

In Strictest Confidence

POLB04(6TH)
POLB 04/61 – 04/85

Post Office Limited

(company no. 2154540)

Minutes of the meeting of the Board
held at 148 Old Street, London
on September 1st 2004

Present:

Sir Michael
Hodgkinson
David Mills
Ian Anderson
Peter Corbett
Brian Goggin
Graham Halliday
David Miller
Gordon Steele
Elmar Toime

Non-executive Chairman
Chief Executive
Human Resources Director
Finance Director
Chief Executive, Bank of Ireland
Banking & Financial Services Director
Chief Operating Officer
Sales & Marketing Director
Executive Deputy Chairman, Royal Mail Holdings

In attendance:

Jonathan Evans
Neil Owen
David Smith
Simon Broome
Martin Gafsen

David Kennedy

Company Secretary
Notes
Delivery Director (Acting IT Director)
Programme Director, Crown Office Strategy (for POLB04/66)
Investment Director, Group Finance (for POLB04/71 –
POLB04/73)
Managing Director, First Rate Travel Services (for POLB04/68)

Apologies:

Allan Leighton

Chairman, Royal Mail Holdings

POLB04/61

APPOINTMENT OF DIRECTOR POLB(04)48

The Board noted that the Royal Mail Holdings Board of 4th August 2004, had agreed to the nomination of Brian Goggin, Group Chief Executive, Bank of Ireland, as non-Executive Director of the Company and that consent had been obtained from the Secretary of State. The Board unanimously agreed to the appointment of Brian Goggin as non-Executive Director of the Company, with effect from 1st September 2004.

POLB04/62

MINUTES OF PREVIOUS MEETING POLB(04)5TH

The Board approved the minutes of the Board meeting of 16th June 2004.

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Irrelevant

POLB04/65

CHIEF EXECUTIVE'S REPORT

David Mills reported the following matters to the Board:

Irrelevant

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Irrelevant

- (vi) Call Centre: A visit to the Junction Call Centre had revealed a very professional operation, which stood in contrast to the Royal Mail Call Centre. Several areas had been identified where the relationship with Royal Mail Call Centre needed to improve;

Irrelevant

POLB04/66

CROWN OFFICE STRATEGY UPDATE POLB(04)50

David Miller introduced Simon Broome to the Board. Simon Broome circulated a presentation.

The Board noted the paper and presentation, and concluded that, despite the risks that had been outlined, this continued to be a manageable proposition.

The Board agreed that:

- (i) the current programme of conversions and closures should continue and be prioritised appropriately. A list of actions against various headings would be produced for consideration at the next Post Office Ltd Board;
- (ii) the programme would tackle the 25 biggest loss makers first;
- (iii) re-sites would be related to property potential;
- (iv) further closures would be considered in the light of likely public and CWU reaction;
- (v) an update would be provided at the next Board on the outcome of the CWU negotiations;
- (vi) a risk assessment would be performed against the list of headings set out in Annex A of the Crown Office Strategy Paper;
- (vii) a contingency plan would be drawn up to contain the risk of Industrial Action;
- (viii) a final proposal would only be put forward to RMH Board once the detail of the proposition had been approved by the Post Office Ltd Board.

**Action:
David Miller**

**Action:
David Miller
Action:
David Miller**

**Action:
David Miller,
Ian Anderson,
(Peter Corbett)**

GRO

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POLB04/67

RURAL NETWORK UPDATE POLB(04)51

David Miller circulated a presentation to update the Board on the future of the Social Network Payment and the shape of the rural network. The Board noted the presentation, and in particular that:

- (i) a two year roll-over had been agreed in principle until 2008 on similar conditions. There would be no change in current policy until 2006;
- (ii) although the financial position was secure until 2008, the fundamental rural cost and revenue problems remained. The Social Network Payment would need to be used to help deliver a credible 'cost neutral' rural network by 2008;
- (iii) to date, stakeholder acceptability and concepts had been tested, the modelling capability had been developed and the strategy had been proven;
- (iv) the next stage would be to pilot changes on the ground and re-engineer solutions.

Action:
David Miller

The Board agreed that the question of regionalising the Social Network Payment would need to be discussed with DTI.

Irrelevant

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Irrelevant

POLB04/70

CALL CENTRE STRATEGY POLB(04)54

David Miller presented the Call Centre Strategy paper to the Board.

It was explained to the Board that Post Office Ltd currently subcontracted two call centre campaigns to Royal Mail UK, namely Post Office External Customer Helpline, and Post Office Branch Support line. The relationship had proved difficult, and although improvements had been made, further opportunities to exist advance the productivity of the service by investigating outsourcing opportunities.

The Board noted the paper and further noted that: forecasting volumes had been exceptionally difficult because Government had not been able to share the proper management information.

Action:
David Miller

The Board agreed that market testing should now take place, and the results would be presented at the next Board meeting.

Irrelevant

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Irrelevant

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POLB04/73

+1 SALES PROMPTS BUSINESS CASE POLB(04)57

Gordon Steele presented the +1 Sales Prompts Business Case to the Board.

The proposal required modification to the Horizon system to provide sales prompts for counter staff to increase sales of profitable products. As a secondary consideration, this prompts facility would be used to address money laundering compliance issues in Post Office Ltd's counter operations

Action:
Gordon Steele

Subject to concurrence from the Banking & Financial Services directorate, the Board approved the business case and agreed to:

- (i) development of the Horizon system to provide the prompts capability;
- (ii) deployment of the completed programme;
- (iii) a total expenditure of £1.9m.

Irrelevant

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Irrelevant

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Irrelevant

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POLB04/82 BANKING & FINANCIAL SERVICES REPORT POLB(04)67

The Board noted the report.

POLB04/83 IT REPORT POLB(04)68

The Board noted the report. The Board further noted:

- (i) the Period 4 Delivery Plan Status Report circulated by David Smith;
- (ii) that the Horizon IT Roadmap would be provided for consideration at the next Board meeting.

**Action:
David Smith**

Irrelevant

POLB04/85 ANY OTHER BUSINESS POLB(04)70

The Board agreed the revised list of authorised signatories, namely Neil David Owen and Anna Louise Malley, to authenticate the Company Seal, in addition to the Directors and Company Secretary.

CLOSE

There being no further business, the meeting was closed.

Sir Michael Hodgkinson