post office and retail business combined and we're getting back our critical mass which, if we carry on as we are we're losing and by next year, if we'd have done nothing about this, we would absolutely have lost our critical mass.

This last point I have to make to you. If this is not accepted by the delegates here today, never will this come back on the table. It's written into the MOU that if our delegates here today do not vote in favour of it the deal falls and it will never reappear. There is not an ability for us to go back and change a word of it, it is what it is, you're seeing it there but we will not be able to rescue it in three months' time if people say well 'I kind of like the idea but I don't like this bit and I don't like that bit.' We were warned in no uncertain terms last night 'Do not come back to us saying we need to change three sentences in this' it just will not happen.

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So your Executive Council recommend that looking towards the future is what we must do for this organisation. It's all very well saying 'Well wasn't it grand 15, 20 years ago when I took over a post office and it was kind of like falling off a log and you didn't really have to bother about retail.' Times have become tougher and tougher. But we're going to keep our specialist independent body and independent it will be.

We also believe that if we opt down the trade union route, and it's no disrespect to the CWU, I absolutely fear that the Post Office would immediately cancel our rights of representation, I could honestly see that happening within a month of us turning this down and going to the CWU and that would be a shame.

So we do believe that reconstituting the NFSP as an incorporated member organisation will provide the best way that we can support the people who are most important to us and they are our members which includes all of you sitting here today and everybody who is working out there on their post office counters in the UK today as we speak. And with that I commend this to you and thank you very much. (applause)

GEORGE THOMSON (General Secretary): And just to finish before it's opened up with the Chairman, last night and this morning I had conversations with both Neil Hayward and Paula, Paula obviously just wishing us well for conference and hoping that the right decision was made. But Neil Hayward, there was a Post Office Board meeting yesterday and the Post Office Board unanimously endorsed this agreement if the Federation agrees to vote yes to it and agrees to become an incorporated organisation tomorrow. It is their intention to make a public statement in the next week and it is their intention to sign the contract in the next three or four weeks, so they will be going public, if we make, if we make that decision today.

And I'd just like to, it is up to conference now, but I just want to say one or two things before I sit down. I think as an organisation we have a duty, there's always going to be a post office network in Britain and it will be different, but we have a duty as a team and as a conference to make sure that when we're long gone there's a body in the UK that represents the UK's postmasters. I think if a specialist body disappears it will weaken the brand, we're almost like the Post Office second eleven, and I make no apologies for saying that and if there wasn't a Fed in society, in the UK, I think it weakens the sector, it weakens the Post Office and I believe that there should always be an organisation specialising in representing subpostmasters. But I'll leave you with this thought: People say 'will we have to work closely with the Post Office?' If you're a franchise holder in a company, the franchise holders and the management have to work closely together. Yes you'll have arguments, yes you'll have disagreements, you'll have falling outs, that's the nature of life. But what chance does this company have and this network have if we do not work closer together with Post Office Ltd and try and make a future for everybody in this room and all the postmasters in the United Kingdom. Thank you. (applause)

NATIONAL PRESIDENT: Colleagues, can you hear? Can I first start with thanking our colleagues who arrived after we'd started, thank you very much, we share your frustrations with travel but welcome and thank you very much for making the effort. Lunch is at twelve-thirty in Marco's or the bar, which is just close to reception where you entered the hotel. Tea will be at 3.00pm. Dinner at 7.00pm and if I remember from David's instructions, the loos are outside. There is no fire drill today so if it goes off we've only got one exit and it's behind you and there will be a fire alarm at twelve o'clock tomorrow. Right, can I open the floor now to any questions? Can I ask you to come to the rostrum, just give your name and your region, if you have any questions, comments or contributions you wish to make. Thank you.

RAVI JHANGIANI (South West Regional Council): Mr President, conference. Because of the importance of this conference I have several questions so I'm not sure whether I should put all of those now for the committee or how many questions am I allowed to ask?

GEORGE THOMSON (General Secretary): As many as you want.

RAVI JHANGIANI (South West Regional Council): Okay, thank you. First of all, I'm no legal expert and all that kind of thing but I've heard somewhere that Post Office as a company cannot enter into a contract with us and then effectively whatever money they're giving us would be as a grant and the reasoning goes that today they're happy to give us a grant, tomorrow or 3 years' time they may not be happy to give us a grant. So can we have some clarification on the legal side of that please.

NATIONAL PRESIDENT: Can you take that George?

GEORGE THOMSON (General Secretary): Yes. Well I'm not a legal expert but I've spent a lot of time on this one. That's a fundamental issue. When we first discussed with the Post Office about three and a half years ago there was two ways you could look at it. We talked about should it be a commercial contract that is written in such a way, a bit like the POCA when it was re-awarded to the Post Office, written in such a way that the specialisation of the Federation means that although it was a commercial contract the Fed would have to tender for it but almost certainly we'd win it. But the legal advice was 'Yes you could do that but there's a far easier way and that's grants.' The Post Office have spent probably tens of thousands of pounds on this and they're

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confident, any award can be challenged in court, of course it can, anybody can challenge any contract, the Post Office and the Fed's lawyers are absolutely certain that this being a grant will stand up to any challenges. In fairness, Paul mentioned one of the reasons why existing members are going to wait six months whilst we get a fighting fund, it also means we don't expect a successful challenge, we think that any challenge, if it comes, and it would have to come through the High Court and it would cost a fortune, that any challenge would be unsuccessful. But nevertheless we'll be keeping the membership money in place to 1 April next year. So we are confident that it is structured in a legal way, that it is an annual grant that is for 15 years that the Post Office cannot get out of easily unless there's a termination event and that will withstand any challenge. And, again as I said Ravi, the Post Office, once we make the decision in the next two days, it is the Post Office's intention to make a public announcement in the next week and to sign the contract in the next three or four weeks. So as far as they're concerned and we are concerned it is legally watertight but it is open to challenge. Anything in life is open to challenge.

RAVI JHANGIANI (South West Regional Council): Just a comment on that, I guess your first challenge will come from the CWU. The second question I had was that in the last 10 or so years, every time you've gone to negotiate with the Post Office about our pay etc there has never been any money. So where are they going to suddenly find potentially £2.5million a year out of nowhere to be paying this grant? (applause)

GEORGE THOMSON (General Secretary): Well can I say that in the last year the Post Office have got rid of 1,100 staff, now I don't like anybody losing their job, it's a personal tragedy, 660 people left the Crown offices, a lot of them with two years' compensation, 170 have left cash-in-transit, 300-and-odd left head office last October/November, another 170. So the point I'm saying is this, I would rather £2.5million a year was coming to the Fed, if they have to sharpen their pencil internally and get rid of some of their bureaucracy so we have an organisation that represents the people that make the money, the agents, I can live with that. If they make a policy decision that they will, as part of their running costs, pay us £2.5million a year and they will make savings elsewhere within the bureaucratic company then I can live with that.

RAVI JHANGIANI (South West Regional Council): So surely it's better for this money to be paid into our pocket in our pay and then we pay increased contribution to the Fed to keep the Fed going. (applause)

IAN PARK (Chairman, Negotiating Committee): There is another side to this Ravi. It's a cost to the Post Office, absolutely there's a cost to the Post Office, is it a cost worth paying? Yes it is because actually they are keen that this organisation stays in place, continues to operate in the way that is does and that the Post Office can't. When we go along to government and say 'You must keep the POCA going' we've got a big political clout that the Post Office cannot do. They can go along and say 'Please sir will you keep the POCA going?' but Paula Vennells is employed by the government. If they say to her 'You will just keep quiet, you will lose the POCA', that's what happens. The reason we got the POCA is because the Federation put pressure on government. The reason we have got the subsidy that we've had over the years and the £5billion that's been put in in terms of financing NT2 and all the other transformation projects that have gone on the last few years.

RAVI JHANGIANI (South West Regional Council): With respect Ian, that doesn't answer the question.

IAN PARK (Chairman, Negotiating Committee): It does answer the question Ravi, if we are not in existence any longer because we can't keep going we can't put that pressure on. So it might cost us £2.5million to keep us there but if we weren't there they would lose a lot more.

GEORGE THOMSON (General Secretary): Can I just add to Ian's point? And remember the more that one person asks questions there's less time for everybody, but the point you said there was 'Why can't we get an increase in our salary and we can pay the Federation more?' but that doesn't recognise the fact that the vast majority of new subpostmasters are not joining us. So in terms of tackling that issue Ravi, your solution although it would maybe work for the existing members, it actually ignores totally that the fact that these new retailers are not joining us. So if you like, that solution still means that eventually the Fed disappears. I understand your logic but it means we disappear.

RAVI JHANGIANI (South West Regional Council): I get it, I've only got two very small points.

NATIONAL PRESIDENT: I'm going to allow you one more question and to let everybody know that we now have two roving mikes, so if you attract Calum or Michael you can ask questions from the mike. Please come back but just one question for the time being and let somebody else join in.

RAVI JHANGIANI (South West Regional Council): Okay. I was going to ask, but anyway, this is more important. Is there any way of the Federation getting a seat on the Board once we sign the MOU?

GEORGE THOMSON (General Secretary): On the mutualisation issue the Federation was successful in 2010 in getting the government to put in the Postal Services Bill, the original Postal Services Bill under Mandelson said that Post Office Ltd had to be owned by the government. We got that changed and it either has to be owned by

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the government or it can be a mutual company. Unfortunately for us, to make the finances of Post Office Ltd work the government really had to deliver the Front Office of Government strategy and they've failed to do it. So our position is, yes we still believe in mutualisation and tied up with our mutualisation Ravi in our opinion was seats on the Board for subpostmasters. The mutualisation journey, will it ever happen now given that Post Office Ltd are a financial basket case without the government money, let's be absolutely brutal here, without the government money this company is bankrupt. It's still an ambition but I think most of the people who are here at the moment, if we do get a seat on the top table, most of us will be retired by then.

RAVI JHANGIANI (South West Regional Council): Thank you for your patience.

IAN PARK (Chairman, Negotiating Committee): Could I add something to that then just before, go or not Ravi that's not the point, the question was 'Is there any plans to put anybody on the Board as a result of the MOU?' Absolutely not, there is nothing in the MOU which indicates that we would get any places on the Post Office Board and, as Paula has indicated to you, this is not up for renegotiation, the package is the package, we take it or leave it as it is and we cannot go back to them in a week or two's time and say 'Actually on the basis of what we heard at conference we'd like a place on the Board.' That's not an option and as it is right now, which was the question, no there are no places on the Board for anyone from the Federation.

GED MCGRATH (Cumbria Branch, North West Regional Council): The Future of the NFSP, the choice is yours. I joined the post office 16 September 2006 as a member of this organisation. I'll serve my last customer on the 28th of next month still a member of this organisation. What a ride it's been through that nine years. Have I enjoyed it? Absolutely. Why have I enjoyed it? I've been part of this Federation all the way through and I've enjoyed the fights along the way. I just wonder looking at that, how different could that journey have been if I'd been part of the CWU during that time? Would I have seen 7,000 leave this organisation with some money in their pocket? Or would I have seen a load of people leave this organisation as declared bankrupts because we were fighting just to keep all these offices open. So before we focus on the nitty-gritty of what's actually in this Memorandum of Understanding, do you think we should focus on whether this first of all is the right choice for us? So George, my question is for you, how do you think my nine years would have been had I been part of a different organisation?

GEORGE THOMSON (General Secretary): The first thing to say is, look, the CWU do for their members, they do a very good job, they fight damn hard for their members, they keep some of the Crown offices. In 1986 there was actually 1,900 Crown offices, there are 300 left they haven't particularly been that successful, but Billy Hayes was a good guy and Dave Ward is a good guy and if the conference decides to join the CWU that's the democratic decision of this organisation.

But I think Ged is absolutely correct, there would be a great danger that they would have, even at the moment, they still don't think we should be, if you like, letting people go, they don't support Network Transformation although their section jumps up and down about it. I think there's a very good chance, as Ged said, that over the last nine years if we'd been in the CWU they would have fought every closure, that it was a bad thing.

None of us like the fact that the post office network isn't as busy as it used to be, but we're all pragmatic small business people and we think 'Well are we better getting 26 months?' I was speaking to someone who is selling their office as a Main and the multiplier they're going to get is just 1x salary. 26 months is a pretty good deal. So I make no apologies as I said earlier on, and answering Ged's point, I think to get 26 months for people to leave and I know there are some people stuck in the network, 26 months for your franchise at the moment if you're deciding to leave is pretty good.

CHRISTINE DONNELLY (Bicester & Oxford Branch, North Thames & East Anglia Regional Council): My point may be something that should come up tomorrow but it does have a major impact on my ability to vote today so I need to ask it today. I used to work for a major department store and we had a buyers and managers council which was a lot like we will operate as under the Memorandum of Understanding and for many decades it worked brilliantly. There were regular meetings with senior management, they consulted with us on a lot of things before they happened, they gave us a lot of information before it happened, they could trust us to keep things quiet, we could trust them. We also had an input on pay negotiations and terms and conditions of employment and, as I say, it worked extremely well. Then we got a new owner. He didn't see the point of the buyers' council and so meetings trickled away to almost nothing and eventually it folded.

I have concerns about the Memorandum of Understanding from that point of view. I understand, I accept Paula and her team are strongly behind it, I understand and accept that this team are strongly behind it, that's today. My worries are further down the road. I liked what I heard from Paul about fighting fund but I'd like a lot more detail on that. I would like to know, for example, that it isn't just about saving enough money to fight one battle, that it will be enough money to run the organisation for a minimum period if we had to suddenly go it alone, that we have plans ready for a pared down organisation. That it would have strict restrictions on its usage it would not just be enough to cover our liabilities on closure. And I would like to know that that will be actually in writing somewhere. Thank you. (applause)

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PAUL HAINES (Chairman, Transformation Committee): Christine it's an absolutely fine point. George in his introduction turned around and said the current assets of the Federation are roughly £2million and we have a building in Shoreham which we believe if push came to shove we could sell for around about £1million, so there's £3milliion. Just because we're getting £1.5million in from the Post Office certainly does not mean that the prudent management of this company will disappear and we'll be making damn sure that we spend every single penny, and one of the great aspects that we do envisage going forward is that we'll not just exist on £1.5million for general purposes and £1million for specific grant funding, we will absolutely grow our commercial side.

Ian, when he was talking about the NFRN said 'Well actually they've got probably a better commercial offering than we have' and that commercial offering effectively underpins the NFRN. So build through this and project five years forward, I think not only will we have an income under the MOU we will also have built and put in place a commercial department that is turning, I would hope, a profit of almost the same as we're getting in from the Post Office. So 3,4,5 years, 6,7,8 years the fighting fund could be absolutely massive Christine and if we do need to break it then we would have to go back out and try and get people to sign back up and start paying subscriptions again, but by then we could probably be in a situation where that could be done over some time and we would survive for much longer than, probably right now we've got about a year and a half left in us and I'm sure the Financial Director Philip, up the back, would agree with me, that if things continue as they are our projections are that that's all we've got, probably until about the end of the next year, the end of 2016. But if you project forward and we're bold enough and successful enough then I think we could have a fighting fund that would certainly let us exist for 3,4,5, years, built in that if we have to go and bust it and go to war with the Post Office then we will be in a position to be able to spend that time going back around the country and recruiting members. I hope that gives you some assurances Christine.

MICK PATEL (Northampton Branch, North Thames & East Anglia Regional Council): Good morning conference. Now the £2.5million that was mentioned by Ravi, now will that have impact on any future negotiations with reference to pay or is there any restrictions which have been included in there I would like to know. Thank you.

IAN PARK (Chairman, Negotiating Committee): No restrictions. The MOU gives us the opportunity to negotiate, it gives us the opportunity to challenge them in the way that we challenge them now. Paul referred to 'Will we have independence?' Yes, that's been one of the most difficult things to negotiate with them on the MOU, the right that we will still have to represent members, to challenge them on what they do. There are certain restrictions in terms of absolutely the limit of where we can go to and we're not allowed to damage the Post Office but we don't damage the Post Office now, at least we don't think we damage the Post Office. They may think it's damaging that they can't just walk all over us and do exactly what they want, but they can't now and they won't be able to in the future, they will still have to argue the case with us. What we can't do is if we learn something in some sort of negotiations about what the future might be and what they think they will pay us, to then go out and release that commercial information to stop them doing it, because that would be seen as commercially damaging. So yes we get some commercially sensitive information from time-to-time, we're not allowed to release that, we're not allowed to go and kick off in a public fashion damaging the Post Office but we absolutely can go and say 'We don't think you're doing this right.' We can go to the papers and say 'We think this is the wrong policy.' What we can't do is damage them commercially, but that's pretty much the only restriction to be fair.

MINDI SINGH (Central Yorkshire Branch, North East Regional Council): My first question is on the Memorandum of Understanding Clause 10. It says *'Principles will be formed on the basis of the framework agreement developed jointly in consulting with BIS. The intention is the legally binding framework agreement will be negotiated, published, in place by a date.'* I believe we've been told in meetings we're not going to have sight of this agreement until it's been signed and sealed by the government and the Post Office. Isn't it that members, or the conference, should have some insight into what the framework agreement is when we are signing a document which is going to be for years to come for the members of the Federation.

And the other question is, perhaps you can clarify one situation, legally do we have to have a limited Company to get this grant funding from the Post Office? Because I have a lot of concerns about that legal agreement, I have seen the Articles of Associations. Can we not remain as the organisation we are in our current rules and still get grants from the Post Office? Perhaps we can instead have a changing of our aims and that in our rules, but do we have to have a limited company operate? (applause)

GEORGE THOMSON (General Secretary): On Mindi's points. The Post Office and BIS have absolutely no intention of publishing the framework, that bit is factually incorrect, they have no intention and they see it as a legal agreement with the Federation. The Executive Council have obviously seen it and the team that have been working on it have got a lot of knowledge of it, so that's the case.

On the limited company, we lost our trade union status about a year and a half ago and we had no chance of winning that because, I think Ian touched on it earlier on, to be a trade union in the first place the majority of your members have to be classified as workers and the Certification Officer said to me 'George if this had been

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challenged in the mid-seventies you'd have lost your trade union status.' You have to have the majority of your members as workers. So if we join the CWU that's fine because they've obviously 200,000 and probably 196,000 of them are classified as workers and they've got some van drivers that are self-employed. But our specialists have told us from day one to give the Federation protection, and the Post Office have been very unhappy signing some deals because when you're a trade union you've got lots of cover, your liability is only up to £50,000 you really, you have the protection of a limited company when you're a trade union, and what Philip Bloor our Financial Director has had to do is put £8,000 of insurances in place that when I sign things and when the Negotiating Chairman signs things and the National President, that actually we have insurance indemnities that we won't be ruined as individuals.

We do have to change Mindi because originally what was going to happen, once conference agreed, if they were going to have the MOU, myself and Paula were going to sign it and what's been agreed in the interim is once it's agreed then it's going to have to be signed by myself, Paula is going to sign it and Ian Park, Paul Haines, Mervyn Jones, big Jim Nott, and that's because we are not a limited company. Mervyn said 'Well why do I have to sign it?' I said 'Because if I'm losing my house, you're losing your house.' But the thing is, what they're going to do is, once we become incorporated then it will be resigned with myself and Paula. They're saying quite clearly, if you do not agree tomorrow to incorporation then there is no deal, we are not prepared to put £2.5million at least into a company that has unlimited liability and the legal entity side is a bit iffy as well. So we do have to become a limited company for this deal to go ahead. In fairness, even if we were staying as we were, and Christine touched on the point, if we had decided 'Well let's try and push on' our advisors would have said quite strongly 'Even if you're staying as you are, you can't afford to do it and you'll go under, but straight away make yourselves a limited company, you've got unlimited liability at that moment, that's stupid. Even if there's 5,000 of you make yourself a limited company.' So it's the right thing to do Mindi.

MINDI SINGH (Central Yorkshire Branch, North East Regional Council): Just one question Mr President. It says in the MOU, it says 'the framework agreement will be negotiated, and published and in place by a certain date'. Is that not correct then?

PAUL HAINES (Chairman, Transformation Committee): Factually it is actually correct because it has been published, it's been published in a very limited manner and it has gone around this Executive Council and they count that as part of that.

MINDI SINGH (Central Yorkshire Branch, North East Regional Council): Right, not in the public domain but published.

PAUL HAINES (Chairman, Transformation Committee): They have no intention, as George just said, of putting in the public domain.

HARRY GORAYA (London South East Branch, London Regional Council): Morning colleagues, Mr President. Apologies first of all, I'm one of those late delegates and if I've missed something that George might have said and I'm repeating. I've come here today with the intention of making sure, like Ravi, that I ask all the questions whether I think I know the answers or not, because my members have asked me the questions and I feel a responsibility to make sure that my colleagues here, give you if you haven't already within your branches had the questions asked, every single doubt that might be in your mind comes out.

So here's the first one. A lot of the members said that when you were looking out for the options that you wanted and you had two options from the CWU and the NFRN which were both 5-year deals, you've I'm sure stated, and today I think it was mentioned even less, but that this organisation has a lifespan of about a year, maybe two years on its current finances. If those guys say that you could be a standalone organisation within their organisations for five years but we ourselves as a standalone organisation can only last for a year or two years, how would we have survived the other three within those organisations?

IAN PARK (Chairman, Negotiating Committee): Thanks Harry, I don't know whether you did miss this bit but I'll repeat it. As far as the NFRN deal is concerned they said we had to stand on our own two feet. There are some central costs that might be savings but they are very small. We can't stand on our own two feet so realistically the NFRN deal is a non-goer in my personal view, because it won't do it.

The CWU have got much bigger assets, they have got much bigger reserves and they are prepared to say that they will cover us financially for five years. So if we got into a deal with them as a membership they will allow the existing network to stay up. We will still have to have subscriptions but they won't cover all the costs but they will give us financial backing so that we're able to continue. But over the years the expectation is that we will join with them, that we would become a part of them and after five years I would expect that they would be saying to us, 'it's time to close down your operation in Shoreham, it's time that we took on the Secretariat in the central form at the CWU' and from then on we will not be the same sort of separate organisation, although we will still have a separate section it won't be run as it is right now.

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PAUL HAINES (Chairman, Transformation Committee): Harry can I just add to that because there's another point. Under both the NFRN deal and the CWU deal part of the deal is the fact that we maintain the right to set our own subscription levels. Now I absolutely know the membership of the NFRN costs £360 a year, it's £30 a month when you include the VAT. I know the CWU subscription is less than ours in their subpostmasters section, I don't know the exact figure off the top of my head but it's somewhere around the, I think £10-odd a month, I might be wrong there. But we do have under both those deals the right to set our own subscription levels so in my mind, from Ian's perspective, at the minute we're saying we've got a year and a half maybe in us, but if we moved our subscription level up from £217 a year to £360 that would probably give us another year-ish, just about, down that road. It's not a great fix but we need to make the point that it's there in both these deals that we have the right to set our own subscription rates and if we were in the CWU they might not like it, but we might have to say we're going to have to put our subs up to that same £360-odd just to get us through to anywhere near the five years. So it's a very good point Harry and well made.

PAUL MADAN (Kent Branch, South East Regional Council): Our concern is that NFSP has always struggled to negotiate a fair deal with POL and now, if POL is going to pay our subscriptions then we will lose the power to negotiate even further with them.

GEORGE THOMSON (General Secretary): I think it's an excellent point Paul. The last pay deal we got was the £2,000 lump sum which finished on 31 March this year and we are talking to the Post Office, but there's no doubt that getting anything out of the Post Office for subpostmasters is incredibly hard. Part of why it's so hard is that more and more the Post Office sign contracts with Scottish Power, British Gas, that have no inflation rate element in them at all, so if we're getting say 10p for a transaction on year one and that one's five or seven years, their view is 'Look you're in the same marketplace as convenience retailers, they've got PayPoints, the same marketplace as newsagents who have got Payzones or PayPoints and that's what you're going to have to do. So getting the pay deals that we used to get, and they've never been fantastic, but our wage bill is still in the region of £470million, so the pay is not dropping. It is dropping for some individuals but I've been speaking to other people who are actually growing their pay. Most people's core tier payment, the vast majority stayed the same this year, very few declined, most stayed the same. So it's not a massively bad news story however it is getting harder and harder to get pay deals. Now that will happen if we stay as we are, even though we'll end up declining, it will happen if we join the CWU and it will happen if we join the NFRN.

And just to finish on that point Paul, there's some real tensions between the CWU and Post Office management at the moment and the reason was that the Post Office management thought that the Crown office would breakeven in the last financial year. But the Financial Director was quite clear and quite firm, no they didn't breakeven, £5million loss and a lot of the wage deal for the staff at the Crown offices was based on them breaking even so Neil Hayward, the HR Director and the CWU, there's big, big problems because the CWU are saying 'Wait a minute, you promised this to our members, you're renegading on a pay deal, you are a bunch of so-and-so's' and the Post Office are saying 'Wait a minute, that was tied to Crown offices breaking even.' So it's very difficult for the CWU as well and, as I said, 660 of their Crown office staff have taken the Queen's shilling and they've left. Whatever we do there isn't going to be an easy answer to getting a lot of money out of the Post Office anytime soon.

JIM NOTT: Colleagues, with that I'm call lunch. Thank you for standing down Peter you'll be the first speaker when we come back at twenty-five-to-two please.

(LUNCH BREAK)

NATIONAL PRESIDENT: Thank you colleagues for getting back so promptly. Just before we get Peter on I've been asked to make an announcement and being National President I never thought I'd have to do this, but can I say, would the owner of the red Porsche please move it, you're blocking someone in. (laughter and applause) Secondly, can I ask Calum and Michael just to stand up, they have the roving mikes, if you wish to speak from the floor please contact them and get the mike off them. Thank you Peter.

PETER COLLINS (Central Lancashire Branch, North West Regional Council): Conference, as you can tell I didn't go out to move the Porsche, mine's just a red escort. (laughter) Yes, poor subpostmaster. Two questions. We have three proposals, two of them are for five years and one for fifteen years. What happens after the five years in the other first two proposals? Secondly, the transition. If we go down the MOU what is the transition period? Will we just carry on as normal or will there be any tangible changes directly after going on to MOU?

PAUL HAINES (Chairman, Transformation Committee): To address the first part Peter, the five years on the CWU and the NFRN presentations are a minimum period that we get guarantees around. Now, as I said in the presentation, they will look at it because they are business organisations that have to carry on for their members and their great membership, so there'll be a revision period. They're not designed to stop after five years, they will go on after five years, but it might be under different terms. So, for example with the NFRN, it might be that after five years, I'm going to move because I'm getting feedback off your mike Peter, but after five years they

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might decide that actually the economics means that they can't carry on with us operating out of Shoreham is separate premises and the economies of scale would be to move to their headquarters and things like that. It's almost exactly the same with the CWU, they would want to carry on with us for longer than that but the only assurance we've got is the fact that they'd give us, we'd be five years while we're ring-fenced and operating under our current stuff and then we, whichever of those routes, if we took either of those two routes there would a renegotiation, it probably would start in about year three and a half to four so that when we got to that period we could let members know exactly what was happening, whether we were transferring into the CWU headquarters, which is in Wimbledon, or whether we were transferring under the NFRN to their headquarters which I believe are in London So that's the answer to that bit. I don't know if one of the other guys wants to take the second question.

NATIONAL PRESIDENT: Can I just say that if the NFRN or the CWU is the chosen option there is an opportunity tomorrow to discuss those points.

GEORGE THOMSON (General Secretary): And colleagues can I just add, on Peter's point on the MOU, we have our legal specialist who is here just now, Julian is at the back of the room and he'll be here tomorrow working through what the changes would be but essentially it would be a seamless change for the Federation, if the MOU is accepted it would be a seamless change, the Articles of Association are as close as we can get to the present rules including the retention of all the structures, including Standing Orders, they're almost exactly the same, but again Julian will walk you through the stage and everybody who is a member of the Fed already will automatically become a member of the new company and the new Fed, plus the new members. So in terms of everybody in this room, you'll notice no difference whatsoever, you'll have the same rights as you have at the moment, but Julian tomorrow, if that is the chosen option, will walk you through it for 35, 40 minutes and take quite specific questions on how that would work. At the moment it's maybe a little bit premature because if we vote for the CWU or the NFRN then the MOU falls anyway.

PETER COLLINS (Central Lancashire Branch, North West Regional Council): Right. Just a short statement because obviously I've heard very little from the floor about what people talked about at their branch meetings. Our branch meeting wholeheartedly, albeit for about two votes, went down the MOU route. I've been a Federation member for 34 years now and I'm passionate about the Federation. Over the years it's fought tooth and nail and I think MOU is the only route to go, we need to stick together, we need to bind together, we need to fight together. George and the team over the years and previous people that have run and been General Secretaries, have fought tooth and nail to keep us together and to fight everybody that's tried to take our work away from us. Yes we've lost along the way but we've also gained something and the gain is what's here today. Thank you. (applause)

ROBERT COCKBURN (Scottish Northern Branch, Scotland Regional Council): Good afternoon. I'd just like to ask the Executive Committee if this is such a frightfully important day for our organisation why we haven't been allowed to question the CWU and the National Federation of Retail Newsagents today. (applause)

GEORGE THOMSON (General Secretary): I think that's a good question Robert asks and he asked it in Scotland and we've had it in a few areas as well. The position of the Executive Council, the Executive Council are the ruling body of the organisation and obviously they listen to the membership and they are elected from the membership. It was felt quite strongly that the best option by a proverbial mile was the MOU and that if we were to join another organisation, particularly a trade union, we would leave the whole playing field empty and someone like the NFRN would come along to the Post Office and say 'They're joined the CWU, they're a union, why don't you deal with us as a trade association?' And the reason that we felt quite strongly that we would not get someone along from the National Federation of Retail Newsagents or the CWU, is that the best option and the preferred option for this organisation is the MOU and the Conservative party wouldn't have, you know, Ed Balls comes along to their conference, maybe now they would right enough, but we decided as the leadership organisation on your behalf that the MOU is the best, you have the vote on it, but to bring the CWU along or the NFRN, then we do not think that was the wise thing to do. We felt that we've made the decision to make the MOU, this conference can say 'Go away guys, you've got it wrong' and you can say 'We're voting for the CWU or we're voting for the NFRN' and we'll accept that, but our judgement call is that not to go for the MOU would be a dramatically bad mistake for this organisation and that is why we have not invited anyone else along.

ROBERT COCKBURN (Scottish Northern Branch, Scotland Regional Council): George, that's all very well and good to say that the Executive Committee support the MOU, that may well be the best option, but everybody here runs their own post office and they know what is best for them, and with all due respect to listen to you guys presenting for the CWU and the National Federation of Retail Newsagents, it's second hand, you want the MOU and you're presenting their options as second hand options. With all due respect, we as subpostmasters should have been allowed to listen and have an argument and a debate and it wouldn't have taken that much and if you were so confident, and I think you'll still get the MOU but we should be allowed to have questioned their executives so that we could have made up our own mind. I think you've had a dereliction of your duty in not allowing us to have that say. (applause)

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IAN PARK (Chairman, Negotiating Committee): Not to contradict anything that George said and I understand your questions, I do notice though you didn't ask why there was nobody from the Post Office here representing what their offer was. They put an offer to us and we have presented their offer to you in exactly the same way as we've presented the CWU and the NFRN. Yes, it's the Post Office, we've gone out and we negotiated with the CWU and the NFRN and we got the best possible deal that we could get from those two organisations, we did exactly the same with the Post Office and there's no-one here from the Post Office representing their side either, we're putting that.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): Mr President, Executive Council. Over lunch I spoke to quite a few delegates and there seems to be quite a lot of confusion around the room and it was around the order of events for today. So I'm just stood up here really to ask for a bit of clarity. If, first of all, could you explain to me what a resolution is and how we approach a resolution at this special conference? Because I see at the end of day one we have the following resolution: *'That this Special Conference will provisionally accept the preferred option and the preferred option shall be explained and explored in detail on the second day of the special conference.'* So my first question is, what is the process for that? What happens? Do we debate? What is a resolution? How does that work please?

GEORGE THOMSON (General Secretary): After the vote takes place if it's the MOU, or any option, the Executive Council, two of the presenters, almost certainly Paul and Ian as Executive Officers, one will move and one will second the motion that you've got on your sheet of paper.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): Sorry George, it says Resolution, is it a Resolution or is it a Motion?

GEORGE THOMSON (General Secretary): Resolution yes, Resolution.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): So it's not a Motion? Because we've got Motions on Day 2. I just, this is where we've got the confusion.

GEORGE THOMSON (General Secretary): In effect it is a Motion/Resolution, the Resolution was a word that came from the advisors, the lawyers on it. So basically it will be moved in the form of a Motion by Paul and Ian and then there'll be a vote taken on it. So they'll be a vote on what the preferred option is to get someone over 50% and that will be CWU, NFRN or the MOU and once that is established and one of them gets over 50% that will then become the preferred option. The preferred option will then be put to conference by the Executive Council, moved and seconded as a motion to the team today, to the conference today and then that preferred option, whatever it is, will be the one that will be debated tomorrow morning.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): So just to continue to get the clarity, so if that Resolution for our preferred option gets accepted we will then continue with the process into Day 2. If it was rejected what would happen then?

GEORGE THOMSON (General Secretary): Well it's a good point. If the CWU or the NFRN was the preferred one and it was rejected it probably wouldn't make sense. The only way, when we get the 50% it's inconceivable on the motion on Day 1, it's inconceivable that that won't get more than 50% okay? That's when John it gets interesting. If the MOU is the one that goes to Day 2 and we have the debate it has to be passed because it is such a significant change to the Federation's future and structure, that has to be passed with two-thirds. So the problem would be, not what happens to today's motion, what would happen tomorrow if the MOU was the option that went forward from today with 50% but tomorrow it was not endorsed by two-thirds to become a limited company and the MOU. If that happened then it's basically back to the drawing board because the Post Office have said quite clearly 'If you do not get the two-thirds to become an incorporated organisation and accept the MOU the deal falls.' So on the MOU there is two barriers, there's the 50% barrier today and it has to have a two-thirds endorsement tomorrow and that's the reality.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): So from the two outcomes, when we get into Day 2 and, again, just looking to get the clarity, if it was one of the less preferred options of the NFRN or the CWU, then we have a Resolution which is *'That the NFSP works at speed to amalgamate the organisation.'* If that was accepted then basically we'd all just go home after that, if it wasn't then we're at the same stage that you've just described.

Then the final bit is, we've actually got at the end of, having gone through all the actual work on the MOU tomorrow in terms of Step 1 to Step 4 and having input and feedback and everything, then we would get to what you described as the proper Motion which is that we'd require two-thirds majority. Just on that two-thirds majority, would that be two-thirds of the hands going up? How would people abstain, how would that be monitored?

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GEORGE THOMSON (General Secretary): Well on John's very good point our advisors actually said that in reality on the second day, on the motion that John's alluded that he believes 50% would do it, but we're saying 'No, this is such a big, big change for the Federation that you need two-thirds, we believe we need two-thirds.' So if we don't get two-thirds tomorrow then it will have fallen. But in terms of the vote tomorrow, abstentions, it's two-thirds of the people that vote and if there's 90 people abstain and there's 10 people vote for it, that's it, abstentions, you know, it's like a General Election, if you decide that you're not going to go the polling station or you spoil your ballot paper, that's your choice. It will be two-thirds of the people that vote tomorrow, that's democracy. If you decide that you're going to abstain, that's an abstention. If you don't think something's good you vote against it.

And can I just finish on this point, and John quite rightly makes some good points there. At the end of the day the Executive Council cannot do any better than bring a choice to a conference and we will be proud that we've achieved the MOU. If the conference and the membership say 'Look guys it's not for us' that's democracy and we'll accept that. We do our best as a leadership team and we've brought a MOU to the table and if it falls, it falls and if it doesn't get two-thirds tomorrow it falls and that's life. But it does fall, and Paul touched on this earlier on, Neil Hayward did that point last night 'We've had a Board meeting George, it has been passed, but we'll be quite clear. If you think you can change parts of the MOU and come back to us it isn't going to happen, we will not be taking this back to the Board. The final offer is the final offer, this has been two years in the making.' So it's up to you guys what you want to do.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): And the final point just for the clarification is, are the Articles of the Association tied completely to the MOU? Because it may be that we vote the MOU but there may be, certainly a lot of feedback that's coming in terms of the Articles of Association that people aren't happy that they immediately go into place and those are our rules. Is that connected to the Post Office? Because it's our internal rules surely and maybe we can get more of actually what we want as a Federation.

PAUL HAINES (Chairman, Transformation Committee): Just, we are tripping into tomorrow's debate here on the assumption you're making that we're going to vote for the MOU in here so. But just to summarise, George said earlier on, we have to make the NFSP a limited company, so the Articles of Association that are presented, should the MOU go forward, are as close to our current rule book as we can possibly make them taking into account the requirements for company law. We cannot change the law of this land and start picking and mixing, we absolutely can't do that, so tomorrow should that be the option, we've tried to be as near to the current rule book as we possibly can but we must going forward, if that is the option, live by company law because we will become a limited company John.

GEORGE THOMSON (General Secretary): And can I just pick up the other point that John touched on? The Articles of Association, and we have to be honest here, this is the biggest meeting we've had for a long time, the Articles of Association are our articles and, as Paul said, we've kept them as close as we can to the rule book. But I'm not going to stand here and tell a lie, the Post Office, although it's nothing to do with them, they have seen them and they have commented and they're not very happy about them and I've said 'Well they're nothing to do with you.' The reason they're not very happy is they're putting in £2.5million a year and they're saying 'Look we're not sure how serious your organisation, the Federation, is about this journey from a former trade union to a trade association and actually looking at what you are doing there's hardly any change at all on what you're doing.' So be quite clear, the Articles of Association are the very minimum that we can do to show we're serious about our journey. We've taken all the rules and regulations of the Fed we've got at the moment, it's almost a carbon copy of the rule book and we're on a journey and if people feel that they can rip apart the Articles of Association and make them even more like a trade union and expect that journey will go on with the Post Office funding us with £37.5million, that's the reality.

I just want to say one other thing. We have always worked with the Post Office, they've given us over the last, we talk about the future, over the last four years we've had £750,000 extra from the Post Office towards our cost of running meetings to do with Network Transformation. We have never tried to hide it, two months after we got the money off them we had the industrial action over mail segregation. The Post Office want to work with us. The Articles of Association, if they're significantly changed in any way then the deal will fall, it's not a pick and mix. As a team and as a conference it's make our mind up time what we want to do as an organisation and we either join someone else or we go ahead and, think about it colleagues, we're going to have an AGM next year, the new members don't join until October and if you look at what we put out there we're asking for your views on do the rules need changes, do the articles need to be changed for next year's meeting. So we're doing everything we can to make sure that the members have an input into the rule book going forward.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): Thank you George for clarifying the process.

NATIONAL PRESIDENT: Colleagues, can I just remind you please, I've allowed questions on the Articles of Association and I've allowed replies but we're here today on the order of events to just do the business of day

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one, which is to discuss the three options that are available and to vote on that. There will be plenty of time tomorrow for any other matters that arise from whichever option we choose.

STEVE PILE (South West Regional Council): I think the last speaker brought something to the meeting, obviously the debate on what is a resolution, what is a motion. I think basically it's take them both, as far as we are concerned, take them both the same, however there may well be a legal difference. I don't know what that legal difference is but we do have our lawyer at the back who perhaps could tell us?

But it's also raised one other issue, what if there is no decision today on any of the three choices we have? Perhaps as has been mentioned to me in passing since the main conference, perhaps we are missing a fourth option today. It has been put to me that should we have full abstention on the three choices that we would automatically dissolve this Federation, that has been put to me from the top table. However that probably isn't an option that anyone else would want to take, it's just a point that we perhaps are missing a fourth option today and maybe the meeting here would like to follow that up.

GEORGE THOMSON (General Secretary): Very quickly, I have been asked in Scotland as well what would happen if no-one voted today and everybody abstained? I can't see that happening, to be honest with you, I'd be very surprised if that happened, it would just be so strange, but we shall see, we shall see.

SATISH KARIA (Cambridge Branch, North Thames & East Anglia Region): Good afternoon conference. I've got three small questions to raise, one of them is an extension of what Christine was asking earlier. What happens if Paula Vennells is replaced and you get an incoming CEO who is not very supportive or friendly towards the MOU? How are you going to deal with it for the next 15 years or whatever the time the next person is in the office for? Secondly, in view of the pending 30% sale of Royal Mail which is going to be totally privatised, how would that affect the Post Office and subsequently us in the future?

And a very last point, very quickly, is that under the MOU you mentioned that the NFSP would help members run their post offices profitably and their retail businesses. Bearing in mind that 25% and growing part of the new Federation will be multiples and they have already got their own retail sorted out, how are they going to buy into that and how are we going to make that profitable?

IAN PARK (Chairman, Negotiating Committee): So what happens if Paula Vennells moves? We wouldn't know who is coming in but your suggestion was it would be somebody who would not support the Federation. I don't think that's likely to happen but ultimately we would have a contract, it runs for 15 years, it's been signed, and when somebody moves on then, or sell a business, somebody talked about if a new owner came along earlier on, the same thing, you take on the contracts and the liabilities of the existing. So it would not change things.

SATISH KARIA (Cambridge Branch, North Thames & East Anglia Region): Yes, but if they're not supportive and they're not wishing to deal with you, or whatever the case might be, or your relationship is strained, that's the point I'm trying to make.

IAN PARK (Chairman, Negotiating Committee): Our relations get strained from time-to-time now but we work our way through those things, we have to. If we don't and they stop paying us ultimately I suppose you'd take them to court.

GEORGE THOMSON (General Secretary): Can I just add to what Ian said there? I spoke to Julian at lunchtime, this is an absolutely watertight legal contract okay? It wasn't put out to tender, it's a grant award, it's watertight, we would have an absolute case against the Post Office if they tried to stop it. So it's as watertight as any other type of contract and they know that, that's why they wanted to make it five years rather than 15, they know they're on the hook for 15 years.

Turning to the Royal Mail issue, now obviously at the General Election if it had been the Lib Dems who were in coalition with anyone, I think they would have made sure the 30% wasn't sold off for some time. If it had been Labour and the SNP it might have been the same, but the Conservatives have got a majority and quite rightly they've decided to sell off the 30% in their eyes, it's up to them, they're the government and they've sold 15% already at £5 a share, £750million. The good thing is that this Federation and I know people quite rightly can be critical when they want, there was only going to be a five-year inter-business agreement between the companies and it was this team here that persuaded Moya Greene to move from Adam Crozier's original stand that 'There's not a hope on God's earth George you're getting more than five years.' Moya Greene 'It's a 10 year deal.' Now there's seven years to go and we still get from Royal Mail £370million every year as part of that contract. This Federation has made sure that we're not here today petrified that this contract was about to run out in two years' time, we know that that contract has got seven years to run and that was this National Federation of SubPostmasters.

And the last point Satish, I'm actually glad that the Co-op and the McColl's and the rest are going to join us, because we are going to get better at retail and I think them joining us will actually help us put a better offer to

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our members with their specialisation. So I don't see them as a threat, I actually think their expertise on how you run post offices, how you run convenience stores will help us get better at what we do. So we'll make sure that we utilise all the best advice we can get from anywhere to make this Federation give our members the very best service we can.

SATISH KARIA (Cambridge Branch, North Thames & East Anglia Region): Right, so the £1million extra that you were talking about at our presentation is going to be targeted to certain projects you were telling us yes? Can you give us an example of what kind of things that you visualise?

PAUL HAINES (Chairman, Transformation Committee): Well Satish, as I said this morning in the presentation, my pet one is to get some field team out there. Now we'll have to look very carefully at the resource we can put into that but I would certainly hope that in 12 months' time we've got at least one employee of the NFSP out there in the field and that will come out of a specific grant project that we're going to put to the Post Office. In certain areas geographically we might need two, but they might do it three days a week, they might do it five days a week in certain areas where the actual logistics of getting around all the offices. But I would think there would be a problem in Scotland getting around anywhere if you've got to go from Inverness one day and you've got an appointment in Glasgow the next day. So we might need to split some of those up into two separate jobs but we'll have to work on it and go forward. So there's one example grant specific. How much we're going to budget for that we need to go and cost out, but something along those lines, absolutely fine. I think George has touched on it before, we hope to, if this all goes through, relaunch *The Subpostmaster* as a much bigger magazine. It will maintain its focus on the Post Office, I think there's 14 pages in there now and there forever will be, but the actual magazine will probably double in size to give you more retail input and we'll be able, with a critical mass of 11,000 readers, be able to get the likes of the Bookers of this world to come in and want to sponsor pages and tell you what their special offers are this month etc. etc. So there's just two ideas Satish and if anybody can come up with any more as we go on, bring them on and we'll see what we can do.

PAUL MCBAIN (Aberdeen Branch, Scotland Regional Council): I bring my coffee this time because last time I spoke on the podium at conference I shouted and got a row from our ex-President somewhere in the crowd there. Firstly, can I, with your acceptance Mr President, apologise to my colleague Robert for what I said to him as I was standing up there, I do apologise, we're all entitled to our opinion and I accept your opinion. Sorry Robert.

Conference, we Scots are canny folk, we look after the pennies and it has been said that we are shorter in the arms so that we don't go into our pockets too often. We will look after our pennies and the MOU is the direction that we should be taking. Today so far we've heard 'Can we?' 'What if?' '£2.5million' 'Framework agreement.' 'MOU this.' 'MOU that' but nobody, at the moment, has spoken with regards to the two other options. I strongly and vehemently spoke in the last two conferences on the MOU and my reasons for that, I'll give you a couple of instances: Decline of membership as you've been told today it's now 5,100. If the MOU isn't accepted today or tomorrow and membership goes to either CWU or the National Federation of Retail Newsagents, that 5,100 members will not all go. Let's give an example of say 2,500 of them goes, so the NFRN have got 2,500 members and if you go into the CWU I truly believe 25% may go, so they have 1,500 members. What is the critical mass of us as subpostmasters just now, it's supposed to be 11,500, so if I'm doing my maths right 6,500 would be the critical mass. If we accept any other option other than the MOU the critical mass will not be met from either the CWU or the Federation of Newsagents. If that occurs I believe the Post Office will not recognise the CWU or the Newsagents they will therefore decide themselves what they want to do. Conference, we must, we must vote the MOU, we have to be strong, we need our 11,500 members, if we don't vote this through we will not have a Federation. Thank you colleagues. (applause)

TOBY CLEGG (Northampton Branch, North Thames & East Anglia Regional Council): Many of us here today have at some time during our lives been children, unless of course you were created in your current form. (laughter) And I recall as a child regularly playing with a number of other children, but there was always one or two people that wanted to dominate proceedings. They would say things like 'Well if you're not going to play the way we want to play we're going to take our ball and go home. So there, that will learn you.' And that's a little bit like what we've got here today with the MOU isn't it? We've all come to special conference to play the game but there's one or two people saying 'You know, if you vote for this it will be lost forever, it's the end of the world, dissolution of the organisation will surely follow, there's no turning back, we'll be on a rollercoaster to oblivion hanging on to the handrail of ultimate disillusionment.' I don't believe that, not for one moment.

On the roadshows we heard George speak with pride about the MOU, for this idea for the last three years. Post Office Ltd rejected it at first but it was only due to his persuasion and single-minded determination that had brought us back to where we are. He said a number of Post Office senior management were, and perhaps still are, opposed to the MOU and the fact that Post Office Ltd is now committing itself to probably £40million over the next 15 years is a success because it's money that they can perhaps ill afford. So what we've got is, we've got Paula that has put her neck on the line and brought Post Office Ltd, in his words, 'kicking and screaming' to the negotiating table. I do not think for one moment that a £600,000 a year CEO is going to risk her reputation with Post Office Ltd, the government, her career progression and overlook the huge amount of management

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time that's been spent over the last two or three years, for this project only to be rejected by a bunch of ill-informed postmasters. It is far more important than that. I believe that this is probably more important to the Post Office than it is to the Federation.

Now with the MOU it's clearly a document where the Post Office holds dominion, they are the dominant party, there's no question about that, and the Federation is subservient and we've heard that this morning, the Post Office have more-or-less told George he's got to be a limited company because of this, this and this, they're dictating the whereabouts and the contents of the framework agreement. So Paula would not have negotiated this deal if it was a bad deal for Post Office Ltd, it is clearly a fantastic deal for the Post Office.

Now then, here is the core question. What is so fantastic about the deal for the Post Office? Now in the last year we've heard no reason as to what the answer to that is and I suspect it's somewhere within the framework agreement and I'm going to say this to you, I don't have any proof of this, but it's a strong suspicion of mine, and I've got no proof, but I suspect if we saw the framework agreement there may be something in there. £40million over the next 15 years that the Post Office are going to give the Federation. If the option for that was for Post Office Ltd to pay say £100million to their staff or whatever it be, for training, sales, audits and all the rest of those peripheral services that they provide to the network, what happens if that cost to the Post Office over 15 years was £100million but suddenly it was transferred to the Federation for us to undertake that work on their behalf, they would save an inordinate amount of staff cost on the one hand and it would pass to the Federation and it would embrace the Federation within the Post Office organisation. It would be a fantastic win, a fantastic coup d'etat for Paula Vennells and in the same process she is saving the face of the Federation, what a great deal that is for George Thomson, what a great deal that is for Post Office Ltd, what a great deal that is for Paula Vennells. That is what is so fantastic about this and that is why a no vote is the right decision for this conference, because what it does, it allows the transformation team to go back to the Post Office, to clear up some of these sticking points and it then allows George Thomson to walk into the negotiating room and conclude a better, balanced deal for the Federation within a prescribed timetable. It doesn't need to be today, it doesn't need to be next week. It doesn't need to be soon, I embrace everything that's been said this morning but there's more to it than the end of the world today or tomorrow. I ask you just to consider those things for the time being. Thank you very much. (applause)

IAN PARK (Chairman, Negotiating Committee): Right, quite a lot there Toby. I'm not sure I understood all of it but I will try and pick out the bits that I thought I could understand and you'll correct me if I've got it wrong. I didn't get the bit about domination. 'Don't vote and we will dissolve.' I think there is an implication, it's not a question that if we don't vote something we will automatically dissolve, if we don't vote anything we'll carry on as we are but the effective result from that will be that sometime not so very far away, 18 months we think around about, we will get to the point where we have no other option but to dissolve because we will not be financially soluble any longer, we will have no reserves and we are living off the reserves now, the subscriptions don't cover it. Even if we make cost savings, even if we increase subs, we do not think that we can go on beyond 18 months because we know there are further reductions in our membership coming along because of NT. So not voting doesn't actually achieve anything, we're not going forward at all, we're just sticking where we are, but you've heard our opinion, you take it rightly or wrongly but it's our opinion and it's the work of The Treasurer and it's the work of the Finance Director who've said we cannot last much longer than 18 months. So the effect is dissolution, it's not a choice it's the effect.

You said that George had been going along taking credit, I absolutely dispute that, George never says he's made this decision, he never says it was his choice, never says it was his idea, he always refers to it as being the team, the Executive Council. But I'll tell you absolutely, it was not the Executive Council, it was George's bright idea to go along to the Post Office and say 'Actually we are important to you, we bring something to the party and it would be a good idea if you financed us because we're getting in a bit of a sticky mess at the moment.' I don't think any of the rest of us around this table would have actually had the gumption to go along and say 'Actually we can't manage, we're struggling financially, will you pay for everything in future, we'll all be members and we'll all come and talk to you and we'll do the same sticky, difficult job with you that we've always done but actually it's a great plan for you.'

And, yes, the Post Office get something from this, I said it earlier on, the Post Office get the ability that this Federation brings to them to put pressure onto customer, not our over the counter customers, customers like British Gas, British Telecom, we can talk to those people in a way that the Post Office can't talk to. We can absolutely talk to government and to the Minister in a way that Post Office Ltd cannot talk to them. We can put pressure in terms of public campaigns and getting the public on our side, we still do talk to a hell of a lot of customers every week and if we've got something that we want to pressurise through those customers we can do it, we can change public opinion, in a way that Post Office Ltd cannot do. So we do bring something to the party, they do want us to have some role in it and that's why it is. But it's not that we have got total power and it's not that they have got total power, there is something that we can do together.

Toby would like to see the framework, I've seen the framework. Post Office Ltd are quite clear in their intention, they believe it is a commercial contract that they are not prepared at this stage to divulge. It is not their intention

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to divulge it but I have seen it and I can assure you that there is nothing in there which is underhand or hidden, it is there simply as a framework to support the Memorandum of Understanding. The Memorandum of Understanding is the plan, the framework is what makes that plan work but it's not a different plan all together.

And the last little bit, I really didn't understand, the idea that somehow the Post Office are paying £100million for staff to do things and marketing and somehow we're going to take over, that's not what's the plan at all. We do believe that there are some things that actually we may be able to take on on behalf of the Post Office and maybe do better, maybe do cheaper and those will be the specific projects, but we will have to tender for those projects and if we can't do them cheaper and we can't do them better we won't win the tenders. So that's as far as I can go at this stage. I don't know if Paul has got something to add to that.

PAUL HAINES (Chairman, Transformation Committee): Yes, because I was one of those people that Toby talked about and I was once a child and I can remember getting a school report from Loughborough Grammar School when I was seven and I took it home and went 'Dad what does this mean?' and the school report said 'Paul is a very inquisitive child.' The one thing I will say Toby is it didn't lead me to have a suspicious nature.

MINDI SINGH (Central Yorkshire Branch, North East Regional Council): Good afternoon conference. I hope you all enjoyed your lunch and got your brain thinking what we want to do. Mr President you did say that some of these questions are being raised and are a matter for tomorrow but I think as a conference we've got to have some clarity in what we're voting for. I shall give you my concerns and what is not perhaps a procedural right but maybe you can, because we, as an organisation, looking at the three options, to me MOU is the best option available. Toby is right, there are some faults in it but it's been negotiated and can't be negotiated any further. My concern is, because I raised this point about 'Do we have to be a limited company?' but George says for liabilities and purposes the lawyer says we have to be a limited company. Perhaps if I didn't bring my Porsche and I sold it I'd convert the money to challenge them in court, but I haven't got the Porsche so I haven't sold it and I haven't got the money. I'm not a lawyer but I'm a simple Punjabi boy who thinks straightforward thinking and company law is company law Paul, Articles of Associations of a company is what the company makes, but in terms of what the law will allow it to do, so how we word it, it's our choice, it's our rules and our regulations. I think if the vote is taken that out of the three options we go for the MOU and tomorrow we go through this document, as my limited education, of not going to a Grammar School or a university or getting a fancy degree, simple reading, I spent a couple of hours going through this, marked it with a few pencil marks which I think could have explanations. It is not a carbon copy of our rules, it's not far away, but at the end of the back page then you've pasted and copy the whole rules of the whole conference which doesn't mention about the Articles of Associations, how the conference is going to run and proxy votes. We have got concerns, membership have got concerns. I know there are members out there who do not come to branch meetings like we hope, we do, us hundred or so here, so we have some input into it. I'd like to see some assurances or some guidance from the Executive Council and from the lawyers that if we accept the MOU and the Articles of Association tomorrow are discussed and the lawyer perhaps can answer, but more than 45 minutes it will take, then as a conference we accept them in principle that we come back with amendments for these Articles of Associations before it becomes live. Because once it becomes live and it comes to Annual General Meetings, and how many turn up at the Annual General Meetings of organisations? It is some rules in here could be open for abuse in the future which people can buy and collect proxy votes, there's certain things need explaining and we need to sort it out now because I think before we agree in principle --

NATIONAL PRESIDENT: Mindi, can I give you my word as president that if, and it is a big if, the MOU is accepted as the preferred option this afternoon when we sit here tomorrow the solicitor will be somewhere along the front here from the moment we start until the moment we finish.

MINDI SINGH (Central Yorkshire Branch, North East Regional Council): Yes but there'll be no amendments to the Articles tomorrow and that means, can we have assurances, perhaps the Executive can have a meeting tonight or talk to the lawyer, can we have another conference in a month's time and people get a chance to put an amendment of something, because if you accept this, it's going to be open for abuse and there's 118 years of history which we'll be saying, 2015, this special conference decided on this motion where the foundations were laid for the future. I don't think we should leave it so openly for abuse in the future, it should be tidied up now and you won't be able to do it in the Annual General Meetings. (applause)

GEORGE THOMSON (General Secretary): Mindi thanks for your comments. We have given you the safety mechanism and that is if you vote for the MOU today and it gets over 50%, Julian will be at the top table tomorrow, if the conference is not happy with the answers that Julian gives you and you've maybe got, a lot of this is trust but I think when you listen to Julian tomorrow it's not just trust it will be common sense, but if actually you're not persuaded then you have that safety mechanism and that means we will not get the two-thirds majority. You have the safety mechanism. So if you vote 50% today and tomorrow you're not happy with the answers you get, and what does that mean? Let's say, for example, the MOU goes forward and it fails the two-thirds tomorrow because you're unhappy with the answers. I don't think that will happen. It could happen, it might not be the one that goes forward either. But what in effect would happen is, the MOU is dead if that happens, right, but what's not dead is, we would then have to, we'd have said no to the NFRN, we'd have said

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no to the CWU, we'd have said no the MOU as an independent company, we would then probably as a conference have to revisit the decision we took today. It would then mean to dissolve 18 months down the line as Ian said, not because you wanted to or not because on the ground that would happen, or actually if you're so unhappy with what's been explained about the coming, that new company, representing everybody, you would have to say 'Right, if that's not an option for us let's relook at what the CWU or NFRN are offering.' If you say no tomorrow to the two-thirds, the MOU goes through tonight but not tomorrow, the MOU is finished. That's not a threat, it's not a threat because the Post Office, there are some senior managers thinking 'Why is Paula doing this?' Paula thinks it's the best thing for the company, it isn't signed yet, it will be signed if we agree it. It will not come back. But that's life, we make a democratic decision and if tomorrow you say 'Well actually the answers that Julian gave you, we're still not convinced' and we don't get the two-thirds that's it dead, but that's life. Our team cannot do any better, you've got to trust us and if we put it there and you say no to us that's fine, that's life, but what it does mean is that the Federation will not exist as an independent body, that's life.

MINDI SINGH (Central Yorkshire Branch, North East Regional Council): With your permission Mr President, I accept the fact that if, that's why I'm trying to get the point, if these Articles of Association aren't accepted in the present form then the MOU falls. Why? We're the organisation, we make the rules of our organisation, why should the MOU fall if we can't have the Articles of Association the way we want them? We're not asking for radical changes but there should be an opportunity to put proposals for us? This is tying our hands up 'Do you want that?' Well I'm happy with the MOU but I'm not happy with the Articles of Association, what you're going to run in the future as an organisation. If you're not happy with that how can you vote for something? That's all I'm asking for clarity if you can.

NATIONAL PRESIDENT: Mindi, can we please draw your attention to the order of events that was left on everybody's table, thank you Madhu, step four explains about the Articles of Association. Hopefully that is the last time I mention that today. Please can we read step four, it says there is over the next eight to nine months the opportunity to change anything that we don't like, you don't like, members don't like within that.

PAUL HAINES (Chairman, Transformation Committee): So just to finish off on that point because we're straying badly onto tomorrow's business. Somebody's written on here 'Clarify this.' Well absolutely, that's what we need to do. I can stand here and say it's as near to the rule book today and tomorrow for what it will become after tomorrow. Is it perfect? Probably not but we have to take that step. No matter what we do Mindi we have to become a limited company for the insurance reasons that George spoke about this morning. So we've then got a period from when we leave this conference tomorrow, should all of that have got through, we don't get the new operators on board until 1 October, we will be having an Annual General Meeting next May, so we have that period for the rest of this year and early into next year. If there are things that members don't like absolutely so we want you to come forward in floods and tell us? Yes we do, because it's no easy job, because those Articles of Association, and I'll pay absolute tribute to Philip Bloor and to Julian Blake who is sitting at the back, our consultant, are nearly absolutely impossible to write because they don't become a live document until after a vote is taken tomorrow. So that's the whole point of the process, they will not be perfect as they stand right now Mindi, we know that, we want to know which ones your guys are most concerned about and then we will deal with them and that will be done after that consultation at the first AGM of NFSP Ltd and you absolutely have my assurance as well on that Mindi.

MINDI SINGH (Central Yorkshire Branch, North East Regional Council): Thank you, oh I can believe that, you're right, we'll have the Articles of Association amendment at the Annual General Meeting but you won't have the critical mass there to support it and speak for it, you've have half a dozen people there.

IAN PARK (Chairman, Negotiating Committee): There is an issue that Mindi is raising. The Annual General Meeting next year will effectively be our conference, we have to use different terminology if we're going to be a company, but the Annual General Meeting is going to be the conference, the delegates that go to it will be on pretty much the same sort of basis as the delegates that are here right now.

MINDI SINGH (Central Yorkshire Branch, North East Regional Council): Yes, but if it's going to be one vote for one member --

IAN PARK (Chairman, Negotiating Committee): But that's what you've got right now, you're one member, you've got one vote today, it's not different and if you turn at the AGM which is the conference that's what you will have, one person, one vote, not block voting, one person, one vote when you go to the meetings. If it gets down to a poll then there is a difference in the way that it's done but we will know well in advance. But it is for tomorrow that, we've not decided, but I do have some sympathy that says 'How will you decide if you don't know how it's going to work?' But effectively the AGM will be the conference, so it should be pretty much as it is now, you will be able to make changes, the changes will be on the same basis that we make them now but in terms of voting we've got to use different terminology and we've got to use voting under company law. Julian will explain that in more detail tomorrow if that's the route that we go down, but it will be as close as we can get it to what it is now.

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GRAEME IRVINE (Scottish Northern Branch, Scotland Regional Council): Before I begin I would just like to say that I am not a member of the CWU however I do rise to support the CWU option. I joined the NFSP as I wanted to be a member of a trade union. I don't see trade unions as a dirty word, I don't see why self-employed business people can't seek the help and support that a trade union offers. This isn't 1979 delegates, we don't have to strike at the drop of a hat. As far as I'm aware the postmasters section in the CWU would be a separate entity, we would receive the support and experience and knowledge of the CWU on top of that. Joining the CWU at the present moment is pointless as they have no bargaining power. Also as a mailwork subpostmaster I have to admit I look very enviously at the deals that the CWU have negotiated for Royal Mail staff. For the last year or so since the Select Committee met to speak about Horizon issues I've looked at what the CWU have spoken about and the majority of the time I have supported what they've said.

I feel I must take the opportunity to state that I find it disappointing how the EC of the NFSP have dealt with this issue. Why, in a digital, technological age, can we not hear from or speak to reps from POL, CWU and the NFRN about this? I feel like we're being treated like mushrooms, kept in the dark. My branch canvassed our membership on this issue, over 50% came back with the reply 'Don't know, not enough information to make a decision' yet 100-odd of us are here today for a hand count to decide this organisation's future.

Many in our branch still feel slightly duped over NT2, how it was dealt with and how many of our branch are still part of the 500 Club, that's those that wish to leave the network yet there is no other nearby retailer who wants to take on a post office. Over the last year especially I have seen many postmasters who I count as friends and who I have high regard for either hand the keys back or leave the network with no compensation or leave the NFSP due to being so disillusioned by the EC's chosen direction of travel. They have fallen on their sword, I feel as I must do the same as their Branch Secretary and I feel I have let them down.

The MOU option, although favoured by many and very likely to succeed today, I feel it will leave the NFSP as little more than a talking shop. The CWU option I believe gives us clout to challenge POL fairly and squarely. Please support the CWU option. (applause)

GEORGE THOMSON (General Secretary): Can I just say I'd like to congratulate Graeme for the courage of his convictions to say what he feels and I'm not here for a minute to show disrespect to the CWU. They do a good job in very difficult circumstances and I think Billy and Dave after him do a very good job. We just feel Graeme that we would struggle to take much more than 2,000 or 3,000 to the CWU and that there's a very good chance that a body like the NFRN will try and say to the Post Office 'We already have 3,000 members, we've got more than the CWU, why don't you negotiate with us, a trade association, rather than the CWU?' So I'm not here for a minute to talk down the CWU and I've got the utmost respect for Dave Ward.

There is an issue in places like rural Scotland and the issue is a lot of our guys and girls are trapped in community offices where they're desperate to leave and at the moment if you're the last shop in the village with the post office you cannot leave. We've got many, many hundreds who see their work disappearing, their customers dying off and as it stands they're stuck in community offices, and I know there are others who should be able to get out but no-one else wants to take them on when you've got options of convenience stores. So we've got the community offices stuck, all of them, you've got some of the bigger offices that no-one else can be persuaded to take the Post Office on who are stuck in limbo waiting for their 26 months. So we realise that that's an issue. What we're trying to do, and we have had no luck with the coalition, we're meeting the Baroness in a few weeks' time again and that is, we're going to say 'Look, can you not use core and outreach, can we not have more outreach solutions that let our guys and girls leave with their investment and dignity intact.' Now so far they seem not to be listening but we will try it again. So I fully understand the kind of frustrations we have for many of our rural subpostmasters who have given fantastic service over the last, 10, 15, 20 years and we are still trying Graeme to do something to help them out. So I fully understand and I respect your point of view.

RAVI JHANGIANI (South West Regional Council): First of all, thank you Mr President for allowing me to come back with some more questions and some of the delegates as well who encouraged me to come up. On the whole I think I do support the MOU but there are a few things that I want to try and clarify so that when we make the decision that we make it with as much information as we can and I don't think that I'll be interfering with our debate tomorrow with these questions. I talked to Paul about this outside but I think it would be a good idea if the rest of the conference hears it as well. You mentioned that from October 2015 any new members will automatically become members, so what I want clarification on is that we've got 5,000 members now, there are 11,000 post offices, so what happens to the balance of the membership and their contributions in the meantime?

PAUL HAINES (Chairman, Transformation Committee): Absolutely Ravi and it's a good point, it's a concern that hadn't struck me but, I hope I get this bit right but, the statement is; from 1 October any post office operator, subpostmaster, whatever you want to call them, who has signed a Mains or a Locals contract will automatically be enrolled. Our current membership on day one that we take this off, should it be through the MOU, will transfer over the new organisation and that change will be seamless and those members, if they're on an old,

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Traditional contract and they haven't converted to a Mains or a Locals will cease to pay subscriptions on 31 March next year, that will be the last payment ever made. So it does leave you with a gap however, what about the people who aren't our members who are on an old Traditional contract? And my understanding, and I'm going to check with George and he'll tell you yes or no, my understanding is that those people who are still sitting on a Traditional contract but are not our members will become enrolled on the same day that you guys sitting in this room cease to pay your subscriptions, will be in March 2016. Thank God I got that one right. Ravi, thank you. Okay and the next question, I'm going back to this £2.5million that we are apparently going to get.

GEORGE THOMSON (General Secretary): £1.5million, not £2.5million.

RAVI JHANGIANI (South West Regional Council): Yes okay. One thing I was taught very, very early in life is there is no free lunch and like Toby I've also heard certain murmurings. What I would like to know from the Executive is what is the Federation expected to do for that £2.5million? Are we going to take some of the work that the Post Office currently do off them? What's the deal there?

GEORGE THOMSON (General Secretary): Ravi, if I can just reiterate some of the things that Paul said as well, the deal is the Federation continues almost as it is, we still represent subpostmasters, we still have the same meetings that we have with the Post Office, nothing fundamentally changes. At our normal conference, Vera, who is one of the delegates from North Thames & East Anglia, she said 'George, I do think I support the MOU' she said, 'but it's the old saying, whoever pays the piper calls the tune.' I suppose it really comes down to trust. If you think that the Executive have got it wrong and this is not the direction of travel, and for me it's about do we continue having a specialist standalone postmasters organisation in the UK? The MOU is the only way we do that, there is no other way. Ian quite rightly said that in 18 months this organisation will probably hit the buffers, and he's right because we've done a lot of work on that. If we go to the NFRN that specialist organisation disappears, the CWU is exactly the same. So the choice really, facing the conference, is we either decide that we think Britain and the UK should have a specialist postmasters organisation to represent them or we don't. I think the Executive Council believe that what we've got achieves that and there's enough checks and balances. We will not be in their pocket, and I made the point earlier on, within in about two months of getting it was either a quarter of a million pound payment or the £500,000 payment, we were telling everybody to break their contract and Paula phoned me up and she said 'I've been advised by lawyers that with you telling people to stop segregating mail that you're inciting them to break their contracts' and I said 'Well yes, we probably are.' That was it. They didn't take us to court and it was just after we got a lot of money. We will not allow the Post Office to destroy the franchise worth of our members' investment, you could argue they've already done a half good job of it already, so part of it is trust. This team around this table and at the roadshows I've never, the only time I've ever taken any credit was at conference when I was painted as being some kind of useless guy who never gets anything right, and I apologise, I shouldn't have personalised it and said I took the credit. At the roadshows I've taken none of the credit, it has been a team effort. About the MOU at conference I probably shouldn't have said what I did, but actually I felt at that time that, I sort of defended myself and I apologise for that. It's a team effort and I can assure everybody I have not been going around the country, and anybody who has been at the five or six that I've done, will assure you that I was not blowing my own trumpet about the MOU. So you've got to have trust in this team and if you don't trust this team, that they've delivered something that's doable for the network, there's only one thing you can do and that is you cannot vote for the MOU. It's up to you in this room. We have done our best and we think we've got a good deal. If you don't trust us that the Articles are okay and you think this is the wrong road, you have to vote it down. That's life. Our team will be disappointed but in life you don't get everything and we've done our best. We won't be going back because the Post Office have said this deal is off the table. It's up to you guys and girls, you're the bosses of the organisation, you will tell us what to do and we will do what we're told and if you tell us we will get rid of it.

RAVI JHANGIANI (South West Regional Council): George, sorry, I think you misunderstood my question because I'm really not here to question your integrity or I'm not here to say 'Are we going to be in the pocket of the Post Office and all those sorts of things.' What I'm asking is that, if we are going to be in partnership with the Post Office, because this will be a much closer partnership with the MOU, maybe we'll gather some statistics or, are we likely to any, those sorts of work for them, that's what I'm trying to get at, not your integrity.

PAUL HAINES (Chairman, Transformation Committee): Well let's take an example and this has just struck me to answer this question. The Post Office, being the Post Office, tend to pay people they employ fairly top dollar, we've all come across that, people in their offices probably pay their staff somewhere in the realms of £7 or £8 an hour, I think you'll all know that the Post Office paying their Crown office staff pay somewhat more than that. So let's just take something like mystery shopping. Now they probably pump that out to a tender if they want something like mystery shopping done and we will be able to tender for that, because I tell you what, on the prices they pay and one certain contractor within the Post Office, know they're dealing with the Post Office and they inflate the prices because they know the Post Office will pay it. Well we know the Post Office a bit better than that, so a contract that's maybe fifty million quid, or whatever, two million quid, to do mystery shopping, we may well be able to deliver for one and a half million.

RAVI JHANGIANI (South West Regional Council): Why can't we do that now?

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VOICE FROM FLOOR: We are doing it right now.

PAUL HAINES (Chairman, Transformation Committee): But on from there, that's the kind of thing. So some of the stuff that they do now, it's not a transfer of ownership but the more we get involved with this absolutely we may well take on some of their tasks just because we'll be able to deliver them better and at a cheaper rate, because that's what we do.

RAVI JHANGIANI (South West Regional Council): So any work like that that will do, will be on top of that?

PAUL HAINES (Chairman, Transformation Committee): Yes and they'll come out of the grant funding scheme, the million, and it is a minimum of a million, let me make that quite clear. If we find projects that are worthy and they get passed by the Post Office then that million could be two million, three million, per year, every year going on for the next 15 years.

SAMUEL HOUSTON (Northern Ireland Regional Council): I've been to conference a month ago, I've had the documents out to read and I've come here with my mind made up and, to be honest, there's nothing here said this morning that would change my mind. The National Federation of Retail Newsagents is in decline like the Federation but joining them there will be an increase in membership but the decline will still continue and it's just really putting off the evil day for a few years. For many post offices there's nothing in common with the Federation of Retail Newsagents, I certainly have nothing in common with them so why would I vote for them? So in my books they're out.

As for the CWU, I wouldn't touch them with a barge pole. Of course they know the industry well, they've had many years of experience and perhaps that's their problem, they're still living in the past and they still have that 'Go on strike' mentality. Dave Ward is only after one thing and that's building his own ego. A couple of years ago Royal Mail was floated and I, as a subpostmaster, bought shares in the business, so I'm on the side of Royal Mail, in promoting and building it as a strong business and I don't want the likes of the CWU to hinder that by calling strike action, so I have a conflict of interest there, I'm on the side of Royal Mail, I don't want to be on the side of the CWU.

So last year, I'm sure you've heard of him, an MP, a very famous Northern Ireland MP, died by the name of Ian Paisley, a very outspoken MP, I'm sure you've heard of him. So in his words 'I will never, never, never join the CWU.' So consider my position. Could I ask the members of the EC, do they know how many subpostmasters are in a similar position to myself as a Royal Mail shareholder? Because I'm sure they would be of the same opinion as me in not voting for the CWU, so there is a potential fall in membership if that option is taken.

As for the MOU, you've probably gathered, it's my favourite option. We're all subpostmasters owning a post office, surely we should be working with the Post Office and not against them. We know what the business is about, these people up here know what the business is about, they know what they're negotiating. Conference, please support the MOU, yes there are points that need to be ironed out but those can be done tomorrow. Thank you. (applause)

PAUL HAINES (Chairman, Transformation Committee): I'd be absolutely speculating knowing how many subpostmasters own shares in Royal Mail. I congratulate you on being able to afford to buy some two years ago. (laughter) But it's a very good point, thank you.

IAN PARK (Chairman, Negotiating Committee): Could I just add a couple of things to that? And it brings me back to a couple of things that Graeme said. The last speaker suggested that actually it would put things off if we joined the NFRN for a few years, I don't think we'd put things off more than a few weeks quite frankly, we still would have to stand on our own two feet financially, the savings that we would get by merging with them, the central savings, very, very few. So I think, just to correct that one, it would be for longer.

The bit with the Royal Mail I would also like to go back to something that Graeme suggested and it was along the lines that the CWU have got good deals out of Royal Mail. I think there's a fundamental difference in terms of their dealing with the CWU and our dealings with Post Office Ltd; they're dealing with a company that's profitable, we're dealing with company that's technically insolvent and wouldn't last another 18 months itself if it weren't for government subsidy, which is definitely going to be cut, that's as clear as it can be made by the government, they are not prepared to continue paying current levels of subsidy, so technically POL is insolvent, so not getting the same deals is not so good. In terms of when CWU were negotiating on behalf of their Crown staff, they got what they thought was a good deal but, as George pointed out to you this morning, they're now falling out with POL big time because it was based on getting them back to profitability or at least breakeven point. They didn't achieve that and so what appeared to be a good deal 18 months ago when they got it is not looking nearly so good now. So, well there is my comment on those.

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NATIONAL PRESIDENT: My apologies Paul, I'm going to call tea now. Can you please be back at twenty-past-three and you're the first speaker.

(REFRESHMENT BREAK)

PAUL GLOVER (South West Regional Council): Good afternoon conference. This is a point of clarification, I could have asked Paul privately but I thought I'd come up here and actually ask the question because there might be other people wondering the same thing. It's about the membership fees. I'm still a Traditional office therefore from what has been said and what's written here I will pay the fees until 1 April and I think I heard something about a fighting fund earlier. What I want to know is why do Traditional offices still have to pay this amount of money from October to April whereas all the other offices don't? What is this fighting fund? I know I heard the words, but I still want clarification as to why we have to pay and the offices which have already transferred to Mains and Locals don't have to pay?

GEORGE THOMSON (General Secretary): Paul it's a very good question. The deal is 1 October for the newbies and everybody else pays, so I understand totally your question. The reality is that's the position we agreed with the Post Office but in fairness it was also a position that suited us. It wasn't just because, as Paul said, it gives us a fighting fund and some independence until then, we don't think that any challenge to the deal from an outside body will be successful, neither do the Post Office. But in life nothing's 100% guaranteed and it will become quite apparent in that six, seven month window that if a challenge was to be successful we would still be a membership organisation collecting individual subscriptions until 31 March, just in case. So I understand that quite rightly someone who has been paying their membership for years, who bought a franchise, quite rightly might think 'Wait a minute, the Co-op over the road, they got that Main last year for nothing and they're not paying a membership.' So we understand but altogether we felt it was better to safeguard the membership being paid for another six, seven, eight months to give us options for the future. So it isn't just a fighting fund it's the ability, just in case, that a challenge is successful. We don't expect it and neither do the Post Office but just in case.

PAUL GLOVER (South West Regional Council): Okay. Allied to that George is, I also think I heard that if you're a Traditional office and you're not a member of the NFSP you'll get automatically enrolled from the start of October? No, is that wrong?

PAUL HAINES (Chairman, Transformation Committee): That was from March Paul next year when everybody on a Traditional contract now ceases paying their current subscriptions.

PAUL GLOVER (South West Regional Council): Okay, right. Leading into all this, it's something George has mentioned, we've heard about the MOU which is obviously a document agreed with the Post Office and I presume it is the final document and it won't be amended before George, Paula, et al sign it? We've heard about the framework agreement which we can't obviously actually see because POL won't let us see it. We've also heard something about a grant funding arrangement, whatever all that might be. We were told at conference in May that, by a POL person, that we can't see the framework agreement as it is a financial contract. Well we've heard today it's been called a contract, well that's fair enough, and also it could face a legal challenge, which George has talked about just then of course. Under EU procurement rules, it is possible that there will be a challenge because it is a contract and should have gone out to tender. Again, could we have some clarification of that point which, as I say, is allied to the previous point George made.

GEORGE THOMSON (General Secretary): It is not going out to competitive tender because it is not a competitive contract, it is a grant award, it is a financial contract but it is not going out to competitive tendering. People can challenge it but the challenge would have to come through the High Court and it would have to be a significant piece of documentation to a judge that wasn't just gobbledygook but actually had reasons why it should be challenged and it would cost, well if you start going to the High Court, which you would have to do, you start costing £50,000 or £100,000. So in reality the only organisations that would be in a place to challenge this award and the award's been done properly, the Post Office lawyers have been over it for years, our lawyers have been over it for years, we're absolutely confident together that it is watertight. However it can still be challenged, just because you think it's watertight and your lawyers, you get two lawyers in the room, you've got two points of view, you know that. They're convinced it's watertight. In reality the only people that could really challenge it and spend the kind of money you would need to spend, £50,000, £100,000 to go to High Court would be the NFRN or the CWU and if they want us to merge with them I'm not sure that actually trying to undermine and go to High Court for a contract agreement that we have got with the Post Office is the way to do it. But again colleagues, we don't expect it to be challenged but it could, that's the reality. Anything in life can be challenged, you can go to any lawyer, it will cost a lot of money and probably waste a lot of money, and all I can say Paul is to reiterate what I said this morning, the Post Office intend to make a public announcement in the very near future and they intend to sign it in the next three, four weeks. That is their intention, that's what they expect to do and we're convinced, as they are, that all this is legally watertight.

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PAUL GLOVER (South West Regional Council): And George can you just confirm that the MOU won't change between now what we've seen and you and Post Office signing it?

GEORGE THOMSON (General Secretary): If you look at the MOU colleagues, remember at last year's conference we gave it out, it hasn't changed significantly, just very little, no I won't change. The MOU is as is agreed.

PAUL GLOVER (South West Regional Council): Something that did change of course was actually paying the membership fees, that wasn't in there last time, but I'll leave it at that George, it's okay, it was just a comment.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): Marvellous things tea breaks, they spread confusion and whispers around and I've got another question really for clarification around the MOU and the membership. Could you just tell me, operators, managers, postmasters, when it comes to the big companies such as the Co-op and things, their members, it will be one per shop, is that correct? And how will they be selected? Is that down to the Co-op themselves or these companies?

PAUL HAINES (Chairman, Transformation Committee): That is absolutely correct, it's one member per office that they hold. Don't forget John, we've got various people around the country who maybe have five, six maybe up to ten offices.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): Yes. So they will select, the Area Manager will select who it is and they will have someone who can attend if they so wish.

PAUL HAINES (Chairman, Transformation Committee): If they wish to attend, yes.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): And then the next point on that would be, we've heard about these Mini Post Offices, will they automatically be enrolled, those people who just have a terminal, they'll be enrolled as members?

GEORGE THOMSON (General Secretary): Very good points. Two things. We want the Co-op and the multiples to get involved, we've historically been unable to get them involved and the good thing is the Co-op and the others look like they want to get active to a degree in the Federation. They've all got their own problems and competition is quite difficult so the management time is very precious in these organisations. I think they'll get involved with the Fed but not to a massive extent and I'm happy because historically we've not had any multiples in for a long time. At one time we had 800 or 900, years ago before One Stop changed ownership, so that's good news.

When it comes to the, any kind of extension, not the 8,000 that the Post Office wanted because I suppose it would be quite good to get 8,000 new members but every other member we already had would have gone bankrupt, so if there is a small extension of the network do we expect these people would be auto enrolled? Yes we do. Again, on auto enrolment you do not have to join. So Mrs Smith in her office, the Post Office say 'You're a non-member at the moment Mrs Smith, we're going to auto enrol you into the Federation' they don't like that phrase but that's what it is, very much like the Co-op they can say 'Thanks but no thanks.' The only difference is that we still get the equivalent, in that £1.5million we still get their membership money. So Mrs Smith can say no to membership but it does not affect the income that we get.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): So with our increasing membership, now that we've got all these Co-ops and all these One Stops, all these ones that are on trial of the extension, they will all become members. In terms of other managers will the Crown office managers become members automatically?

GEORGE THOMSON (General Secretary): No, sorry John, the Crown offices are specifically excluded from the deal. The Crown offices are not in it, their members are members of the CWU and they're not in the deal.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): So they're not. Okay, thank you very much.

NEIL WOLTON (Essex Branch, North Thames & East Anglia Regional Council): Afternoon conference, Mr President. Finance is what I want to talk about. We've heard about £1.5million we're guaranteed, plus the £1million on top of that for projects, and that's over 15 years. I think Toby said that's £40million. Do you balance very well Toby, that's £37.5million actually. (laughter)

But George mentioned earlier about, before our network reinvention, transformations etc. back in 2002, 13 years ago, the money that we received in remuneration should have gone up by 45%. 45% on top of £37.5million, is just under £54million. Are we going to get extra money in respect of inflation because our costs are going to go up? We're going to have increased membership, 11,000, 11,500 members so work that we do

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as Branch Secretaries etc. with RTUs, that's bound to increase. So is that going to come out of this £2.5million or is it going to come out of the government subsidy that the Post Office currently get which, as we've all heard, is going down? They want to bring it down just about enough to cover the cost of running the rural network, my concern is that any extra monies may come out of that money, as indeed I believe it has out of the £1.34billion plus the extra we've now had on top of that, I believe that's where the Crown office redundancy money has come from. So, number one, can you confirm that is correct? And number two, are we going to get increases index-linked for this £2.5million?

IAN PARK (Chairman, Negotiating Committee): The last bit first, index linking, no, it's not index-linked. How are we actually going to survive going forward? We do anticipate that we will have to grow our commercial arm, we do anticipate that we will have to grow the level of business that we do for Post Office Ltd. It's a minimum that they will pay us on projects, the general grant we see in practical terms of subscriptions, but it's not based on the number of offices, it's a flat rate sum, it's however many offices we need to cover. Some may decline the offer and we've got less, they may all take it up and we've got the full 11,500 to deal with and if another 500 come along we'll have to deal with them as well. But how do we improve our income? Minimum of £1million for project-specific grants, we would expect to do more than that, we would expect to be successful working on some of these contracts on behalf of the Post Office and if we are successful and we tender for more why would they not give us the work? So that's one way that we would grow it. The other way that we grow it is we would expect to extend our commercial arm, the more members we've got the bigger the Federation SubPostmasters Journal, the advertising you'd expect to get. The advertisers would be the bigger companies, we would expect in our exhibition to be able to expect some of these guys to come along because they're talking to people who are now big retailers as opposed to small post offices with next to no retail they'd be more likely to come along, they'll pay fees to come along, so we do expect to grow the commercial arm. You talked about subsidy. The Federation has never got any other money from the subsidy --

NEIL WOLTON (Essex Branch, North Thames & East Anglia Regional Council): No, the Post Office get a subsidy from the government.

IAN PARK (Chairman, Negotiating Committee): Yes, Post Office get a subsidy and what they do with their budget is the same as, you know, we don't get money from the gas contract, Post Office get money from the gas contract and if you would like to proportion it out maybe we get an odd pence or two from it as the Federation, with money that they pay to us. But they've got their accounts, they've got their budget, this is money that will come out for their 'out' side, their debit side, the money that goes into the credit side is their business. We've got nothing to do with that but we've never had anything out of the subsidy, we just have money from Post Office Ltd, they get the subsidy not us.

GEORGE THOMSON (General Secretary): Could I answer the other part as well Neil and the compensation and does it cover staff redundancies. Yes it does. If the Crown office staff, 660 have left, that's all been paid out of NT money and they're part of the network, I've not got a problem with that, some of them have been 30 or 40 years, they got two years' redundancy. That's looking after people, I accept that. Cash in Transit is exactly the same. So the company, when they restructure their admin, their Crown offices, their Cash in Transit, absolutely that money is coming from Network Transformation. It is about the whole network and it is about the whole company so it is definitely coming from NT.

ROBERT COCKBURN (Scottish Northern Branch, Scotland Regional Council): Good afternoon everyone. I've taken advice from my peers, one; I've got to stand up here and make a speech and the other thing is I've got to say my name and where I come from. Correct Graeme, Kevin? Good. I've one quick question before I start. We've heard a lot about all the business that is going to come our way with the MOU and dealing with Post Office, have we prepared an outlying business case that shows us how we're going to deal with expenditure and revenue for all these different parts and can we see it?

GEORGE THOMSON (General Secretary): Thanks Robert. Robert asked the question in Scotland as well. The one thing the Post Office do have is they have got an annual plan --

ROBERT COCKBURN (Scottish Northern Branch, Scotland Regional Council): It's not the Post Office plan George, it's yours.

GEORGE THOMSON (General Secretary): And the Post Office have that on behalf of the Federation. What they don't have yet is any project-specific plans. They know that we want, as Paul said, that we want to double the circulation and pages of *The Subpostmaster*, they know we want to take on a retail specialist. They know, as Paul said, we want to take on a team. But it would be premature, if you quite rightly or wrongly say 'No guys, we don't want to go down that road.' We're not wasting time and effort on something that might never happen. Can I just say, the £1.5million isn't as much as what you think, because we already get £175,000 a year from them as facilities, which used to be union facilities and we get £80,000 for supporting Bank of Ireland business insurance, so we already get a quarter of a million. So the answer is no to that Robert.

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ROBERT COCKBURN (Scottish Northern Branch, Scotland Regional Council): So there's no outline business plan to say how the new National Federation of SubPostmasters will fund itself moving forward.

GEORGE THOMSON (General Secretary): No, that's not what I said. When it comes to project-specific applications there are no project-specific applications that have gone into the Post Office yet because if you say no today it would be a complete waste of time and effort. They know and David McConnell who is our new Communications Director, David McConnell, as soon as we say no to this, if we say yes David will be working on project-specific work.

ROBERT COCKBURN (Scottish Northern Branch, Scotland Regional Council): So is there a business plan for the commercial activities to be able to fund the National Federation of SubPostmasters?

GEORGE THOMSON (General Secretary): At this moment in time the £1.5million covers the running cost of the Federation. If we decide to change and go for this bright new future representing all new agents plus our existing agents, then we will make that business plan. At the moment we have enough money to keep going, we have a deal with the Post Office that covers our running costs, we will, as soon as we get the okay from this conference, we will be setting up a new National Federation of SubPostmasters probably in the next two or three weeks and Julian is going to say something about that tomorrow and everything will flow into place.

ROBERT COCKBURN (Scottish Northern Branch, Scotland Regional Council): Thank you George. This is only my second National Federation of SubPostmasters meeting, I wasn't sure of the process, I prepared a speech and then when it started to do questions I ripped up my speech. But I could make a speech, so I've started again. It just shows that there's no certainties in life and you can never say never because things change. No matter what option we choose today the National Federation of SubPostmasters will change irrevocably, it will never, ever be the same again and that will be for every subpostmaster. It might not be that much different for our Execs, especially if it goes the MOU way. So, how will we get on? 10,000 disparate members in a MOU, no skin in the game for any of these people, ranging from WHSmith, the Co-op down to my little post office. How are we going to manage to offer retail offerings for all these people that will make us money? We've tried it before, we didn't get it right, are we really going to make it right this time?

So what are the options? Well, the National Federation of Retail Newsagents, they're already in the lifeboat, I'm sad to say. I'm a member of the National Federation of Retail Newsagents and they have got a good commercial offering but I know they're struggling and with us I don't think it would make a lot of difference.

The CWU, they're a nasty, strike-orientated organisation. Really? Are they really a nasty strike-orientated organisation or are we looking at that past? I want my leadership to be strong with government, POL and highlight our plight to the public. I recently applied for a postie job, now you may ask why I did that. Well, it's because they get paid more and they've got less responsibility than I have. Our region has seen very little benefit from NT2, the only ones that have benefited are the people that have exited. That's not a transformation process that's a cost-cutting exercise and cost-cutting exercises only take you so far. So on shiny post offices and the Community offices are struggling to get the grant aid because POL makes them jump through so many hoops to get it. You can't alter the building, that might increase the value of the building, you're reduced to buying new tables which will make no difference to your business whatsoever.

So, what have I had in the last two years? I have had my Execs peddling NT2 as being a rip roaring success. Well it has been a rip roaring success for certain individuals that have managed to escape, but clearly not for us. It hurts me deeply that some National Federation subpostmasters now have been members for years have given up and left. They've left, not the post office, but they've left the National Federation of SubPostmasters because they're fed up listening to the wireless that constantly transmits and never really listens.

Now, the CWU option, what is that going to do for us? The CWU is quite strong, I'm not a trade unionist by-the-way, I've never even wanted to be a trade unionist, but they have got the power to influence POL, the government and the public. We would still be independent within the CWU for at least five years, there may be changes but I think the changes would be better. I would rather have POL recognising however many cardholding members there are than have a staff association with 10,000 people in it that are totally disparate and have got no skin in the game.

Frankly, we should be rejecting all the offers that are on the table today because I don't think none of them do us justice. However, as we can't vote for that I honestly believe that the only thing we can do is vote for the CWU. They're the best chance of delivering than us on our own with such a disparate membership. My last thing is, correct me if I'm wrong, but even the great Ian Paisley changes his mind. Thank you. (applause)

IAN PARK (Chairman, Negotiating Committee): I'll try and cover those. Thank you Robert, and I'm sure that my colleagues will jump in. Some of the things that you talked about, the NFSP will change, well it will change, it will have to change, we've acknowledged from the very beginning we have to change. So, yes, it will change.

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I didn't understand the piece about the people who are in the NFSP or the other people who are in the post office network have got no skin in the game. I've got quite a lot of skin in the game and not because I'm here on this it's because I own the building and I work and effectively Post Office Ltd pay me commission on transactions that I do which keep my building able to be maintained. So I've got more skin in the game collectively, all of us people, the network have got more skin in the game than Post Office Ltd.

What offers can we make? I can't tell you precisely what they're going to be, there's going to have to be some research on that but what I can tell you is that the people we're making offers to at the moment, right now, tend to be small, independent post offices with little or no retail, they're the Traditional standalone post office and obviously we cannot make a big deal out of selling our commercial offerings to those people, the people who we deal with, people like Canon, it was a fantastic offer but how many people have they actually been able to sign up from the Federation of SubPostmasters? Very, very few because a lot of them A; can't afford it, or B; have no use for it because they've not got that type of trade, they've not got that type of post office and we could go on with all sorts of things like that.

There will be better opportunities when the people that we are representing and that the people that we will deal with are advertising too much more commercial offerings and that will definitely have to be the case. We're all recognising that the new post office when it comes along, when Network Transformation has finished, on average the post offices will be relatively small and the retail businesses will be relatively larger. That's going to be the case and if that's the case then the commercial arm will have a better chance of being able to sell itself and sell us as individuals.

We recognise that some of the areas, especially, and I come from one in the South West, more rural areas with small post offices, standalone, are having difficulties with NT2. They've got the right to get compensation if they're able to leave but they can't leave because they can't find someone else to take on the post office. It's not that the individual can fail to find somebody to take on the post office, it's not the Post Office's fault, very often they're just is nowhere else available to go. But that's not the policy of the Post Office, it's not the policy of the Federation and I've been to countless meetings with Ministers and BIS trying to get them to change the policy, but the government policy that put, whatever it was, £1.64billion eventual into NT2 was that there would be no loss of post offices, that compensation would only be paid if an alternative was found. We are still trying to convince them that actually some of these offices that they are insisting be replaced, the economic sense is absolutely they should be closed, they should be replaced with a van every couple of weeks or every couple of afternoons a week, whatever it might happen to be depending on the services. But if you've got a small post office that's serving 50 people a week and it's costing £20,000 a year to keep it open, that's not economic sense, it is absolutely stupidity economically, but politically it's a requirement. We don't actually set the political agenda, we try and influence it and that's all we've ever been able to do, try and influence it, we've not succeeded yet but we've surely not given up. What I can say is that if we're dealing with 11,500 members when we go along to government I expect they'll listen to us a little bit better. I hope they'll listen to us a little bit better.

The CWU is strong. I wouldn't take issue with that, the CWU are strong but they are in a different sector at the moment and even if we join with them, and you said that they're not militant, they may or they may not be but their threat is they will take their workers out. That's ultimately always going to be the threat for the CWU, we will withhold our services. But that won't happen with subpostmasters, we have already recognised that we had the right to be able to say to subpostmasters 'If you want to get this pay deal that you think you should be entitled to or if you want to change the Post Office policy, would you like to stop work next Monday and leave your place shut for a week?' How many of us would actually do that? We've always calculated that the numbers would be miniscule and for those that did it all that would happen, they would lose their business to their next nearest neighbours. That is not the way to influence the Post Office.

The other issue with the CWU is, I am absolutely convinced that we would not take all of our existing membership to the CWU. We are already below 50% representation right now, but they've always recognised the Federation and they will continue to recognise the Federation, the Post Office have been scared to death of the idea that they would actually be dealing with the CWU if we all went and joined with them, that's part of the reason why we got the deal that we were able to negotiate and that's part of the reason why if we decide anything today, whatever it is, we change the negotiating stance. If they are not afraid that we might join the CWU and we went along to renegotiate tomorrow or next week the negotiating stance from the Post Office would be different because they've no longer got the fear that we're going to go to the CWU. But if we did go, even with every single one of our members right now we would have in the CWU less than 50% representation of post offices. The Post Office are likely, indeed I'm absolutely certain, that they would say 'You haven't got principle negotiating rights, we don't have to talk with you in the same way, you'd have secondary rights.' But we wouldn't carry them all and what we would do, I am quite convinced, is that we would leave an open playing field. If we don't decide the MOU next week some will go to the CWU, some will go to the NFRN, some will do nothing at all, but you will not get 50% in either organisation and the chances are the gap in the middle will actually be more than 50% and someone will come along and step into that gap, I'm convinced of it and I'm convinced that the Post Office would support that.

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So are the CWU strong? They may be in their sector, I don't think they would be nearly as strong on our behalf. So I understand, I take every point that you've made, you said you're not a trade unionist, actually all the time I was employed I was a trade unionist, I've always been a member of a trade union, when I first joined the Federation it was a union. I support that idea but I don't think it's the right thing going forward.

PARIMAL BHATT (London North, London Regional Council): Good afternoon President, good afternoon friends. This is my second conference and now I need to build or how to give a speech or something to be asked to the members. My question is just simple, it's that all the committee members are saying that the MOU is the best choice I also believe we want those things as well, we have to think about our futures and we have to be progressive, new systems come in, compromises are happening. But my concern is at the moment government are not ready to give any money to us, that is fact, government don't want to give any business to Post Office Ltd, don't want to give support to the postmasters, they say 'We give enough money to you we are not interested in giving you any more money.' Now Post Office Ltd give us money to run our Federation as well, they say 'Okay if you go to MOU route we'll give you money.' and we are well covered that way, so we get money from Post Office Ltd. Now the time is coming like I think the multiples, I used to work for WHSmith as a manager and a couple of negotiating meetings I go to Post Office Ltd, that time they decided their contract, whatever they want. Like in a Co-operative, if you are doing any insurance products, Co-operative do their own insurance and they're saying 'Okay we're doing Co-operative insurance we're not going to be doing the Post Office insurance we promote our own insurance' and Post Office agreed that contract. Why is that when as small postmasters when we go for our contract 'You have a choice, either take it or leave it.' So now we are just becoming a part of all the plans, everything coming from Post Office Ltd what will our status be? They're saying 'We're not going to increase your payment.' We're asking all the time 'Can you give for these things extra money?' They're not happy to give us any extra money and now they are paying us for our Federation so what will be our status in the future? Can we go to any private companies or something to get our business? Because if we don't get business from the retail businesses they're saying 'Okay we'll plan your drawings, give support when you're going for Mains or Locals, they're support managers coming in and Field Change Advisors say 'Redesign your branch, how it looks like and we decide everything.' Now when the time is coming when we ask for the business 'Oh government don't give us money so we don't give any money'. All is computerised, systems are computerised, we'll reduce your payment so there is no money for us. When we say 'Okay then can we go to another, like DHL or someone, UPS or something?' 'No you can't because you have a contract with Royal Mail, that's your contract status you can't go anywhere else.' So what is the Federation's future policy afterwards? What do the committee members think about that? How we can survive in the Mains and Locals market when there is no business left for the new members?

GEORGE THOMSON (General Secretary): Thanks, some very good points there. The last point you touched on, it could be deemed to be restrictions. The reality is at the moment we still get £270milion a year from Royal Mail and Royal Mail are the biggest company in the parcels market in the UK. We do £1.5billion a year turnover for them and we get £370million. So at the moment, and as long as the IBA is there, the national distribution agreement, we are better sticking with Royal Mail. That may change in the future and the restrictions policy may change in the future as well.

But on your first point about subsidy it isn't correct that we don't get a lot of government money. As we speak we're still getting £130million subsidy a year from the government, the government have put £5billion into this network over the last 13, 14 years. The figure from Network Transformation was £1.34billlion plus another £600million after our West Bromwich meeting Jo Swinson got up in parliament and announced another £600million. So actually Network Transformation is costing the government £1.94billion and what none of the parties are saying is that the Post Office won't get anything, they're saying that 'Look, in the future we will support the rural community branches and we will pay fifty, sixty, seventy million.' What they're saying is 'We will not pay £130million a year' and that a £130million is too much so they're going to reduce it. One of the issues about Network Transformation is eventually everybody that can change will change because there is not the money there for fixed pay.

And the last point that you've raised, at the end of the day whatever we do as an organisation, nothing will get rid of the fact that for you as subpostmasters you're going to have to sweat your retail and sweat your post office more than you've ever done before. There's no guarantees on the high street, there's no guarantees. When you took over a post office and when I took over a post office, just because you've become self-employed and just because you've got a post office, no-one ever gave you the God-given right to be a success and no-one ever gave you the God-given right that you had the ability to get hundreds and hundreds and hundreds of millions of government money to leave the industry and I think sometimes we can forget that. When you're self-employed there's no guarantees and what the Federation's done over the last 10 years is to try and help people as best they can.

SUE EDGAR (Durham Tees Valley Branch, North East Regional Council): Good afternoon conference, Mr President. I came here with my mind made up, I'll be quite honest, MOU all the way. I've sat and I've listened and listened and nothing has changed my mind. I congratulate the two guys who have gone up onto this podium and said they support the CWU, because they have the courage of their convictions, well done to you,

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but as for presentations we've had all this info and we've had time to read it, this is what everybody wanted, they wanted it in good time, we've had that. Still nothing has changed my mind.

The CWU, no way on this God's earth would I join the CWU. They are going to take some of our members, not everybody. National Federation of Newsagents, I don't sell newspapers, no way. We're going to finish up, if we don't go down the MOU route, we're going to finish up with our members having a divided representation with POL, if they will speak to them.

The other thing is, and this is a very sad thing I think to say but I'm going to say it anyway because that's how I do things. The bottom line is our members really, really don't care who represents us, the main thing they are interested in is their bottom line, how much they are making. So any help they can get on their retail they will take it. They don't care that we are here but I think the fact that we are here shows that we do care and I think whilst we're here when we make a vote and make a decision on which way we're going to go it is not a personal decision and I think a lot of people have to remember that. This is what is good for the Federation, for our members who can't be bothered to attend meetings, too busy to attend meetings, this is not a personal choice, this is for the members, for the future of this Federation, and those of you who want to abstain, that's fine, because I am going to vote so I will win. (laughter) If you abstain you are letting down your members and not having their say and their right to vote. You are wrong. You have to vote, you have to stand by the courage of your convictions and say what you mean. One minute.

GEORGE THOMSON (General Secretary): That's good Sue.

SUE EDGAR (Durham Tees Valley Branch, North East Regional Council): I do have a question, so I'm sorry for all that.

GEORGE THOMSON (General Secretary): Good.

SUE EDGAR (Durham Tees Valley Branch, North East Regional Council): My question is, and it's quite simple really, if we fail at the MOU or we succeed at the MOU or go down the CWU route or the NFRN, what happens to our Benevolent Fund? Where do we stand with that?

PAUL HAINES (Chairman, Transformation Committee): Okay. Thank you Sue for that. I'll make this very clear right now. The Benevolent Fund is an entirely separate organisation, it is a charity. It is linked to the NFSP but it is a completely separate organisation. So it would depend Sue is the actual answer. If we dissolve the Federation at any stage because nothing happened and down the line we ran out of money, the Benevolent Fund would be transferred to the charity nearest to its aims and its purpose and its purpose is to support subpostmasters past and present who find themselves in times of difficulty, and I hope I've remembered that bit right. So, if we didn't exist, yes, we would have to do something with the Benevolent Fund and the likelihood would be that we'd probably have to approach something like the Rowland Hill Fund because it's part of the industry and we would amalgamate it into that.

If we went down any of the other three options the Benevolent Fund cannot be touched by any other organisation, so if we joined the CWU the Benevolent Fund would remain as a separate entity and even in five or ten years' time, if it had become a complete merger and/or takeover and likewise with the NFRN. So the Ben Fund can't be touched and what we're talking about here today bears absolutely on relevance to that fund whatsoever.

SUE EDGAR (Durham Tees Valley Branch, North East Regional Council): That's fine.

GEORGE THOMSON (General Secretary): Sue, could I just add on abstentions, about 10 days ago Bala Jaspal put on a fantastic meeting in the Midlands on a Sunday along with Bharat and there was 113 subpostmasters there, about a fifth of the membership. We talked them through all the options, no-one supported the NFRN, six people supported the CWU and over 80 subpostmasters supported the MOU. Now the point I'm getting at, no-one for a minute from the hall says about abstentions. You're here to represent your members, there have been lots of meetings throughout the country and I think that, of course people can abstain but I'm not sure that at any meeting that there was members who were actually saying to their delegates 'You should abstain.' You've got to listen to the argument but you're here on behalf of your regions and certainly at none of the meetings I was at was there any desire from delegates from the floor to be saying to their delegates to conference that they should be abstaining. I never heard that and I have done five or six, not once did I hear that.

SUE EDGAR (Durham Tees Valley Branch, North East Regional Council): Support the MOU, that's all I'm saying. (applause)

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DESMOND WRENN (North Staffs & South Cheshire Branch, Midland Regional Council): Just akin to what Sue was saying, coincidentally I was sitting down there waiting. What will happen to the NFSP assets whichever option we go down? That's my question.

GEORGE THOMSON (General Secretary): Des, the current assets will seamlessly transfer into the New Federation, every single penny that we have will transfer along with the liability, every single penny will transfer into the new Federation.

DESMOND WRENN (North Staffs & South Cheshire Branch, Midland Regional Council): So what after five years?

GEORGE THOMSON (General Secretary): No but basically in the next, we'll be setting up a new company probably within the next three weeks if we get the okay and it will be as quickly as Philip Bloor, the Finance Director, a man of many talents, and Julian Blake at BWB, it's as fast as we can do it. It will probably be within the two or three months if it will be set up?

DESMOND WRENN (North Staffs & South Cheshire Branch, Midland Regional Council): And what if CWU and NFRN?

GEORGE THOMSON (General Secretary): If it's the CWU or the NFRN we will work at speed to migrate the organisation, what they've both agreed is that they will lift and lay our organisation into their organisations, so everything will go in exactly as it is, our funds will be separate for a period, at least up to five years in the CWU and Ian, is quite right, the CWU have the resources to help us. The NFRN have said 'Basically you'll have to use your own money and if that runs out, well we don't know.' So the NFRN, as Ian said, we probably would have a financial crisis within about a year and a half in the NFRN if we're being quite honest.

MICHAEL MCARDLE (Northern Ireland Regional Council): National President, conference. We had a Regional Council meeting on 1 June, an excellent presentation, everybody in the room, that was the subpostmasters, voted in favour of the MOU. I haven't heard anything today to make me change my mind, in fact quite the opposite, I'm even more convinced it's the way to go. In 15 years' time there will still be an NFSP, with the NFRN or the CWU within five years I don't think it would even exist. We're all subpostmasters, everyone up here are subpostmasters, we're members of the National Federation of SubPostmasters. We have to work with POL and the best place to do that is within the MOU and I would vote in favour of the MOU. So I'll be voting as well Sue so that will be two of us anyway. (applause)

SATISH KARIA (Cambridge Branch, North Thames & East Anglia Region): I am in support of the MOU purely and simply because I believe that the people at the top table have got their hearts in the right place and I think they're working for the Federation so that goes without saying. The question I have George is, why is the Post Office before you have even signed a contract with them or an MOU contract with them, are dictating the terms to you already saying that if you don't make up your mind by tonight or tomorrow they're going to take the contract away? What is making them do that?

PAUL HAINES (Chairman, Transformation Committee): I'll take that one Satish, because it came to a point where we had to have as many choices as we could come up with on the table and we came up with three, but what they have said is if it does not go past this special conference, and it's written into it, and we fully accepted that, because if our members don't vote for it then we wouldn't want to go there and it would be written. So it was just part of the negotiation that that was that. We cannot go back on it, we've said it time and again, we cannot change a word of what's in there, but if this conference turns it down it will disappear into the dustbin of history if you like. So they're not dictating to us it's just the nature of the contract, it's like we kind of put ourselves out to tender out there and a decision is going to be made and if it's the wrong one, or one that's not the MOU the Post Office easily are going to turn around and say 'Well sorry guys you had your chance, but our part of the tender has been pulled.' So it's just part of the negotiation Satish.

SATISH KARIA (Cambridge Branch, North Thames & East Anglia Region): The second quick question is with regards to the money part of it, because that's what interests us most. The £1million that you're talking about which is geared towards projects, special projects and so forth and so on, Ian mentioned that Post Office haven't got a clue what the projects are at the moment.

PAUL HAINES (Chairman, Transformation Committee): Not yet.

SATISH KARIA (Cambridge Branch, North Thames & East Anglia Region): And knowing Post Office they ain't going to have a clue for a long time. (laughter) So my point is that you ain't going to generate the income that you're thinking about pure and simply because the Post Office aren't going to give you any work. However, suppose, for argument's sake, you tender for, to take your example, to go and do mystery shopping, for argument's sake, would you then give us the opportunity to take part in that and earn some money out of being able to do any of that work that you're going to tender for?

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PAUL HAINES (Chairman, Transformation Committee): The answer to that is, absolutely, yes I would. If some of you wish to do that we'd subcontract to people in various areas and, (laughter) don't all rush at once we haven't done it yet.

NATIONAL PRESIDENT: I haven't got a list long enough.

PAUL HAINES (Chairman, Transformation Committee): But Satish, absolutely of course we would, we'd be out there to recruit people and there's no better people to go out and mystery shop post offices than subpostmasters actually in my book.

SATISH KARIA (Cambridge Branch, North Thames & East Anglia Region): And that is going to be counted as your pay rise for that. (laughter)

PAUL HAINES (Chairman, Transformation Committee): No. Well may be. (laughter)

SATISH KARIA (Cambridge Branch, North Thames & East Anglia Region): One very quick final one. If you are aware that the Post Office have also got a retail side of their business which they're promoting quite vigorously, people come and see you in conjunction with an FCA they come and look at your retail side, so they have got a very strong retail division within the Post Office. Now is that, if you sign the MOU will you then merge with them and will you bring that expertise forward or will you join them? How is it all going to happen?

NATIONAL PRESIDENT: No, we won't merge.

GEORGE THOMSON (General Secretary): Can I just add, everything will be looked at. We have to put commercial contracts, so we're guaranteed the £1.5million and our membership fees are falling now to about £850,000 so straightaway it gives us a little bit of peace of mind to start with because the numbers are drifting quite dramatically as NT kicks in. But these contracts, these project-specific grants, Paul's quite right, it could end up being three, four, five million a year quite easily, but it has to be done properly, it has to be submitted, it has to make sense and it has to be something that's good for both postmasters and the Post Office and it will start off with the subpostmaster and our communications will be massively enhanced. There will be a major push into retail including recruiting someone quite senior. We do want to have a field team, that might be the second year. We are looking at could we do, as Paul said, mystery shopping better than the Post Office? But it has to make sense and it has to save them money. One of the pushbacks we've had already is 'Look we're cutting all our staff, out in the field, everywhere' and you can't just get contracts for the sake of it, it has to be a really tight contract that makes sense for the Fed and for the Post Office and we will make sure we do that.

Now Robert asked the point earlier has all this been done yet? It's not. As soon as we know we can get the go-ahead we're going to work very closely with the Post Office. It will start off at £1million in the first year, that's the year we're in, but I think we can do a lot of things cheaper than the Post Office, even on the pensions side, all the Federation pays if you're under 50 for a pension is 5% towards your contribution, if you're over 50 I think it's 10%. The Post Office pay far, far more than that so straightaway just on pension costs we're really in front of the game with the Post Office there. So there are a lot of things we can do but it will be done properly and it will not be 'jobs for the boys' or anything like that, it will be done properly to win these contracts and we will get the best people to do the jobs and to deliver the service on behalf of the Post Office and the Federation.

YASHWANT PATEL (London South East Branch, London Regional Council): Good afternoon Mr President and colleagues. Ever since there was talks about the Federation needs to change I have always felt the way we are, the way we run our own affairs are the best way and we are the best governors for our own Federation than sort of having NFRN or the CWU. That is my personal view. As a London Region we've had five branch meetings since the conference and I can tell you categorically that our branches have all said that the MOU is the best way forward, with a little bit of tweaking here and there, but we feel that it gives a better control of what we do and we are our own bosses and I'm sure the Executives will fight POL tooth and nail to get what we want. So please support the MOU. (applause)

HARRY GORAYA (London South East Branch, London Regional Council): Afternoon colleagues, National President, Execs. I came earlier and I said I'd got, I personally hadn't decided because, as my previous colleague has just said we had quite a few meetings where we allowed all the delegates from all the branches to attend each others, so you could go to five meetings within London and find out everything you want to and if you had a question at one you could go to the other and so on and we had so many questions that I deliberately left my idea to last and, as Sue quite rightly pointed out, we're here to support our members and if they're unsure we shouldn't be decided when we get here and query our guys and so on. But it's quite simple in one respect, listening to what I've, I was hoping there was going to be some more questions from you guys really to challenge our guys up here but you feel quite comfortable from what, but if I simplify it for you, first of all, let me just tell you, that without sounding a bit big-headed in the London region we're a bit more forward-thinking maybe than some other regions. (laughter)

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But just to let you know, no it's quite a relevant point the reason I say that, is from about four meetings ago we were contacted by an Area Manager for the Co-op, he represents 28 branches in the South East and he asked if he would be allowed to attend our Branch meetings with a view to possibly joining the Federation because he's authorised to do that. So after a committee discussion we said we'd let him in as an observer just to see what he thought of it and also we got feedback from him afterwards. And I was returning from another meeting on Tuesday night just gone and he phoned me to say that he'd been to another branch meeting because he couldn't attend ours and as far as he was concerned and the members he represented he felt the MOU was the only option. So as a Co-operative representative he also feels that the MOU is the best way forward for the organisation.

But I was going to go back to a simpler way of looking at it. We're rather unique in the way that what we do is, as our masters POL get the contracts and we own the super structure of the buildings and so therefore we rely on them to produce the goods that we can sell and make the money with. When you're looking at the three options that are in front of you just from a purely financial point of view and I support, I have great respect should I say, for the NFRN and the CWU because they're good organisations in their own rights, but when it comes to what we're discussing here today just looking forward on the financial side of things, they honestly, the other two organisations, and again respectfully, they actually don't know what to do with us after that five year term. They don't know, they would still look back at these guys and say 'Well what do you want to do next?' So if they're thinking that these are the guys that are going to show us what to do, what do we need to go there? We've already got a financial plan in place for 15 years which guarantees us X amount of money which should be enough to help us develop our organisation.

Because we need to fundamentally change, you'll find, and it's quite right George has mentioned and we've got a lot of members within our area who are new to the post office business are thriving, some have actually 20%, 30% increased their salaries under the new contracts, only because they haven't restricted the way they think and how they fight for their business and how they run their businesses. So we need to be a little bit more open-minded, we need to ask all the right points, you need to be sure that when you give these guys the instructions today it's going to be the best for everybody, not a few of you, for the majority of the members. So please, think hard, make the right decision, but please vote. Thank you. (applause)

SHAHIN NAZ (Glasgow Branch, Scotland Regional Council): Just a couple of points. I always thought that if you paid for something you would value it more rather than having something for free. So if POL was paying for our subscription fees, even if there were 11,000, it will not hold the same value as 5,000 people who are paying fees to be members. That's my view. Why would Post Office pay for us to join our Federation and then have them pulling at their leg to say 'We want this and we want that?' They could turn around and say 'Well we're paying your fees, you can't have it.' I think that's a bit of Toby's point there.

I'm glad Harry was here before me, he raised the question of the Co-ops. If they wanted to join, if there was fees payable, if they had to pay fees, would that not have more value to the Federation than being free members? I know the Federation had a drive a few years back to try and recruit more members, but can we not do that again and maybe have 11,000 or 8,000 or 9,000 members that are paying a fee and then we'll have a stronger Federation rather than relying on Post Office to pay our fees? Have you looked at that option? They've given us very little time from the last conference, they've only given us a couple of months to make up our minds, either take it or leave it, since the last, I was at the last conference as well. Since then, this is the final draft or final, they've not given us any time or chance to think about this but you said there's no going back on it, it will be dead if we don't vote yes. But to me it's a very short time. That's all. Thank you. (applause)

IAN PARK (Chairman, Negotiating Committee): I'm going to turn that on its head. I do accept that actually if you've paid for something you value it and Post Office Ltd are about to pay £1.5million a year to pay for the Federation, so they're going to value it, it's worth it. So I'm going to turn that one completely on its head.

Could we grow our own membership? By God, has that guy on the end been trying for the last 18 months and he's had Andrew Gilhooly trying to help him. He's been travelling the country trying to grow the membership, but the truth is the new guys who are coming in under NT are owning businesses that may be doing £20,000, £30,000 a week turnover. They're buying in to a post office, well they're not buying in, they're being given a post office and you might wonder whether they value that as well because they got it for nothing. They're coming in with a relatively small post office, a relatively large business, they are not going to buy in under subscriptions to an organisation that they see has little relevance to their business. So the answer, have we looked into it? Yes we've looked into it. Are we able to grow our own membership? Absolutely not at the moment. Of course we looked into it, we looked whether we could survive and we go back to Page 2, 3 of the presentation 'Can we stay the same as we are?' No we can't stay the same as we are and we have been unable to grow ourselves out of the situation we're in. So we do need to do it and whether you've had time to think or not, you asked for six weeks, we gave you six weeks.

Has it been a rush? No it's not been a rush, it's been two and a half years in the building, so you may not have known about it for two and a half years, we've known about it for two and a half years we've been working on it

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for two and a half years and the last time we presented this to you, and actually the MOU you got 18 months ago, the first version of it, so you knew what we were thinking about, you knew where we were coming from and where we were hoping to go to. So at the last minute you say, I disagree.

ASHOK MAJEVADIA (London West Branch, London Regional Council): I really didn't want to come up and speak this afternoon because everything was repetition but when my colleagues from Scotland over there came up I felt I just had to come up. He said 'Why are Post Office Ltd paying for it?' This was a question that was asked at our meetings by members who have not attended a single meeting of the branch or region. The answer it gave to them is 'Look, Post Office are doing it because the Federation can do work which they themselves can't do.' The prime example, and George touched on it earlier, is the POCA account was lost to us five years ago, it was given to PayPoint. Post Office Ltd employees, Paula included, could not go to the government and say 'Please give it back to us.' No. It was the Fed who went to the government and demanded it back and got it back. So that's why, that's just one example, as to why Post Office Ltd are paying for the subs and they want us on board.

The other, I don't know whether my fellow scholar is a Branch Secretary, I am. I've tried recruiting, gone around, now I admit that London is very populated congested area so the post offices are nearby, it's easier for us to get around to our members and see them, for Scotland it might not be. But to recruit one member you had to go around to about 50 or 60 offices, spend half a day with them and say 'Please join us, these are the benefits, etc while they're serving on the counter.' It is very, very difficult to recruit, so I would suggest the MOU is our best way forward and the reason the Post Office are paying is because they want something from us which is to talk to the government and to get more work, to do their bidding for them. Thank you. Please support the MOU. (applause)

GEORGE THOMSON (General Secretary): Could I just answer what Ash said, there I agree with everything you've said. The reason I believe the Post Office are paying for it is firstly, as you've said, we can open up a second front in a campaign that they cannot do or they'd be sacked. Secondly, I do believe that they actually realise if the Federation was not here that the network and the sector, post office sector in the UK would be diminished, I really do think that. They want us to have an independent, standalone voice that is not in the CWU or the NFRN and I believe it will be fantastic value for money, both for us and for them.

On your last point about membership, I've been around branch meetings and regional meetings and you're quite right, people have said to me 'Well we can stay as we are all we need is to recruit the Locals and we'll do that' and I've explained and I've bitten my tongue, I've explained why I don't think it has been working. But I would say and I'll say it now because Ash has made it very pertinent, any Branch Secretary who wanted to do that, there's nothing been stopping you for the last two years to go out. If you think that we can survive as an independent organisation and the secret is getting the locals into membership, nothing stopped you doing it. But there's no Branch Secretary that's come to me in the last 12 months and said 'Look George, I've actually around 30 people who are Locals and I've got 25 in membership.' So remember that, the opportunity has always been there, we are struggling to recruit the Locals and that's just a fact.

GED MCGRATH (Cumbria Branch, North West Regional Council): Ged McGrath, Cumbria Branch, that's North of Watford Gap for the people that aren't so forward thinking Harry. (laughter) I also will be voting today so I'm three, so we're up to three, so we're getting there slowly. I've just had a little bit of an idea, anybody that objects to getting membership for free, I'm sure Paul will be very grateful to have your subscriptions transferred into the Ben Fund as for end of March next year. Thank you. (applause)

PAUL HAINES (Chairman, Transformation Committee): Thank you Ged. I was going to come to that tomorrow Ged but thank you. (laughter)

NATIONAL PRESIDENT: Colleagues, as we don't seem to have any more speakers let's put it to a vote then. When we vote can I ask you to put your hands up and leave them up until we've counted them and then ask you to put them down again. We'll do them in the order that they are on the paper. Okay colleagues, those that wish to vote for the NFRN? This isn't Eurovision. (laughter)

GEORGE THOMSON (General Secretary): That's the British points. (laughter)

NATIONAL PRESIDENT: Okay, we take that as being zero unfortunately. CWU. Just leave your hands up please. The MOU?

PAUL HAINES (Chairman, Transformation Committee): I think that's 50% National President.

NATIONAL PRESIDENT: Could we ask for the tellers.

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GEORGE THOMSON (General Secretary): Get the exact vote, yes. If Michael does that side and Calum does that side, yes? If they keep their hands up. Keep your hands up colleagues please just to help the tellers. 48 this side, and 43. 91.

NATIONAL PRESIDENT: Right okay. Thank you very much. Thank you. That's 91 for the MOU. Thank you very much. Can I thank everyone for the way that they've conducted themselves today. Mr Park.

IAN PARK (Chairman, Negotiating Committee): Thank you for that colleagues. Needless-to-say I'm not going to rehearse all the argument again on this one, this is just by way of being, because of our rules we have to pass a motion, whether you call it a motion or resolution in the lead up to it the words are what they are. Yes, there's a very good reason why we never used motion the first time around but some people wanted it.

So *'That Special Conference shall provisionally accept the MOU option and that the MOU option shall be explained and explored in detail on the second day of Special Conference.'* I so move.

PAUL HAINES (Chairman, Transformation Committee): I formally second.

NATIONAL PRESIDENT: Colleagues, can I see how many are for the motion please? Can you show? Thank you, if you put your hands down. Thank you. Those against please? None against.

PAUL HAINES (Chairman, Transformation Committee): It's carried.

VOICE FROM FLOOR: Don't we get to speak on it?

GEORGE THOMSON (General Secretary): They've got the right to speak on it, it's a motion.

NATIONAL PRESIDENT: Oh right, yes.

JOHN SHEPHERD (Hull & York Branch, North East Regional Council): We first heard of the MOU at conference before last when there was the leaked document and since then our leadership team have worked to make this their preferred option. I could harp on about that but we are where we are. As a membership organisation when were you or your colleagues consulted on what you want for our future? I cannot think of any time when we have been given the opportunity to feedback on the MOU and up until now the Articles of Association either. We have a voice and today we can shout out loud. We know the POL culture of 'We know best, now do as we say' and these are the behaviours I now see from our top table 'We know best' but we know our members have a voice and we want them to be heard and listened to. I know we've had all the meetings and there's some great stuff in the MOU and in my opinion it's a no-brainer that we voted on this as the best option. So why am I and so many members uneasy with this option? As David Milner says 'The devil is in the detail' and our Articles of Association contains lots of devilment. My request is that you reject the MOU unless we have the opportunity to influence the Articles of Association now. Toby is right, we need to put the brakes on.

It's a bit like déjà vu from me when we had the last Special Conference, you know, this is Plan A, there is no Plan B' and I believe that Mindi is also right. We should accept the MOU but the issue is with the Articles of Association, our rules and these should be resolved now by the current Federation, we should not be amending it under the new company and voting at an AGM. We need to sort out our rules now and not accept the Articles of Association in their current form whilst we will be stuck with them until our first AGM is held. I urge you to reject the MOU now until we have shaped the Articles of Association, taking this on board and getting feedback from our members. Thank you. (applause)

NATIONAL PRESIDENT: Do we have any other speakers?

SUE EDGAR (Durham Tees Valley Branch, North East Regional Council): I just want a bit of clarification here. I thought we'd just accepted the MOU?

VOICES FROM FLOOR: Yes, yes.

SUE EDGAR (Durham Tees Valley Branch, North East Regional Council): So we can't reject it after we've accepted it.

VOICES FROM FLOOR: That's provisional.

SUE EDGAR (Durham Tees Valley Branch, North East Regional Council): Yes, it's provisionally accepted. Right, that's fine. Thank you.

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IAN PARK (Chairman, Negotiating Committee): Now what we took a vote for, what you all voted, 91-5 for, was that that would be the preferred option and then I told you that formally we had to have a vote on a motion that would actually have a vote. Now Jim kind of got it wrong, I don't blame him because it did seem pretty convincing, but yes, there's a right to speak and John did indeed speak, but actually I think he was speaking to tomorrow's motion. We are formally approving the preferred option and it was provisionally to accept it today so that tomorrow you can explore it in more detail. I'm absolutely sure that John will come up tomorrow and encourage you to reject it again then and I'll be encouraging you not to, but nonetheless what we need to do now, and it's got nothing to do with Articles, you'll hear about the Articles tomorrow, you'll decide whether they're good enough, whether they need changing, whether you reject them, that's for tomorrow. What we're asking you to do now is really affirm formally what you decided 10 minutes ago 91-5 to approve.

NATIONAL PRESIDENT: Right, can I ask all those that would like to vote in favour of the resolution to show their hands please?

PAUL HAINES (Chairman, Transformation Committee): Or the motion.

NATIONAL PRESIDENT: For the motion, resolution. Thank you very much. And those against? That's carried. Thank you.

CALUM GREENHOW (South of Scotland Branch, Scotland Regional Council): Sorry, we don't know what we're voting on yet, can you just explain (laughter) I thought we had voted and tomorrow we're going to vote.

PAUL HAINES (Chairman, Transformation Committee): There's another one tomorrow Calum.

NATIONAL PRESIDENT: Calum, it was my fault, due to me rushing it I didn't let any speakers speak so we had to revote.

CALUM GREENHOW (South of Scotland Branch, Scotland Regional Council): That's fine.

NATIONAL PRESIDENT: I'm sorry if that --

VOICE FROM FLOOR: He's Scottish. (laughter)

NATIONAL PRESIDENT: This is a good start isn't it?

GEORGE THOMSON (General Secretary): Is it because he's Scottish? (laughter)

NATIONAL PRESIDENT: Can I just remind you please, dinner is at seven o'clock tonight next door in Lancaster 1. Any of my colleagues that are fasting some arrangements have been made. If you haven't spoken to Sharon already could you please speak to her after the meeting and she will tell you what those arrangements are. Can I pass you over to Paul.

PAUL HAINES (Chairman, Transformation Committee): Sorry National President. Just for delegates who arrived during the course of today and I don't know, some of you may not already have checked in, but there is a discount on the bar prices that you're paying but only if you book them to your room because they can't take it off on the tills if you're paying in cash, but when you come to settle your bill at reception the 20% for any drinks will come off your bill. So just bear that in mind and you can pay in cash at reception. So just for anybody who hasn't been told because they haven't checked in yet, I just need to pass that on to you.

GEORGE THOMSON (General Secretary): And if you put it on Paul's bill it's even cheaper. (laughter)

NATIONAL PRESIDENT: Thank you very much. Can we meet again at nine o'clock tomorrow morning please.

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FRIDAY 19 JUNE 2015

NATIONAL PRESIDENT: Good morning colleagues. Welcome to the second day of our special conference. Teas will be served at ten-thirty, lunch is twelve-thirty and if needed a coffee break will be available at three o'clock this afternoon. I remember yesterday we were told there's going to be a fire alarm practice at twelve o'clock so if it goes off we don't need to vacate the building. Can I pass over to the General Secretary to give us an outline of the day please.

GEORGE THOMSON (General Secretary): Colleagues, I think firstly the Executive Council would like to congratulate the conference for the fantastic way they conducted themselves yesterday, I think it was a really healthy debate and everybody was listened to with respect and I think that shows the best side of the Federation.

Now this morning, as you heard yesterday, Julian Blake is going to walk you through the three or four steps on both the incorporation and the MOU and then open up to questions, contributions, considerations from the floor and the panel will take any questions as well. On the panel today is obviously Paul Haines who is NT Chairman, myself as General Secretary, Philip Bloor, the Finance Director, and Julian Blake on my far right, a partner with BWB So with that, let's conduct ourselves the way we did yesterday and let's look forward to a second day. Julian, if you want to talk us through it.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Thank you George. Good morning everyone. I listened throughout the day yesterday and I obviously heard some comments and remarks about the legal process, the Articles of Association, the framework agreement. I'm very happy to answer those questions if they're repeated today and to answer any others that anyone might have.

First I'm going to run through the stages, the steps that would follow on the assumption that the preferred option is formally approved as a result of this session and, actually, that might pre-empt some of the questions you have. It may not, I'm told it may not, so I'll answer those questions once I've got to the end of that run through.

The first step that would follow logically from adopting the preferred resolution would be the incorporation of a new company intended to be the successor company to the association, the idea is that it will be a corporate version of the association. If the association were to be set up today that's the legal format in which we would certainly advise that it would be established. It's a company limited by guarantee, and for those who you not familiar with a company limited by guarantee as opposed to a company limited by shares, it's a company in which there is no financial interest of the members but the constitutional role of the members, in this case one person, one member, one vote, is replicated in the same corporate structure as you would understand the arrangement between a company and its shareholder. So it's, in constitutional terms, it's exactly the same as you would have if every shareholder of a share company had one vote. I think it's really important to think of it in terms of it being a corporate version of the association and not something different, because I heard a few comments along those lines yesterday.

In addition to that, what is does, a pretty important thing, it restores the limited liability protection for the Board, the Executive Council, and for you the members, which was previously in place because of the trade union legislation and was lost because the association ceased to comply with the definition of a trade union. So what this is really doing is reproducing the limited liability status that you previously had but in a different form. It will be established with the same name, that will have a consequential effect for the residual association, we'll change that name to something slightly different so you don't have two organisations with the same name.

It will be adopted with the Articles of Association as presented to the meeting. There was some comment about that yesterday. The thinking behind the drafting of the Articles of Association has two elements to it, one; that it replicates as far as it possibly can the existing arrangements of your rules, second; that those rules now need to be fitted into the structure of a corporate organisation. So that necessitates quite a lot of format change, or appearance of change. It involved some provisions not being expressed in quite the same way but the overall intent is that the substance of the rules are replicated in the Articles of Association. I suppose the point here is, the starting point is maximum replication, if as a membership you were to look at those Articles and say 'Well we actually would like changes to that' in principle that's really a move away from the basic starting point, the basic start point being, as people were saying yesterday, the wish that the association rules are continuous and replicated as far as they possibly can be.

The best and most significant example of that continuity is that the company constitutionally provides for every member of the unincorporated association to be automatically admitted as a member of the successor corporate association, so maximising continuity. Obviously if somebody was unhappy and did not want to continue their membership in effect, or to become a member of the new association in legal effect, all they need to do is say so and they would cease to be a member.

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Obviously a lot of discussion yesterday also about the prospect of new members and it constitutionally provides for new Core/Host office members to be admitted on the same terms as current members. As for the timing of the adoption of the Articles of Association, actually once the resolution is passed and the Articles of Association approved, the company could be established within 24 hours. So it will be established within an appropriate timescale reflecting the requirements of the other stages of the process which take more time.

The second step, this will take more time, and that is the technical necessity to transfer everything that is currently in the unincorporated association into the new company and replicate everything that's in the current unincorporated association into the company. What we're doing there is overcoming a legal discontinuity because we have established a new organisation, a new company, and we need to transfer everything out of the existing organisation into the new one, so there's a legal discontinuity in that sense. In all other respects, that transfer, the effect of that transfer is the mechanism by which we replicate everything that's in the association and transfer everything that's in the association. So what it's really doing is maximising continuity while overcoming a legal discontinuity.

The transfer of undertaking, the transfer of the associations operations and business will need to take place on a specific date. That specific date will need to be identified as a convenient date, typically they happen at the end of financial years or the half-year or the calendar year or something like that. It could be any date but you just need to choose the convenient one. The point there is you've got the unincorporated association operating until the point of transfer or the date of transfer and then stopping its operations, and you've got the new company, the new corporate version of the association starting operations as from the same date. So you can see why it would make, it was otherwise convenient, for the unincorporated association to work up to the end of the financial year and for the company to take takeover operations at the beginning of a new financial year.

The legal bit of this transfer is that it's a transfer of an undertaking, a transfer of a business as a going concern, it's just like any other transfer of a business, except of course it doesn't have a commercial dimension and there are no financial interests involved. What that means is, a transfer of a business as a going concern, or a transfer of an organisation as a going concern, is that the transfer I'm describing in legal terms is a transfer of all the assets. So all the assets that are currently held by the association will be transferred to the new company and some assets require technical ways of transferring them, for example property you need to execute a particular document, for example some contracts need consent to transfer. So you've got to just go through what the assets are and identify what technically needs to happen to be able to transfer them in the intended manner.

All the liabilities of the existing association will, in colloquial terms, also transfer. So we've got all the assets transferring, all the liabilities transferring. At the end of the transfer, therefore at the point of transfer, you will be left with an unincorporated association with no assets or liabilities and a company with all the assets and liabilities that were previously in the association.

For those concerned about the technical matters, actually liabilities can't transfer literally in that sense, so what actually happens is the transfer document records a transfer of all the assets and an indemnity given by the company to the unincorporated association in respect of all the liabilities and in that way, in effect all liabilities are transferred. Of course the important point there is that the Executive Council and the members who are responsible for all those liabilities are receiving their protection against those liabilities now that they've transferred all the assets away that would otherwise enable them to meet those liabilities, and incidentally there's the point about limited liability, those liabilities technically are liabilities of the individuals, you, if there are insufficient assets to meet those liabilities because you're currently constituted as an unincorporated association.

As well as that technical transfer of assets and the technical effective transfer of liabilities there will need to be an administrative exercise of replicating all the administrative and operational arrangements currently within the association so they carry on seamlessly within the new company limited by guarantee.

As this is a transfer of a business as a going concern it's a transfer of undertaken for the purposes of a piece of legislation which is protective of employee rights, that's the 'Transfer of Undertakings (Protection of Employment) Regulations.' The effect of those regulations is helpful in a context like this because it emphasises the continuity I've been describing, because what it does is, says as a matter of law all the employees of the association automatically transfer to the new company because the business is transferring. They automatically transfer with the business on their existing terms and conditions, that can't be changed because it's employment protection, and with their continuity of employment preserved. So there's another example of continuity, the employee's start dates are still the start dates when they started their employment with the association.

This transfer that I'm describing will be set out in a formal transfer document which will contain the formal asset transfer and contain the formal indemnity for liabilities, record the fact of the TUPE transfer of employees and anything else that's helpfully relevant in terms of the record of the transfer. In a case like this where what is

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really happening is an organisation is being reconstituted it is technically a legal agreement between the association and the company, but of course in all other respects it's just an internal organisational transaction.

So having reached that point, we've incorporated the new company limited by guarantee, we have got the transfer of undertaking document ready for its completion date. We then have the completion date, the date at which everything transfers into the new company and it starts operating as the successor organisation to the association and I don't know whether this is what's going to happen but of course it would be a very obvious thing to complete the framework agreement with the POL at exactly the same time, so the company would start its new life with the benefit of the framework agreement in place. I understand there's the prospect, because of the timing issues here of that agreement being signed earlier on an interim basis with the association.

I also heard yesterday some comments about the framework agreement and I thought it might be just helpful for me to comment on that a little bit. I was involved in some aspects of the negotiations of that, involved in some of the negotiation meetings, contributed some suggestions as to how the agreement might be amended. I can say at the least that as long as the document is in the form that I saw it it will be a legally binding document. It will be a grant and a grant is made legally binding, the obligations of the grantor to provide the grant to the grantee is made legally binding by its mode of execution. So a contract is legally binding because it's a deal, it's each party giving the other party something, a grant is a subsidy and it becomes legally binding if it's given as a legally binding promise by the Post Office and as long as it's executed as a deed that's a legally binding promise of the Post Office, subject of course to the specific conditions of that document.

I can also say at an early stage that the two elements of the grant, the core grant and the specific project grant which were quite muddled up in the original drafting, got separated out and clearly defined and logically carried through, or at least they were discussed on that basis. I can also say that there was attention paid to reasonable protection and in particular the issue about the interplay between the supportive relationship the grant represents and the other relationship you have with the Post Office which at times can get a little bit difficult, and broadly speaking that was in the context of reasonable protection being negotiated on your behalf in relation to that agreement.

I can also say that I certainly contributed some proposed amendments in terms of emphasising the nature of the document as a grant and not a contract and that was certainly the context of the way that dialogue went. I can also say that, as is inevitable in these circumstances, there's a certain difficulty in the negotiation, there's a certain rigidity there, there's a certain holding to positions so you haven't got the ideal document I'm sure but that's because you're negotiating with another party that won't give you exactly what you want.

Going back to the Articles, I think quite an important structural thing, element to them which might be causing a bit of concern when you read them, is the way the company membership is defined and it's defined in a way that in the way company constitutions work enables us to replicate the one core office member one vote arrangements that you currently have, and because some core offices are constituted as multiples that means it isn't literally one organisation one vote, it's one office one vote. Then of course you're all constituted in different ways, so that's a bit difficult in terms of defining membership. So we've resolved all of that by putting in effect the mechanism, the membership is represented, each member of whatever nature, of whatever size, is represented by an organisational representative. So each member, each member office, has the right to appoint an organisational representative who will exercise the membership rights on behalf of the organisational member, whether that's a legally separately constituted Core/Host office or whether that's a Core office that's one Core/Host office of a multiple provider.

I think it's also important to say the obvious, that the relationship between the membership and the Executive Council is replicated as far as it can, the same voting arrangements, the same composition of the Board and therefore there's maximisation of continuity there. Depending on the timing there may be a need to ensure that there are transitional arrangements in place, because obviously, again, we've got the legal discontinuity to deal with the terms in office, not literally carrying over across the two organisations, so we might need to do something in the new organisation to make sure that that continuity is effected, and that's a constitutional matter rather than a matter for the transfer document itself.

Finally, todays resolution, technically it could be passed as a majority resolution under your rules, because it isn't technically a constitutional amendment and it isn't technically a winding-up, but it is very, very close to both of those things, hence George's comment yesterday that it's thought appropriate to treat this as a constitutional resolution and requiring a two-third majority as those constitutional resolutions do.

Then of course, a final point, the actual winding up of this association happens consequentially, it will be left asset-less, liability-less with its last accounts to produce and once it has done that it will be able to wind up in an orderly fashion.

GEORGE THOMSON (General Secretary): Thank you.

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NATIONAL PRESIDENT: Thank you Julian. Do we have the roving mikes today? Can I ask anyone that would like to place any questions, yesterday I allowed questions, comments and contributions but today could we have questions please and no repeats. Thank you.

JANET EVANS (Wales/Cymru Regional Council): At the moment we have a tax and VAT inspection insurance, is that still going to be there?

PAUL HAINES (Chairman, Transformation Committee): The simple answer is yes, that will transfer as well into the new company along the lines that Julian's just described. So, yes, everything we've got now and every member benefit we've got is also transferring across at exactly the same point.

JANET EVANS (Wales/Cymru Regional Council): That's worth £200 a year at least anyway.

PAUL HAINES (Chairman, Transformation Committee): Absolutely and we absolutely will not be looking to change that. The premium might go up a bit if we get another 5,000 members but we'll deal with that one as and when it happens.

MINDI SINGH (Central Yorkshire Branch, North East Regional Council): Morning conference, Mr President. Julian if you could explain to us a bit more about proxy voting because I have concerns about that. Then two things, it obviously says a proxy vote can be given to anybody and also you said a postmaster can represent somebody else to be their delegate and things like to the meetings. Also that under these company rules, or this document, if people do not practice their proxy vote, does that proxy vote automatically go to the Chair of the meeting on the day of the AGM or whoever's got the proxy vote can vote?

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Okay, so proxy voting. The only reason the proxy voting provisions are in the constitution really is because it's a matter of company law that all members should be given the right to appoint proxies, so the proxy voting provisions have to be there. But in your actual practical context they're not very likely to have any meaningful effect, because if you think of how I described the way the membership works, each member, i.e. each Core/Host office, appoints an organisational representative.

Now if, with a bit of foresight your organisational representative can't attend a meeting to represent the Core/Host office, you could simply, on a permanent or temporary basis, appoint, on due notification, that's the appointment point, appoint a replacement, a substitute organisation or representative. So you can as a member achieve your effective representation in a meeting, either by sending your organisational representative or by sending a duly notified substitute. So if you followed those processes you'd never need to appoint a proxy.

Company law has the same effect really, it says in the orthodox company situation where it is the member and on an organisation or representative that represents a member, the member has the right to similarly appoint somebody else to vote in their place, that's what a proxy is. So, as I say, it seems to me, there's the legal right for members to do that but all they would be doing would be fulfilling the same function as a substitute organisational representative, what a proxy does is represent that member at a meeting and absolutely not the proxy doesn't go to anyone by default. You appoint a proxy, you can direct that proxy as to how they can vote even if you don't appoint a proxy then your vote is not represented.

PERVEZ NAKVI (Manchester Branch, North West Regional Council): Just clarify one thing for me Julian, 8.7 on membership. Is the organisational representative representing more than one post office, will it be considered a block vote, for example, a Co-op, somebody represents about 2,000 offices so he can stand up and represent 2,000 votes, but obviously it will not be democratic for a person to takeover.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Okay, well it's certainly not meant to represent a block vote, no, it's meant to do the opposite, it's meant to represent a one member one vote on the premise that a Core/Host office is a member. Now I understand what you're referring to, I've had discussions about this, you're referring to the concept of a multiple who has lots of Core/Host offices and therefore rather than send a representative of a Core/Host office as is the concept here, turns it into something like a block vote by sending one person to vote en bloc on behalf of all those offices. Yes, it could have that effect, if that's, I mean it doesn't seem to be within the spirit of the constitution, as I understand it that's not likely to happen for quite some time, if it's going to happen at all, but the main thing I'd say is what the drafting is trying to achieve is the one office one vote and the alternative to the one office one vote structure which could conceivably lead into that question that you've asked, is that the one office that is part of a multiple is treated that way and the multiple is a member with only one vote, so it kind of disenfranchises the Core/Host offices that happen to be part of a larger organisation. I think that's all I can say on that, I think there are policy matters beyond it.

GEORGE THOMSON (General Secretary): If I could just supplement Julian's contribution to Pervez's question. We have been asked this up and down the meetings and it is the Co-op that's used as the example because although they've got 2,500 shops they've got 540 post offices. I think the first thing is if the Co-op was going to

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become a member, and they've indicated they would like to be, it wouldn't be until 1 October this year. Now our AGM is going to be in May so any problems that were identified we would resolve straightaway but we had a long talk with Julian yesterday, firstly I've had meetings with the Co-op on quite a regular basis in the last six months, they are retrenching from major parts of what they've done historically. Now I don't mean the shops, I don't mean the pharmacies that they've sold off, or the farms that they've sold off, a lot of the international co-operative movements they've been involved in, a lot of the social things they've done, the top management, Allan Leighton would say 'Look this company is fighting for its life. We've not got time or money for you to keep involved in something that is not core to the Co-op.' Now the point I'm getting at is the Co-op will be involved but it will not be a heavy involvement, Allan Leighton won't let them, their financial situation won't let them. But more importantly, if for example, here's a perfect example, if the Co-op wanted to change the Federation's policy on restrictions and we still support Section 17 restrictions, that means you can't sell what you want if you've got a post office, PayStation being a perfect example, if you've got a post office you can't have a PayPoint or it has to do specific PayPoint products. If the Co-op wanted to try and change that policy, firstly we would be notified about four or five weeks in advance of what the resolution would be, that would be the Board at Shoreham, the Executive Council, and we'd know that there was a move on, but more importantly, because of the restrictions policy, if we changed our view, would actually be under the MOU and the framework, a termination event, then the Board of this company would not implement that decision. So even if the Co-op managed to outmanoeuvre us at a conference along the lines that Pervez said, the Board would be under no obligation at all to actually invoke that change. What they would say is that actually it would be contrary to the wellbeing of the organisation, contrary to the wellbeing of the individual members and also it would blow apart the agreement with the Post Office.

Now Julian knows a lot more about it than me, so I think actually we shouldn't get ourselves too worked up about the Co-op taking over when actually we've never been able to persuade them to join and I'd rather worry about the problem once we get them on board. I think it will be a tremendous step forward for the Federation to get the Co-op involved, they have no desire to take us over, they have no desire to get too involved but I think they will make us more professional, I think they'll help people run better shops, so I think it's a little bit of a red herring but we will resolve it no problem.

JON FOLLENFANT (South West Regional Council): Just still on the subject of proxies, talking about proxies you have done the Co-op multiples, how about proxies whereby in a region somebody collects a number of proxies and then exercises that on either a regional basis at a regional meeting or at national conference? That obviously is a situation which could arise whereby a member could collect a number of proxies by people who he just wants to collect. Sorry, the point was, you're talking about proxies in terms of conferences but how about proxies in terms of regional meetings?

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Well the regional structure is provided for in these Articles but not part of them, so the regional structure becomes part of the regulations. So to focus on your specific point as you just clarified it at the end there, proxies have no place in the regional structure unless when you produce your regulations applicable to the branch and regional structure, which I assume will be carried over from the association, although that's not actually part of the constitution, you could draft in proxy rights or you could not provide proxy rights, it would be quite unusual to provide proxy rights in that situation.

TIM LAKE (Cambridge Branch, North Thames & East Anglia Regional Council): Just a question, we heard from George yesterday that all these things could be open to legal challenge. If there was a legal challenge would that have any effect on what we do today and up to the point that this agreement is signed?

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): I have not been part of any of these discussions about legal challenge, although I've heard them referred to, I've been in a couple of meetings where it's been said that the Post Office are worried that if they go ahead there might be a legal challenge. When I've heard that I've heard 'On what basis?' I don't really understand why there could be a legal challenge to this. Certainly it's not a procurement challenge if this is a grant because procurement relates to contracts not grants. I suppose what you might then say is 'Well what if it's clearly enough a grant and somebody interprets it as a contract' but then you've got the whole rigmarole of on what basis would there be a challenge, why would this be an anti-competitive arrangement? It seems to me it's a very, very natural arrangement between an organisation and in effect workforce, very practical, very appropriately in the public interest. So I can't see a legal basis for it and I can't see an appropriate, practical basis for it either but, as I say, that's just listening to what's going on and not really understanding why it's being said.

The only other thing I'd say is, the Post Office by my observation and organisations like the Post Office, quasi-public sector, they have a very typical overcautious and risk averse approach to things and I think it's really that.

PETER MONTGOMERY (Wales/Cymru Regional Council): I'm jumping on a bit here to the constitution of the regional councils and I'm a little bit confused, and always have been by ex officio members. It says that members of Council shall be ex officio members of their regional council with no voting power. Now what

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constitutes the ex officio members? Because the way that reads to me is that everyone who is on the regional council will have no voting power, is that correct or not?

PAUL HAINES (Chairman, Transformation Committee): I'd have to say no it's not correct Peter. I'm an ex officio member of the North East Region when it comes to regional council because I'm an Executive Officer, so absolutely have no voting rights within that meeting. I can be there, comment and do everything else but when it comes to putting your hand up yes or no absolutely you can't. So in effect that's only referring to the Executive Officer of each region, does not get to vote in a regional meeting.

PETER MONTGOMERY (Wales/Cymru Regional Council): It doesn't say that Paul it actually, if you read it, the bit on Page 28 it tells you the regional council shall select a Standing Orders Committee Rep and all that and the next line it says 'Members of the Council', it doesn't say members of the Executive Council. The way you read it it looks as though it's saying members of the regional council are all ex officio members and get no vote, that's how it reads to me.

PAUL HAINES (Chairman, Transformation Committee): Sorry Peter, where are you on Page 28?

PETER MONTGOMERY (Wales/Cymru Regional Council): Page 28, fourth paragraph, it's a very small paragraph.

PAUL HAINES (Chairman, Transformation Committee): Oh right, so it's members of the council, which is effectively the Executive Council but under the Articles of Association --

PETER MONTGOMERY (Wales/Cymru Regional Council): Well it needs to be amended then Paul because it reads there --

PAUL HAINES (Chairman, Transformation Committee): Peter, let me just say, those are the regulations and they are like an add-on to the Articles of Association so the regulations are just merely the way we operate via our branches and regions and those are all absolutely lifted straight out of the rule book.

PETER MONTGOMERY (Wales/Cymru Regional Council): May be Paul, but what I'm saying is the way it reads there, if you read it, we've discussed it here, that it reads as if it's members of the regional council. It needs to be put members of the Executive Council, there's a word missing there.

PAUL HAINES (Chairman, Transformation Committee): Right, then that's absolutely fine and there's the first one we can knock through and it doesn't query or queer the pitch.

PETER MONTGOMERY (Wales/Cymru Regional Council): Okay, then that's fine I just when we read it it does say that we wouldn't have a vote.

PAUL HAINES (Chairman, Transformation Committee): It will absolutely get changed. No Peter, there's absolutely going to be things like this because up until yesterday any of this was not a live document so we've been having to kind of double guess the whole thing. Please, just send us an email through to admin@nfsp.org.uk as it always is.

PETER MONTGOMERY (Wales/Cymru Regional Council): So I need to do that Paul because I've just mentioned it here, surely the --

PAUL HAINES (Chairman, Transformation Committee): Well we've got that one Peter, fine, leave that one with us. But I'm sure there's going to be other ones but my point is that we've got to start somewhere and thank you for the first one Peter, I'm sure there'll be plenty more that we need to change.

PETER MONTGOMERY (Wales/Cymru Regional Council): All right, thanks Paul.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Can I just make it absolutely clear how that affects the Articles, and it was mentioned in that exchange, but the Articles of Association have been drafted, they provide for the regional structure to be adopted by the Executive Council of the new company, so one would assume what the new, and this is all part of the replication, so the new company's Executive Council, one of things that we'll need to do to replicate everything is adopt the regional regulations as regional regulations of the company under the new Articles. They're only there in this document as an illustration really, they're not part of the new Articles of Association and the way they become part of the new company structure is to be adopted in that way by the new Executive Council. So they haven't been changed at all in reproducing them in that document, they're the existing rules, regulations of the existing association.

TOBY CLEGG (Northampton Branch, North Thames & East Anglia Regional Council): I'm not at all sure if what I'm going to say now is the right time to say it, whether it relates to the rules, articles, whatever it does, and I'm

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just précising this, what I'm going to say, because I don't know the format of the day, so I don't know whether this is the right time or later on or whatever, but I'm going to say this stuff. It doesn't satisfy Jim's need for questions because their needs to be a little bit of background to this so if you'll indulge with me on this, I'm going to take you to the point of Articles and rules and all the rest of it.

I've been coming to conference now for about 15 years, I remember the Executive Officers when they were just mere delegates and they were good people, good speakers, dedicated, focused on the members and they still are and we love them for it. However the business is changing, as we know, and George on his roadshow, certainly on my roadshow and it sounds like on the other roadshows referred to how technology and the internet shopping had changed the nature of the business, shopping habits and we see it every day don't we? And most of us here today, including the Executives, see all that and it's a threat to our business isn't it, reducing our income and we are bereft of any cogent strategy to fight any of that.

But that's not the same for every postmaster, there are many postmasters out there, as we've already heard, very successful, increasing the business, embracing the future, adept at marketing themselves through social media, Facebook and Twitter. They don't even know what the Federation is, they don't even know who George Thomson is and, more importantly, they don't even care. For them George Thomson and the Executive Council represent the past, days of pension books and TV stamps. I bet if you totalled all the income that the Executive Council have generated for themselves over the last month from their Facebook and Twitter activities, it would probably be less than £100 and that is the problem with the MOU. We are looking to create an optimistic new future with the baggage of the past and I include myself in that baggage. I grew up with these people, I come from the same era, I hear them speak, I agree with their words, but I know they are out of touch with the types of people, the types of customers that I now serve.

In 2003, July 2003 I sat in a restaurant with Mervyn Jones and a few other Executive Officers when we talked about the need to restructure the Federation and make it more relevant. It's taken 12 years but in the meantime we've all moved on and, to be brutally honest, we've all had our day.

Now whilst in principle I like the MOU concept I won't support it because what George is proposing here, and this is coming now to the Julian bit, it's more of the same. It's the same people, the same constitutional issues, the same processes. If George was saying 'Well the Executive Council is going to have a transitional period over the next 12 months where we're going to get new people in and then in 12 months' time was as an Executive Council and General Secretary are going to resign en bloc and put ourselves up for re-election then I'd be far more optimistic about the whole scene. But it's the same old, same old. George Thomson proudly states that he's worked for the Post Office for 35 years that is a justification for him to leave the business not to stay in the business. Is he the sort of person to be driving a new era, new vision for postmasters to a greater future?

NATIONAL PRESIDENT: Toby is there going to be a question?

TOBY CLEGG (Northampton Branch, North Thames & East Anglia Regional Council): Yes there is Jim and this is significantly and overwhelmingly important. David Milner, exactly the same, is he the right person to be interacting with --

NATIONAL PRESIDENT: This doesn't sound like a question to be me Toby. We're asking for a question please.

TOBY CLEGG (Northampton Branch, North Thames & East Anglia Regional Council): The question is, if we're not happy with this new structure, with these new Executive Council, Board of Director what-have-you, what is the mechanism for getting these people to move on? They're not time servers, we've got to deal with the future here. This is so more important than just the personalities we're talking about?

NATIONAL PRESIDENT: Thank you Toby, we'll take that as your question I think Paul would like to answer it. (applause)

PAUL HAINES (Chairman, Transformation Committee): Okay, there's about three strands to the answer here. The MOU, which I think was voted in 95 votes to 5 yesterday, has in its preamble a requirement for a certain degree of continuity over the period where we're changing from a trade union, unincorporated association, to a trade association in company limited by guarantee. So there's one reason why we can't all resign en bloc, as Toby would seem to wish.

In the Articles of Association the democratic process remains exactly the same, there will still be elections held three-yearly, although they will be staged so that there is more of a rolling effect so that you maintain, over the course of the next 15 years a certain level of continuity. And I've got to say within the last six months we've been joined on the Executive Council by my good friends Tim Boothman and Bharat Visani and I've got to say it

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was a great breath of fresh air in the Executive Council because these guys are coming in with a new look. So those two guys will come at the end of any rolling stretch of the whole thing.

And Toby actually, to answer your question, what is the process you would have to go through to get rid of us all, well you get enough support at the AGM and you put a vote of no confidence in the Board and if that is carried the Board will walk. (applause)

STEVE PILE (South West Regional Council): I hope, I've got certain things written down here and I hope I've got this right, it's about the grant. The grant is a subsidy, please correct me if I'm wrong. It's legally binding in its mode of presentation as a promise. How, however, will a promise be fulfilled if the grantor fails or is transferred or sold during the term of the grant? That's a question for our legal representative.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Well, as I say, I haven't been involved in the last stages of the grant, I haven't looked at it for this purpose, but the answer is, grant agreements normally provide for that, they provide for assignment to a successor. If the Post Office fail, which I think is your question, obviously the arrangements that the Post Office had fail. So if an organisation gives a grant and that organisation fails and doesn't have any more money to provide the grant fails.

GEORGE THOMSON (General Secretary): Could I just add, I think if the Post Office fails I think the people in this hall would be a lot more worried about their businesses than about this grant, if I'm being quite honest.

STEVE PILE (South West Regional Council): So the end product of that is no Federation.

GEORGE THOMSON (General Secretary): No Post Office, yes. No money for the wife.

PRITPAL SANDHU (Shropshire Branch, North West Regional Council): My question is, what's stopping the multiples putting a vote in for no confidence against you lot up there and getting rid of you? As Paul just said, if you're not happy voters, if you all vote against it what's stopping the Co-op coming in with their votes and saying 'Well there's 100 of us here, there's 200 of them' and there's no point saying 'No they won't do it.' if you look at what's happened over our history we're changing.

GEORGE THOMSON (General Secretary): I don't know if Julian wants to comment but we had a meeting last night with Julian just before the evening meal and we ran through some scenarios regarding the Co-op and about the multiples and I think the key would be that, I think firstly they have no intention of doing that, but let's say they did, that's your point, they would have to notify us some time in advance and what would happen undoubtedly is that the normal organisation, when you have regional meetings and branch meetings, then there's nothing to stop the normal Federation activists getting people, getting members to allow them to have their proxy votes as well. So there is a mechanism, if we felt there was a move on to take over the Federation or a change that was unwelcome, it could be for example if the Co-op wants to put in a vote of no confidence in the whole team including the General Secretary or the Chief Executive and the Executive, and the Board, it might be that they have a good reason and it might be that independents want to support them, but if actually it was done to damage the organisation or maybe to change policy then we would have more than enough time to mobilise to make sure that when delegates, because what happens at the Annual General Meeting, it will be a hand vote at first. But if the one person from the Co-op, so it's a hand vote and let's say there were 110 people there and 109 people said 'I'm supporting the Fed' and the Co-op was the one vote. That person from the Co-op could then get up and say 'I want a poll' and he might say 'I've got 540 votes' and if the rest in the room hadn't got proxy votes from their regional meetings and their branch meetings the rest of you could be outvoted. The point I'm getting at is we would have notice at headquarters of what the resolution would be, if it was in the best interests of the Federation and then the structure of the Federation, we would work within the rules of the organisation to make sure that, say Ged McGrath came along and Ged knew that he had 10 proxy votes, so if the Co-op forced it to a poll, so at first it would be hand votes, one hand and it's almost like the old card vote that we had at the union, but Ged would then say if it went to a poll, Ged would then have 10 votes because he's actually got that from his branch. So there's way to make sure, and Julian obviously is the expert, I'm not the expert, but listening to the debates we've had, there's ways to ensure that the independent membership of this organisation will always be in control, and if there's a move on by any big multiples to do us down, if it's unjustified, if it's time to get rid of the team and the Co-op have got support from independents then good luck to them, but if it's unjustified and they're trying to take over then the structure is there to stop that happening.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): I think I'd, again, go back as I did when I answered a similar question earlier, I appreciate it's a different question but it's a similar one, to refer to the technical and the practical interplay here. Technically, yes, it probably could happen, but you've got to think practically what actually needs to happen for such a scenario to arise and the most obvious practical issue is a pretty fundamental one, the multiples as you describe them would need to get into a position where they were able to exercise a majority or a sufficient majority to pass such a resolution. My understanding is they're nowhere near that position currently and anyway, even if they were potentially in a position to do that, you'd still be in the

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course of a normal voting process so they would have to mobilise all their votes and all the opposing votes would need to drop away.

I think another practical point is to take a slightly different view and does the implication of these questions mean that what you're suggesting is that the Articles should be drafted in a way that does not respect the one member one office vote principle, because that's a pretty fundamental change from your existing rules.

I think the most practical thing to say, and George has already said it, if there were to a be, let's say, a move on the association of that sort, there's time to address it and actually there's also, if there were to be such a move, a legal constitutional provision that would address it because if, assuming the Council would be able to see that that is what was happening, that the multiples were moving in a way that sought to achieve a position where they could start outvoting the non-multiple members, the Executive Council has some powers here A; to stop members being admitted in the first place, and B; to not accept particular organisational representatives. So there are constitutional provisions that would allow an Executive Committee to react to moves such as that which could be observed not to be within the proper spirit of the constitution as drafted.

JON FOLLENFANT (South West Regional Council): Could we turn to the regional structures? I recognise that the back of the paper here is without the Articles of Association, but we continue to talk in the draft that we appear to have here about the funding of regions by the General Secretary and referring to per capita grants. At the moment, of course, we're paying subscriptions so therefore it's quite obvious as to how many members there are. How, in fact, will regions be funded and what mechanisms will be in place for regions to carry out regional activities?

PAUL HAINES (Chairman, Transformation Committee): Jon it's a very good question, thank you for that. You'll note in those regulations actually the word 'Regional Treasurer' isn't mentioned at the moment and the 'Regional Accounts' and quite honestly that's because we want to go and talk to all the Regional Treasurers and go 'Is there a better and more efficient way for us to do this?' So the full intention is for regions to be funded to a degree as you are now, because you need some money to hold meetings etc. etc. but what we would like to do later on in the summer is talk to all the regions at your regional council meetings and then get all of the Regional Treasurers together and we talk about potentially a Regional Treasurer being the holder of what's called an impress account, it's an old term for it, but effectively what it would be, Peter Harrison I think is Treasurer in the North West, Peter would have a card that maybe is preloaded with £5,000 or £10,000, something like that, so that when Pervez called a meeting in Manchester Peter would pay the bill and when the expenses were submitted back down to headquarters for what the region had spent, that account would get topped back up to the £10,000 so you could continually keep to operate. That's one idea. The Regional Treasurers may well have better ideas and that's why we actually haven't put that bit in the regulations because we want to come and talk to you about it and is there a better way for you all to be funded.

So a very fine point Jon, you're quite right, if you actually applied that when it's per capita and there's no subscriptions coming in then the implication would be that no region is getting funded. We will absolutely not allow that to happen, you'll be able to operate as you normally do now, but we do want to come out and consult as to whether there's a better way, a more efficient way for us to get the funds to you guys as quickly as it possibly can be and that's where we'll go later on in the summer. So thanks for the question Jon.

RAVI JHANGIANI (South West Regional Council): Good morning conference, Mr President. I wasn't going to speak today actually but Julian just said something which concerned me. If I understand you right you said that the Board of Directors has the right to exclude people from AGMs, did I hear that right?

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): No. (laughter) Shall I answer it?

RAVI JHANGIANI (South West Regional Council): Yes, yes, sure.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): No, I didn't say that, I said that at the point of, oh well what I was emphasising was that at the point of application for membership there's a power not to admit a member that is reasonably considered not to be applying in the appropriate spirit of the organisation.

RAVI JHANGIANI (South West Regional Council): Ah okay, because as I was sitting out there what came across to me was that the reason people like Co-op and all that couldn't move against us was because the Board of Directors had the power to exclude them or any member from attending a meeting, so thank you for clarifying that.

PETER COLLINS (Central Lancashire Branch, North West Regional Council): The grant from the Post Office per annum is to pay our membership fees. What happens to Ben fees and contributions?

PAUL HAINES (Chairman, Transformation Committee): Peter if you're talking about checkoff which I presume you are.

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PETER COLLINS (Central Lancashire Branch, North West Regional Council): Yes.

PAUL HAINES (Chairman, Transformation Committee): Right. So checkoff will cease but anything else you pay out, a donation to the Benevolent Fund, I know some people have an amount deducted for, the health, Benenden, those will absolutely stay, they won't change. If you pay a fiver a month to the Ben Fund now out of your salary Peter you still will do next April, that one will not disappear although your subscription one will go. So it's only the subscription one that will disappear from your payslip, anything else you have in place we have an absolute assurance from the Post Office that all of those will continue.

GEORGE THOMSON (General Secretary): Can I just add that when next April the £17 a month doesn't come out your account because you're obviously not paying it anymore, one of the things we're looking at really strongly with the Post Office is how we encourage more people to sign up some of that to the Benevolent Fund, so if you're saving £17. But we're also working, it might not be in place in time, can we set up a Credit Union for subpostmasters where someone might let that £17 just stay there into the Credit Union contribution, so you're used to it coming off, so you will not pay it for the Federation but we're looking at how we improve what we offer the members and I think the Post Office are quite interested in a Credit Union as well. So we're looking at all these things and if it's in place for next April you have the option to either save the £17 or maybe contribute it toward the Benevolent Fund or some kind of savings in a Credit Union.

CALUM GREENHOW (South of Scotland Branch, Scotland Regional Council): Good morning conference. To Julian, as far as Point 5: No profit distribution to members. I listened very intently yesterday to Paul in relation to Point 9 of the Memorandum of Understanding and the huge potential that we may earn through further grants. Where are these profits going to go? How are they going to be distributed? How are they going to be handled? Profits usually go to members, obviously that's not going to be the case here. That's point one.

Point two, with respect to George, no offence George, but how do we appoint or remove a Chief Executive Officer? Because that's not mentioned within the Articles of Association. And point three, there is no mention as far as the auditing of the accounts, any explanation for that as well thank you.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Okay, non-profit distribution clause, a standard provision for an organisation which does not intend to distribute its profit to members. You're a membership association, the organisation is dedicated to the purpose of functioning as an association. So if there are surpluses, they may be better described as surpluses, they're applied to the purposes of the organisation and actually on distribution would be applied to a similar organisation, it's the distribution clause, if you want me to, I'll have a look at that in a moment.

As to the Executive Officer, there's an issue about the current provisions being under trade union law, so trade union law obviously doesn't carry over. The rest of it does carry over so the power for the Executive Council to appoint on appropriate contractual terms and the power of the Executive Council to remove. Those are the existing rules and that's obviously mainly a matter of employment law reflected in the rules. There's an additional thing though under company law, which is all members -- oh no, that's about -- so the accountability in relation to employment becomes an accountability from members, to Board, to employee, whoever is that senior employee.

PAUL HAINES (Chairman, Transformation Committee): Calum, just to add one final thing to that. On behalf of the members George is actually employed and contracted under the instruction of the Executive Council, so we could sack George, it would cost a bit but we could, so that will still remain in place. Again, as was the answer if somebody wished to gather that much that a vote of no confidence in the Chief Executive at an Annual General Meeting, would probably put said Chief Executive in a position where he'd probably have little or no choice but to leave and we'd have to seek a replacement Calum. So that is in the members' hands, so it's there.

CALUM GREENHOW (South of Scotland Branch, Scotland Regional Council): It would just be nice if that was included in it, what we've always got in the current rules is checks and balances and it just doesn't appear there. It's got nothing to do with George, we could be talking 5, 10, 15 years down the line or even longer, and the whole aspect of actually having those checks and balances needs to be there and the fact that it's not is just a little bit of a concern, that's all.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): The only thing I'd say about that is it is employment law on how this works and you as members have the force of member authority when you're dealing with the Executive Council who exercise responsibility on your behalf as employer. There's enough, that's why rarely do you find provisions about senior employees written into constitutional documents. You have it in your existing rules because there's a trade union aspect to it.

Just coming back to the other two points that I didn't quite answer. What happens on winding up, so what happens to surpluses during the life of the organisation is they're applied to the purposes of the organisation which to remind you are, so it will be applied *'to regulate relations between subpostmasters and POL,*

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negotiating rates' so normal purposes of the organisation. When it comes to an end, if and when the association comes to an end the surpluses at the point where all liabilities have been met, so there's a surplus at the end of the life of the association, those surpluses get applied in the following priority; to the objects of the organisation, to any institutions or institutions which have similar public benefit purposes, charitable or community benefit purposes, or actually distribution among members on a reasonable basis determined by the Council. So you get down to the final point of the final surplus where there's no other application in accordance with your purposes and then there would be a distribution. And sorry audit, audit is a matter of company law so traditionally you're right, audit provisions are referenced in Articles but that's not necessary drafting practice, Company law supervenes, general company law applies.

CHRISTINE DONNELLY (Bicester & Oxford Branch, North Thames & East Anglia Regional Council): Following up on Calum's point, the removal of the Chief Executive Officer, an implication is that the CEO would have done something horrendous for that to be necessary. I think what is more of a concern is, at the moment every five years we re-elect the General Secretary and it may not be that the existing General Secretary has done something horrendous, it may just be that there is another candidate who is viewed to be able to do a better job for the next five years and I think that's something that I would be sorry to lose in the longer term. Is that something that's simply not allowed once you're a limited company and in employee status as opposed to trade union?

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Well, as I said, before, it's a provision that comes under the trade union arrangements so it's written in here as the General Secretary should be elected in accordance with the requirements of the Trade Union and Labour Relations Act. Those provisions don't apply to a trade association so that's why that hasn't been carried over, it's just not possible to carry over the provisions in that way. Then you have on top of that anyway employment law. What that does is it creates a fixed term contract and if we go back to what I said before, fixed term contracts can still be put into place, existing fixed term contracts of employees carry over into the new organisation on the basis of the TUPE provision which I described. Remember that employee terms and conditions transfer on the same terms and conditions, so that's the same term in office, if there's a specified fixed term in office, carries over into the new arrangements. So what that means is, if we're talking about this current arrangement, the fixed term that's already been set is still the fixed term and would be considered, yes by the Executive Council at the end of that fixed term and the Executive Council would have an employer's responsibility to deal with that in the appropriate way and that's the way the company arrangements normally work. For any successor the Executive Committee on behalf of the association would be able to put in place a Chief Executive's contract on whatever appropriate terms they were, including fixed terms if that's what's appropriate, but of course subject to employment law.

JON FOLLENFANT (South West Regional Council): The Post Office grant to the new company is £1.5million, how was this amount arrived at? Was it arrived at by consideration to the actual running costs of the NFSP or the actual income that we are currently deriving? And I'm making the assumption, I think it is actually stated somewhere, that that £1.5million is good for each year of the 15 years with no allowance for inflation. I just wonder how we got this £1.5million and how that actually relates to current running costs, because it would appear that we're going to overlay in the new organisation some additional administrative costs in membership roles, I know we have a membership arrangement at the moment where these things are published and so on, but it does seem there's a lot of detailed work to be done which is going to incur some extra cost.

GEORGE THOMSON (General Secretary): Jon if I can answer that pertinent point. Basically the £1.5million figure came about it was roughly our running costs once you minus out the quarter of a million pounds we already get from the Post Office. So it ends up being about £1.2million from them because at the moment we get, as I said yesterday £175,000 facilities grant which used to be the union facilities and we get £80,000 from the business insurance from the Post Office business insurance. So that £1.5million subsumes that, so it's about £1.2million to cover our running costs.

Now on you second point is, we really just have to up our game on the commercial side and the retail side and we have to, as Paul said yesterday, it's a minimum of £1million a year for the project-specific grants, so the £1.5million is the running costs of the organisation, the £1million at least for the project-specifics, I'm not saying the sky's the limit but I would be surprised in five years' time if this company is not turning over about £5million all together. I got this from Neil Hayward this morning who is the HR Director at the Post Office: *'Congratulations on the vote yesterday, I look forward to working with you under the new arrangements and I have an idea to discuss re a project to benefit the business.'* So they're not just talking willy-nilly about this £1million, they are actually keen that we can bring something to the party and we can help them in certain areas on a better service and probably cheaper as well. So I think the project specific grants, the success we get there Jon will allow us not to worry too much about the inflationary impact on the £1.5milliion, putting them both together we should actually have more money to do things better for the members than we've had in the past.

HOWARD GREENMAN (South West Regional Council): I want to pick up on this grant issue again, and I apologise really for banging on the same drums, but I am anxious that we should be assured over the robustness of the grant funding agreement and the arrangements over the next 15 years. I'm speaking as a

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County Councillor and with my County Council hat on, if we're approached for a grant it would be spectacularly foolish to try and assure a grant for longer than the period of the budget and the budget typically is about a year. I'm picking up on some of your remarks earlier Julian when you mentioned about the grant being in place subject to normal terms and conditions, I'd like to know what those terms and conditions are. We've already identified this morning that obviously if Post Office Ltd collapse we all collapse and their budget collapses and the grant collapses with it, but what happens if at the end of the first year there just isn't a budgetary provision put in for that, for whatever reason. What mechanism is there in place, what legal mechanism is there in place to ensure that grant being in place in perpetuity over the next 15 years and are you content with the legal mechanisms there? Thank you.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Okay, well as I said before, I haven't been involved in the later stages of the conclusion of the grant agreement, but what the implication is of the Post Office entering into a 15 year grant agreement, I take your point about budgetary arrangements on a normal budgetary cycle, the implication is that their expectation is that they will have adequate funds to meet those commitments over that 15 year period. That's a judgement the Post Office has made about its own capability of meeting that funding obligation and on that basis it has assumed, or will have assumed, a funding obligation. It will have signed a document which says it promises to pay the set amount each year for that 15 year period and I'm not suggesting that conditions in there cut away from that, I'm suggesting that conditions in there describe the terms and condition upon which that grant making is provided, as any grant agreement or contract would.

So to answer your question, if they didn't have the resources to meet the grant but were still surviving they would not be fulfilling a legal obligation, an enforceable legal obligation. They've made a promise to make those payments over that 15 year period and for as long as they still exist they're legally obliged to provide that funding.

NATIONAL PRESIDENT: Do we have any more questions from the floor?

PETER MONTGOMERY (Wales/Cymru Regional Council): Good morning again. I'm just interested to know from the Executive Council the fact that £1.5million will be paid, a grant from the Post Office each year and then specific amounts for projects that they may require. Do you feel that this would make it more difficult for us to obtain increases in transaction payments knowing that the Post Office will say 'Well look, we've already given you £1.5million each year, plus we've paid you another £1million for these specific grants. There's no money in the budget now for us to sanction any increase in payments for us as postmasters.' Could I have an answer to that please?

GEORGE THOMSON (General Secretary): Thanks Peter. To be honest with you, and I touched on this yesterday, I don't think it makes it any harder or any easier, because at the moment it's like trying to get blood out of a stone trying to get money for subpostmasters. What I said yesterday, it really is about priorities for the company and I would rather that they cut back some of their central costs to make sure they can afford that £2.5million, so I don't think that £2.5million funding, for example, £1.5million plus at least a £1million, will have any impact on our ability to get a wage deal or not. At the moment it's virtually because of what I said yesterday, they're saying that their contracts are for a fixed amount, that they don't get an increase so if they win a contract what they get on day one, Post Office Ltd, is what they get at the end of year seven or the end of year five and that actually 'We cannot give you within that George Thomson, Mervyn Jones, Ian Park, we cannot give you an increase because we do not get an increase.' So that's the difficulty. So I don't believe that that £2.5million or £1.5million, however you want to describe it, will have any impact on what's available for subpostmasters pay. It is absolutely difficult at the moment and it will have no difference whatsoever. We will try to get increases but you know more and more it's about how you can grow your business, the years of getting an annual increase, because we're not workers and we've done it for years and it's getting harder, we're not workers, we're self-employed and the days of getting yearly increases are getting less and less possible because of the competitive marketplace that the Post Office is in and more and more you have to just grow either your retail or some of the guys and girls in this room are actually growing their Post Office salary, I've been speaking to quite a few who are growing their Post Office salary. So the answer is, we will always try to get annual increases, they're really difficult at the moment and they will be really difficult in future, with or without a MOU and with or without this £2.5million being spent on the Fed.

HOWARD GREENMAN (South West Regional Council): This is a much wider-ranging sort of question really and possibly something that hasn't been readily touched on so far over the last couple of days. I'm conscious, as we're all very conscious, that over the last few years we've often said that it's very difficult to negotiate with Post Office Ltd, we don't actually know what their finances are, we're given to believe they're destitute but we don't actually know the figures and I myself, of course, have pressed Paula Vennells before now on the accuracy of the figures they give us in terms of their direct costs etc, etc and they have been spectacularly secretive in their dealings with the NFSP. We all know that and that's made things very, very difficult for the Executive and for the Negotiating Committee. Within the spirit then of the Memorandum of Understanding there does need to be transparency and openness, they expect that from us, I don't think it's unreasonable for us to expect that from them, and how can we either support them or negotiate with them if we don't know what the

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figures are in terms of their direct costs, in terms of their operating costs, in terms of the dynamics of running Post Office Ltd. I would like to see, somehow sewn into this Memorandum of Understanding within, as I say, the spirit of openness and transparency, some kind of openness to their direct costs. I would like them to be as open and transparent with us, Post Office Ltd with us, as we are expected to be with them. Can that somehow be enshrined or encapsulated within some emerging Memorandum of Understanding. Thank you. (applause)

PAUL HAINES (Chairman, Transformation Committee): Howard, wouldn't we just love that. We'll do our best, whether they're going to play ball on that score, that is a very, very noble aspiration on behalf of subpostmasters. I absolutely hope we can get to that place, although I fear we might not, but wouldn't it be wonderful. If we know the Post Office were getting £1 for a particular transaction, and we've done it at conferences before where it's like, you know, and we can absolutely demonstratively prove that they're getting £1, we're getting paid 50p, that's fair, that's just, fantastic. As Julian said earlier however, a sort of quasi government body, they're so risk averse, will they just hide behind commercial confidentiality, I absolutely think they probably will. But it's a fantastic aspiration Howard, I really do hope we can get there I just think probably it might not happen, but it's a wonderful aspiration.

GEORGE THOMSON (General Secretary): Can I just add, it won't be written into the MOU but we have the same concerns you have Howard. I remember my predecessor Colin Baker, I was on the Executive Council, and it always drove Colin to distraction that the Post Office would never give you the relevant facts and figures of how their finances were doing and to some extent we were always operating blind. Nothing has changed and my good friend Pat Patalia who is at the back of the room, it's something Pat has said to me in the past as well. Pat has just left the network and has come along to listen to us for two days, that's how much he cares about the Federation and the future. So it's always been something that's annoyed activists, it's always been something that's annoyed General Secretaries and the Executive Council. Ian Park, the Chairman of the Negotiation Committee, it absolutely drives Ian to distraction, they will not, Howard, give us the kind of transparency that we want. Paul is quite right they're a secretive and bureaucratic quasi government organisation and that's the reality and that's what we've had to work with.

Now the MOU to all intents and purposes and the framework, it keeps more things in place for the Federation and it keeps a lot of things in place for the Post Office and my gut feeling is that they're being as secretive as they've always been and unwilling to share the contracts, hiding behind commercial confidentiality will continue. I wish it was not the case, we will push as Paul said, but I do not expect any change any time soon.

PERVEZ NAKVI (Manchester Branch, North West Regional Council): Right, automatic membership. They'll be more members in the Federation in future, you guys are going to be bigger shots because you'll be monitoring more, George will become a bigger man because he'll be having a lot more people to manage. What about the Branch Secretaries, Regional Secretaries and Treasurers? Have you thought about them? They'll have much more work to do.

PAUL HAINES (Chairman, Transformation Committee): I have and I actually think your colleague to your left Pervez and I had this conversation at conference and the answer is, that's why I want a field team out there to come and help Branch Secretaries with members. Yes, we are right there, in theory the workload could double but it probably won't, you will, on a piece of paper, represent twice as many people in a particular branch or region but, let's face it, half of those people don't talk to us now and unless they've got a real problem then they'll probably be likely ringing your phone every five minutes of the day. But we do take it into account and personally that's what I keep banging the drum and keep chewing George's ear off about getting a field team out there to come and do exactly what you're describing Pervez, which is to help Branch Secretaries, help the members and down the line. So that's why I want that one and it's entirely on the point Pervez, thank you.

GED MCGRATH (Cumbria Branch, North West Regional Council): One of the reasons we're going through this has been about membership declining and having dropped to 5,100 and this really goes back to Toby's point of view about the organisation. Come October, by default, we'll be back up to 11,000 members but how do we engage with these people, because there's some fantastic people out there that are now running our Locals, they've got fantastic convenient stores and very successful business people, but they're not engaged with this organisation at all and I'm interested to ask the top table how we're actually going to engage with the people so that they don't just become members by default but actually become involved with this organisation for the benefit of all in the future.

GEORGE THOMSON (General Secretary): Ged, can I say that is a fantastic question. We're actually really hard on this one and as well as doubling the size of *The Subpostmaster* and launching it from October, one of the tasks that the Communication Director has got, David McConnell, who is at the back of the room, is a massive overhaul of our communications. We're not just looking for money, project-specific money for the Journal, we're looking for quite a big chunk to improve our communications and to beef up the resource and we've had this debate on the Executive Council. One of the things that does worry us is everybody gets a membership, including the Co-op and we have regional/branch meetings and we don't get them along, we have to get them along. Some of the things we've talked about, firstly, to get in touch with them when they become

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members to operate either a Main or a Local one of the conditions that the Post Office stipulated, you had to be on email. So at a stroke, because we will be the data controller for Data Protection legislation, we will have the email addresses of every single Local and Main that are members so, again, contacting them will be easy. Our own membership, we've only got 1,000 emails so there's about 4,000 that we don't have the emails of our members.

When it comes to regional meetings we want to do some experiments and what we want to do and we'll pay for this and it will up to the regions, we'll help the regions, headquarters won't take over, how do we make sure that some of these new retailers who run post offices are prepared to come along on Sunday afternoon or a Thursday evening and give two or three hours. What we're talking about there'd be the internal Federation business, maybe someone there from the Post Office who is giving a talk on special deliveries, how to upsell, or currency. Someone there from Bookers, for example, trying to encourage people maybe to join Premier or to do a bit more retail and just little things like, and some people say 'Well it's a bit of nonsense George' but it's not. If Bookers were selling cases of Diet Pepsi of course in my case, 49p price marked cans, not that I know about that, at £4.69 we could say to Steve Fox 'Right, we'll give you £3 for every case if you write off £1.69 and every person that comes along to the North West Region they'll get a voucher for a case of Diet Pepsi at no cost.' So we're looking, a retailer, when our members come along to the Fed we cannot have the old days, we all like a bit of a moan, no-one more so than me, right? But we cannot have the old days where the new people come along and all we do is moan our heads off because if we do that they won't come. So this Federation does not have, if we do the MOU and we do not engage these new members then this deal won't run 15 years and this Fed won't last because we need to get new blood coming in and we need to get people coming along to conference who say 'Well actually, things are tough but last year I done this and I done this and I done that and you should try it.' So we need some people who are maybe on the upward trajectory rather than quite a lot of people who are on a downward trajectory. We need to do all that and I think you're spot on, we have to engage, we're going to make communications better, we're going to get our retail specialisation better and we're going to work with the regions to try different things to make sure that we get engagement from these new members. I just don't want Post Office money and not have new members, these new members have to be real members and they have to get involved and this Executive Council are going to work their socks off to make sure that that's the case.

SHAHIN NAZ (Glasgow Branch, Scotland Regional Council): Just going back to the grant guarantee from Post Office Ltd. You said as long as Post Office are operating we will get, they have a legal duty to give us the grant and the constitution. Now we will be changing from our Federation hopefully today to the new model, if you want, we'll be changing our name and so on. Now we know in the past how governments, all governments have delivered on their promise to give us more work, that was a joke by-the-way. (laughter) The government have not given us everything that they promised, they promised more work and so on and they've gone back on their word before. So say two years down the line they want to withdraw the grant and in the same way as we're going to change from our association they change from Post Office Ltd to Post Office UK Ltd. Will we still have those guarantees in place that we will get the funding or will they be under no obligation as a new company not to honour the agreements they have made with us.

GEORGE THOMSON (General Secretary): Can I just answer that? Firstly, we're not changing, the name is staying exactly the same, we're the National Federation of SubPostmasters and we made sure we kept that name because it's got a lot of history and I think it's a good brand name. So we're keeping the name the National Federation of SubPostmasters.

Now it's not a government grant, the £2.5million or the £1.5million, it comes from the Post Office, their working accounts, it is not from the government subsidy, so the government cannot take the £2.5million away. The government could further down the line, they might say the £50million or £60million that they hoped to give to the rural Community network, it's not inconceivable that if we hit a bad time in the future politically or a recession, it's not inconceivable that a future government in seven, eight years' time 'Well actually we're not prepared to give £60million or £70million', but that's a different question and that's nothing to do with the future of the Fed, that would be something we'd have to tackle regardless if we were in the CWU or the NFRN, we'd have to tackle that. But that government grant, we will always battle to make sure there's going to be £60million or £70million for the rural network. If the government grant goes away then what would happen is at a stroke the fixed pay of the community branches would disappear, the Post Office would say to the government, if you withdraw that we will not be able to pay the fixed pay of the community branches. There is no intention of any government of any political persuasion to withdraw the kind of money you need to keep 3,500 in rural Britain, but that's nothing to do with our grant.

SHAHIN NAZ (Glasgow Branch, Scotland Regional Council): No, but my point was the even now POL is funded by the government or run by the government, so this £1.5million will be with the approval of the government will it not?

PAUL HAINES (Chairman, Transformation Committee): It comes back to what Julian was saying, it is a binding promise and I'm not going to repeat the technical legal term because I don't know what the exact wording is. It's

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exactly on the point that Julian made earlier on and Julian if you just want to maybe reiterate that one, could they withdraw it by, I think the inference is at the moment they're called Post Office Ltd, if they were called Post Office Ltd 2017 in two years' time and they changed their company name, would this still stand and I believe that's the question that we're addressing.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Okay, well change of name, no, a change of name doesn't change anything. Reorganisation so that POL ceases to exist, I mean we've mentioned POL ceasing to exist, that's one of the ways in which it might cease to exist I suppose, it loses its government funding, it is replaced by something else. Yes, then the grant is in jeopardy as all your contracts will be because you'll be needing to work out what relationship you now have with whatever successor organisation is involved. So your point is a fair one, that if POL is somehow reorganised, the grant, it has implications for the grant, but as I say, it really has implications for everything and for your whole relationship with POL and I guess that would be part of the overall engagement you'd be having with whatever happens next.

ASHOK MAJEVADIA (London West Branch, London Regional Council): Julian, just to carry on from there, should Post Office Ltd come into profit a few years down the line and the government decided to privatise it as they've done with Royal Mail, would the same rules apply? Could they back out and say 'Hold on guys, we're not going to pay this grant anymore?'

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Okay thanks. That's a much easier one, that's the same category as company name, change of company ownership doesn't change the grant agreement at all.

NATIONAL PRESIDENT: Right okay, I'm going to call tea now.

(REFRESHMENT BREAK)

NATIONAL PRESIDENT: Thank you. Steve please.

STEVE PILE (South West Regional Council): Julian, just before tea we were talking once again about grants and you stated there was a possibility that in certain circumstances the grant could be in jeopardy. So going forward from here would you say that taking the grant retains independence for this organisation?

GEORGE THOMSON (General Secretary): That decision's been made yesterday. It's maybe not to Julian to comment on that.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Well that's not really a legal question. An organisation is independent if it's not dependent on another organisation for anything, obviously there's a level of dependence here on the funding that comes from POL, that comprises independence in a practical way. It doesn't really comprise it in terms of operations but, as with any organisation that is funded by another organisation, to that extent, yes, there's a compromise.

STEVE PILE (South West Regional Council): Thank you. The dictionary definition of independence by-the-way is control, influence, support, aid or the like of others, I ask you to make your own mind up.

PETER COLLINS (Central Lancashire Branch, North West Regional Council): Point 8.3, an organisational representative. Could you quantify that because it could be the cleaner, it could be a Saturday boy, Saturday girl, could it be an ex officio of the Federation, an Honorary Member. What is the criteria for being that representative?

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): As drafted it's up to the member to decide who the appropriate representative of that member is. I think it's possible for the Executive Council to judge that an organisational representative is not an appropriate representative in the Articles but that's just to stop -- oh and then the organisation would then have the power to send somebody else, that's the technical bit. What it's reflecting is the assumption that a sole trader will be their own representative and the lead Executive of any other type of office will be the representative, unless the office determines that there's some other individual who is more appropriate and that they wish to appoint them as the organisational representative. So essentially, going back to my first point, it's for the individual office to decide who the appropriate organisational representative is.

GEORGE THOMSON (General Secretary): Can I just add, I think it's a fantastic opportunity for family businesses to pick the person who is most interested. You might have a fantastic son or daughter who is really switched on working in the business who wants to come along. So I think it really does help people pick the best person within their family to come along who is really interested in the Fed. I think it's a tremendous move forward and you get some really switched on kids that are working for their parents as well who will make a significant contribution to this organisation.

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PETER COLLINS (Central Lancashire Branch, North West Regional Council): Do they have to be a member of that shop or organisation? Could it be an outsider, like an Honorary Member of the Federation?

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): It doesn't specify that, it's a right the member has to judge who the appropriate representative is and obviously in an extreme case where it was inappropriate the Council would have an ability to stop that. Also, picking up on George's point, remember the existing provisions in the rules about associate membership where another individual in the same office is entitled to come to the meeting and contribute but not vote. That's also carried forward into the new provisions.

PAUL GLOVER (South West Regional Council): I just want to get clarification of the exact legal name of the new organisation. It is to be National Federation of SubPostmasters Ltd? Is it to be NFSP Ltd? Because I note there's already a company incorporated called the NFSP Ltd, so I just wanted to just clarify exactly what the legal name will be. Thank you.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): It's intended to be, as I understand it, exactly the same name as the association, so National Federation of SubPostmasters. With an organisation that's non-profit distributing like this you can dispense with the legal obligation to have Ltd in your name if you wish to and we could do that on incorporation. So that would leave the name exactly the same as the association name. As I said before, to avoid two organisations with exactly the same name, we'd change the association's name for the interim period that it continues to exist after the establishment of the company.

PAUL GLOVER (South West Branch, South West Regional Council): So as a follow-up, can I actually ask what is the company which was incorporated in January 2014, what is this company, NFSP Ltd? What is that company?

PHILIP BLOOR (Director of Finance and HR): I believe that is the one, when we lost our trade union status we were mindful of someone acquiring a name that could purport to be our organisation, so I arranged for our auditors to purchase a company, setting one up called NFSP Ltd. So I believe that's the one that we secured.

TERRY TURNER (Durham Tees Valley Branch, North East Regional Council): I'd just like to address Paul Haines. It's regarding the provision of the structure of the Executive Council. There is a facility on there to co-op in five members. Obviously you've said you would like to attract the multiples on Board, can you just clarify whether there's been any approach for Post Office Ltd to take a seat on the Board or if there's any of the multiples which have indicated they would have a preference to join the Council?

PAUL HAINES (Chairman, Transformation Committee): Okay. The answer to that is we've certainly not approached anyone yet because we only had a mandate, or will only possibly get a mandate later on today, but the provision to use up to five more co-opted directors, as such, is to cover a couple of different things. Within the Memorandum of Understanding we have undertaken to represent all types of members, now that being the Locals, the Mains, the Community offices, Traditional offices and at the minute we're covered I think just about all of them. So we might need one or two of those seats, for example, we're safe at the minute because my good friend the National President runs a Local so we've got that base covered. So one or two of them, maybe three of them, are going to have to be kept aside just in case we find a gap on the EC, but I would think the likelihood is that as the biggest multiple out there, the first approach would be to the Co-op to get them on Board, because we will have to represent the multiples as well, and we'll be having that negotiation I guess when George gets back off holiday and this is all done, dusted and, if they become members on 1 October and they accept it, then they're the likely home for it, but we don't know yet, they might refuse that and just say 'We haven't got time to do that.' So that's why the five is in there but we couldn't possibly make any approaches until next week on that score. So I hope that answers your question.

TERRY TURNER (Durham Tees Valley Branch, North East Regional Council): There's no indication that Post Office Ltd will attract a seat.

PAUL HAINES (Chairman, Transformation Committee): Oh sorry, and there's absolutely no chance that they're going to get one.

JAYSHREE PUNATAR (Guildford, Hampshire & Slough Branch, South East Regional Council): The Articles of Association, Page 2, 3.14 *'Make reasonable provision for the payment of pensions and other retirement benefits to or on behalf of employees and their spouses and dependents.'* Please, can we have some more explanation?

NATIONAL PRESIDENT: Could you just repeat which section you're talking about please?

JAYSHREE PUNATAR (Guildford, Hampshire & Slough Branch, South East Regional Council): Yes, Page 2 of Articles of Association, 3.14.

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JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Yes, it's a power the new company has to provide for pensions for employees. It's just reflecting a power that every organisation has. So the way this is drafted, if you look, it's conventionally drafted, non-profit distributing companies, public benefit companies, will have their objects, what their dedicated to pursuing, that's Clause 2. Clause 3 then says these are the powers the company has to enable it to pursue the purposes of the association. One of the powers it has is be able to employ people and another of the powers it has is to be able provide appropriate pension arrangements for those people. The concept of that clause, Clause 3, is that it's comprehensive, it's supposed to indicate all the important powers that any company would need and it's got a rounding off catch-all at the end which is *'Any other powers that are appropriate for the pursuit of the objects.'* So it's not that different to the equivalent in a share company which says this company is dedicated to the promotion of business and it can use any legal powers to pursue those commercial purposes, it's just extended more in a non-profit distributing company.

JAYSHREE PUNATAR (Guildford, Hampshire & Slough Branch, South East Regional Council): I just wanted to know, that these powers you just explained, now the benefits, would they be passed on to the dependents or would it be given at the same time?

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): Well pension arrangements are usually written so that they provide to the individual and when the individual is not able to provide to the dependent. So it's just allowing the normal pension arrangements for employees.

PHILIP BLOOR (Director of Finance and HR): It's a generic clause provision in company structures, so it's not specific to the Federation it just gives a general provision that's very, very normal in a company to cover those things. So it's nothing specific that applies directly to the existing Federation.

KEVIN WADDINGTON (Scottish Northern Branch, Scotland Regional Council): I just wanted to query regarding the terminology here. You've got AGM is going to be the Annual Conference, as it at the moment EGM Special Conference. Can I ask, it's probably in the rules anyway but the delegation for these meetings, the AGM and the EGM, will that be as is in the rules already that we go by delegates per region? In which case then do we continue to get funding as we do to attend the meetings as now. My concern is that if it is going to be representation for the whole of membership that anyone could come along to but you don't get expenses paid for, how many are you actually going to get to a meeting and whether you're going to get full representation of the whole membership.

GEORGE THOMSON (General Secretary): Kevin, can I just answer that one, it's a very good question. It is our intention to have an Annual Conference every year and as part of that Annual Conference there will be an AGM and it's to precisely allay the fear that you have. So for the AGM anyone can come to the AGM, they'll have to notify the headquarters so we can make arrangements, but in terms of conference delegates, they will be there through the democratic structure we have at the moment. So let's say the conference was for three days, one part of that would be separated out and it would be the AGM and because you were a conference delegate from your region you would already be in that hotel, in Birmingham for example, you would have your travel paid as you do now, you would have your hotel paid as you do now, you would have your substitution paid as you do now. So there will still be about 120 delegates who will be there through the democratic structure. Anyone else who wants to come, very much like visitors now but they'll be coming to the AGM as members, they can come but they'll have to make their own way there. So if someone wants to come along and have it paid for them they'll have to engage in the democratic structures of the Federation to do so.

Now I've got to be honest, we did talk to various people on how to run conference better in the future and does everybody have to pay their own way and all these things. It was never a cost-saving exercise but we asked and we were told by quite a few specialists that it's a fantastic opportunity for the Federation, if you've already got 120 people there who are in that location at a conference and they're guaranteed they're going to come to the AGM because they're there and you get other people coming it will give it a really good buzz. But if you don't do that you might find that no-one turns up to your AGM. So business as usual, the structure, you will still have three or four delegates per branch or 10, 11, 15 for the regions, you will come along, you will still be paid for, there will be a democratic decision.

And I hope, just finishing on this point, I hope we get back to the days when I first joined the Federation and there was almost, you had almost a seniority to, there was so many people wanted to come to conference that you had to wait four or five years. I'm hoping that there can be some more competition at branches and regions for delegates because sometimes now some of the regions have got 18 or 19 places and it's quite common now that they might just bring 14 or 15, so there's quite a few vacancies come up. I think it will reinvigorate the Federation and people will still get their travel paid, their hotel paid and your substitution as long as you are a delegate to the conference and attend the AGM whilst you're at conference.

SHINDER SANDHU (Kent Branch, South East Regional Council): On Page 5, just point 9.3m *'The Council may in its reasonable discretion decline to accept any person as a member --'*

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NATIONAL PRESIDENT: Sorry, which page?

SHINDER SANDHU (Kent Branch, South East Regional Council): Page 5, 9.3. *'The Council may in its reasonable discretion decline to accept any person as a member and need not to provide any reasons.'* But I thought this was an automatic membership for every Mains or Core post office or Local post office.

GEORGE THOMSON (General Secretary): Can I just say before Julian comes in, anybody who is, any new operator in October when they're asked to join they are under no obligation to join at all and any individual, so we'll come on to the question in a minute, any individual, the Co-op or an independent could say 'Thanks but no thanks' so they will not be auto enrolled against their wishes.

Similarly, to balance it out, we don't have to offer membership to every single person, and we want virtually every single person in Britain, I would love them to be in the Federation, there might be one or two exceptions and I don't have to go further than that, there's probably only one exception if I'm being honest. (laughter) But we have to have the ability to say 'No.' to someone, we have to, but that will hardly ever be used, we want people into membership rather than excluding them. You do not have to be forced into the Federation membership and the Federation does not have to be forced to accept you either.

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): And I'll add a couple of points to that. Firstly, this is a reasonably standard provision for a company, as George says, any Board of Directors needs the ability to say no in an appropriate case. As regards to the current members of the association, as I said previously, that won't apply because the provision in 9.1 applies and reverses the assumption. It says *'All existing members of the association are entitled to be members.'* So this isn't relating to anyone in this room or any other current member of the association, this is about future member applications and in the normal course future members will be admitted. What this does is just give the Council the discretion to recognise an inappropriate application for membership or, as we discussed earlier, to identify a badly motivated application for membership, for a whole group of people who want to come and swamp, the sort of thing we were discussing earlier. There's the thing I was referring to that does give the Executive Committee an ability to anticipate that and to act appropriately and constitutionally to prevent it.

RAVI JHANGIANI (South West Regional Council): A question for George and Paul please. In the old days when we had loads and loads of members each region were allowed a certain number of Executive Officers depending on the membership etc. Now with 11,500 members all of a sudden, one presumes, will each, like for our region we used to have two Executive Officers, now we only have one. Will we now be allowed two Executive Officers? And if that is so then your Board will probably increase by more than an additional five wouldn't it?

PAUL HAINES (Chairman, Transformation Committee): Right. Ravi the answer to that is no, the whole thing is set up so that there will be one elected EO, if you like Director, per region. Going back to the co-option that I was asked about by my colleague Toby down here this morning just earlier on, it might well be that in certain areas people have got two but the whole design is it's one per region. We are going to change the way we do things and I, again, find myself coming back to the field teams and I'm going to start boring you all with this very soon, so can we get on with that a bit sharpish please George, but you know, it's likely there will be some extra supports put in there so that the weight doesn't fall all on Ian's shoulders down in the South West or all on Andrew or Jim's shoulders in North Thames & East Anglia, if you see what I mean. But the whole design and what we're taking on here under these Articles is there is one elected per region, we do have the right to extend that by co-option but no you won't get an extra EO because you've got that many more members.

Going back to the point about representation at conference, I think your delegations might go up and we might be able to get more people there. So if George is saying 120, I'd love to see it get back to 150 for a kick off, but no, it will be just one EO per region who is elected and on from there.

UEL HOUSTON (Northern Ireland Regional Council): Just a wee point of clarification, maybe it's me being silly here, I don't know. Page 27, regarding the regional councils. *'A regional council shall consist of members within the region, each region shall be entitled to one regional council delegate per fifty members of each branch.'* Page 28 then, the second paragraph *'Each region shall be entitled to send delegates to conference on the basis of one per forty members.'* Is there something different there or am I missing the point?

PAUL HAINES (Chairman, Transformation Committee): No, that's a lift straight out of the rule book as we said earlier on. The general rule, probably when is started, was that if, for example when I started, well I became the Branch Secretary of the Doncaster Branch which doesn't exist now it's been merged into the South Yorkshire Branch along with Sheffield Amalgamated, and that was, one per fifty was the delegation number you were allowed per branch to go to regional council. The one per forty is, if I'm getting this the right way around, was to conference. So if you've suddenly got now, I think it sits at about 300-odd actual members as we stand today in Northern Ireland, but if that goes back to 500 what we're saying here is that same figure would still apply and your entitlement to conference will increase accordingly as you go up to 500. So I hope that clarifies it and my

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eyesight's not good enough to read it back to myself to make sure I've got that bit right but that's the general thing. So I think the general effect will be that the ability will exist for more paid delegates or people who have had their substitution, their travel and their hotel paid for by the Federation to come to conference, will increase, the trick will be let's get them there so we can get up to 150 people back at conference which would be a grand state to be in.

MADHU TRIVEDI (Norwich Branch, North Thames & East Anglia Regional Council): Morning colleagues. My question is on Page 3, number 5 'Non-profit distribution to members.' I remember a few years ago at Scarborough David Mills was asked for some money, he sang one song, he was thumping the rostrum saying 'There is no more money.' Since then we have heard that song from the Post Office, from George over the years, that it's like getting blood out of a stone. 'There is no money to be paid to the members' we haven't had a decent pay rise for years and every year we have been told by the Negotiating Committee that it's like banging your head against the wall, we can't get any money out of it. As George said, with these project-specific grants we are likely to get, even four, five, six million pounds in projects and so on, can you please explain why the members can't financially benefit from those profits you're going to make? Why can't we have a little share distributed to all the members? That is my question. Thank you very much.

GEORGE THOMSON (General Secretary): Madhu, can I just say, not for a minute did I say we'll make massive profits on a four or five or six million pound turnover. We will only get these project-specific grants if we actually save the Post Office money. So we will maybe make something out of them, it won't be a fortune, if we get a project that's costing half a million, it might be that we have to spend £450,000 to put that in place, and as Paul said, that might be 10 field officers. So we might make £50,000 off that but we've already talked about inflation, the £1.5million is not linked to inflation. So we need to make money from some of these project-specific grants just to actually survive going forward.

Now for the Post Office, the Post Office is a financial basket case but if we get some of these grants, project-specific grants, it will be because it saves them money. They will not give us a grant for something that we do at more cost than they provide at the moment. So for them it should be a win/win, we should put something in place that helps postmasters run better businesses, that saves them money at the same time. So this will not cost them money, this in theory should save them money and the very fact that Neil Hayward this morning, the HR Director is saying 'I've got an idea which is going to be good for the business.' Good for the business isn't losing money, by God they're professional enough at losing money. This is about them saving money, so for us it should be a win/win.

Let's take pensions. The Post Office still pay most of their staff career average pensions, which probably take a 30% contribution, maybe even 35% contribution. The Federation, if you're under 50 only puts 5%, so straightaway if we're putting some staff in the field we've got a massive advantage over the Post Office straightaway because we pay towards a pension far less than they do. So I don't see a conflict of interest.

I will finish on one point and Ian Park touched on this yesterday. The reason that we can't get money for pay deals is quite simple, Post Office Ltd is a financial basket case and if it wasn't for the fact that they're getting £130million this year as a subsidy then the company would collapse, that's why it's difficult to get pay increases. When we go to them for pay increases it's always 'There is no more money' and that is because literally they are a bankrupt company without the government pumping £130million in, that's the reality.

MADHU TRIVEDI (Norwich Branch, North Thames & East Anglia Regional Council): So I accept whatever you said George but I fail to understand, on Page 2, 3.8 right? If you make any money and if we've got money there's a provision to lend money and give credit to, so you're going to lend money to people when you've got extra money, why can't you distribute that to members?

JULIAN BLAKE (Partner, Bates Wells Braithwaite LLP): This is about the non-profit distributing nature of a members' association, this association is dedicated to the benefit of members as a whole not to, as an ordinary share company is, the benefit of the shareholders through the distribution mechanism. So it's the usual non-profit distributing provision, the standard non-profit distributing provision and is reflected by the existing rules of the association which say *'the funds shall be used to further the objects of the association'* and then to include some things, *'and for no other purpose unless specifically authorised by the National Conference.'* So that's what it says. So that's turned into conventional company formulation by including a perfectly standard non-profit distributing clause. And the last bit, *'unless specifically authorised by the National Conference'*, is reflected by the fact that a constitution is amendable by a special resolution. This isn't a charity, it's a members' benefit association, a collective member benefits association so in theory it's amendable in exactly the same way as the provision that is in the existing rules. But I would have thought that everyone would agree, this is a non-profit distributing association in the sense that it's not there to be providing direct financial payments from surpluses to members.

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NATIONAL PRESIDENT: Do we have any more questions?

PAUL HAINES (Chairman, Transformation Committee): Thank you National President. Then thank you very much for the questions this morning, it's been a really, really good debate and it falls to me to move the motion that should round all of this off I hope:

'That this Special Conference approves the Memorandum of Understanding (MOU) option.'

And, as has been said before, we feel that this is a new journey for the Federation so, as Julian said earlier on, we could have got away with a 51% majority, we're absolutely not looking for that we're looking for a two-thirds majority. So, we've had a great debate over one and a half days, which is pretty good, so some of us can head off home at lunchtime. So it gives me great pleasure on behalf of the Executive Council to move that motion. Thank you very much.

GEORGE THOMSON (General Secretary): Formally seconded.

NATIONAL PRESIDENT: This time, any speakers to the motion? No? I'll call for a vote then please. You do want to speak to the motion?

TOBY CLEGG (Northampton Branch, North Thames & East Anglia Regional Council): Can I speak to the motion?

NATIONAL PRESIDENT: Yes, you certainly can.

TOBY CLEGG (Northampton Branch, North Thames & East Anglia Regional Council): At conference 2014 I stood almost alone in supporting the MOU, my view now, as it was then, is don't tie the optimistic hands of the future with the negative baggage of the past. When I think about my own life, both personal and business, there's not a single circumstance that I would make a decision based on lack of information and of course I'm indirectly referring to the framework agreement along with some other things that have arisen this week.

Now I'm reasonable and decent enough to accept that even if we had the framework agreement in front of us it would probably not answer all the questions that we have, but there is an underlying principle here. Members democratically elect the Executive Officers, members democratically elect the General Secretary. The General Secretary takes his instruction from a democratically elected Executive Council. So therefore you would think that when George leaves his office to go and negotiate with the Post Office he would carry that mantle of responsibility with him, to represent the members. Yet we now find that we're now three years down the track of negotiating with the Post Office and we appear to have just simply rolled over and allowed the Post Office to dictate this restriction of information upon us and it's now at the very end of the process that we're being asked to make a decision on the basis of 'Well if you don't vote yes, then that's it.'

Now I raised this issue at conference last month, so conference 2015, and in a lovely piece of Federational drama George interjected and said to me along the lines of 'Toby the framework agreement is not available, if you have a problem with that you'll have to vote no.' So that's it, I'm voting no. Presumably anybody else in this room who is uncomfortable with the framework agreement situation and the other issues that we have is probably also going to vote no because George said so.

Now there is a trend starting to happen here of overbearing characteristics of George Thomson. A few weeks ago he tried to drive coach and horses through the due diligence and good work of the Standing Orders Committee to force something through on the conference agenda. EOs, both past and present, will readily acknowledge that sometimes he will dominate proceedings to the exclusion of anybody who chooses to oppose him. Delegates tell me that they're frightened to speak against him when he raises his Annual Report. Now I don't believe any of us wish to be members of the Dictatorship of Postmasters, but this whole issue just feels like the last throw of the dice to salvage something from the debris of the last seven years of disappointment. I personally love the MOU, I'm in favour, I've spoken about it, I love it, but this is just too scary for me and I'm going to be voting no. Thank you very much. (applause)

NATIONAL PRESIDENT: Do we have any other speakers? Mr Haines, do you wish the right to reply?

GEORGE THOMSON (General Secretary): Just very briefly conference. This is a democratic organisation, vote the way you feel, okay? I urge you to support the motion so that we can go on a journey that I think is going to be a very exciting one for the next 15 years and secure the future of a much-loved NFSP. So please support. Thank you.

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NATIONAL PRESIDENT: Okay. Could we have the tellers ready please? And can we do the same as yesterday, can I ask you to raise your hands and leave them there until we ask you to put them down. Could we please have a vote for those in favour of this motion? And can I have a show for those against please? Colleagues, we have achieved the two-third majority that we require for this motion. It is carried. Thank you very much. (applause)

As we have had no other business it is my pleasure to close this conference down, to wish you a speedy and safe journey home. Thank you for the way you've conducted yourselves. Cheerio.

(END OF SPECIAL CONFERENCE)