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NATIONAL FEDERATION OF SUBPOSTMASTERS

REPORT OF A
MEETING OF THE
NATIONAL EXECUTIVE COUNCIL

held on

14th, 15th, 16th and 17th March 2004

at

THE GRIMSTOCK COUNTRY HOUSE HOTEL
WARWICKSHIRE

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Report of a Meeting of the National Executive Council

held on 14th, 15th, 16th and 17th March 2004 at the Grimstock Country House Hotel, Warwickshire

Those present:		Mr Joseph Jannetta	National President and Chairman
		Mr Mark Baker	Mrs Jean Kendall
		Mrs Irene Bethell	Mr David Milner
		Mr Alan Butlin	Mr John Morris
		Mr Mike Darvill	Mr John Peberdy
		Mr Norman Ferguson	Mrs Sally Reeves
		Mrs Trish Jenkins	Mr John Willshaw
		Mr Cyril Jones	Mr Peter Walsh
		Mr Mervyn Jones	
In attendance		Mr Colin Baker	General Secretary
	(Part)	Mr Kevin Davis	Senior Assistant General Secretary
		Mrs Marilyn Stoddart	Assistant General Secretary

The PRESIDENT welcomed everyone to what would be his last Executive Council Meeting. He notified the meeting of the GRO

GRO

silence followed.

He notified the meeting that the order of business would be Agenda Items A1 and A2, followed by A4 occasioned by events arranged for both Monday and Wednesday.

A/1 REPORTS AND RESOLUTIONS OF PREVIOUS MEETINGS

Report of the Executive Council meeting of 5th, 6th and 7th January 2004.
Resolutions passed at the Executive Council meeting on 5th, 6th and 7th January 2004.

A/2 MATTERS ARISING FROM THE REPORTS

On Page 2 of the Minutes of the meeting held on 5, 6 and 7 January 2004 change MR BETHELL to MRS BETHELL.

MRS REEVES raised the fact that Page 12 did not match the resolution. In fact it was the resolution that was incorrect. Resolution to be amended. ACTION

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MR MERVYN JONES enquired whether a letter had been sent to POL regarding harassment for non-attendance at training. THE GENERAL SECRETARY replied that copies of the correspondence on the subject had been circulated.

MR MERVYN JONES enquired whether a letter had been sent to POL regarding deductions from remuneration. MR COLIN BAKER replied that no specific letter had been sent to David Miller or to POL, however he was in discussion with Tony Marsh and was due to meet on 30th March. ACTION

MRS REEVES pointed out that Hanco had been incorrectly spelt as Handco.

THE GENERAL SECRETARY wrote to Post Office Limited regarding perceived harassment for failure to attend the Pro-Sell training and had received confirmation that the training was <u>not</u> contractual.

THE GENERAL SECRETARY was in discussions with Tony Marsh (next meeting 30 March 2004) regarding the deduction from remuneration of disputed error notices.

The Minutes of the Executive Council Meeting held on 5, 6 and 7 January 2004 were agreed and accepted. DECISION

A/3 <u>REPORT OF THE NEGOTIATING COMMITTEE</u>

Prior to commencement of the meeting the GENERAL SECRETARY mentioned that the Speakers List for Conference had been circulated and that this was to remain confidential.

He also introduced correspondence received at the hotel by fax from Mr George Thomson, and read the entire contents and THE PRESIDENT confirmed that he had received a copy by post on Saturday, 13 March.

MR PEBERDY took exception to the comment relating to the General Purposes Committee's *"arrogant and high-handed treatment of the newly elected NEC members"*.

After some discussion it was unanimously decided that a letter be sent to Mr George Thomson outlining the Executive Council's opinion, but also mentioning that the Executive Council looked forward to working with him and the other new members of the Council. DECISION

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ACTION

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Other Security Matters

MR WILLSHAW raised the issue of the deduction from salaries for error notices that were disputed, and wished to know if it was correct that POL were doing this despite the letter we had received to the contrary. MR MIKE DARVILL also quoted similar instances.

THE GENERAL SECRETARY detailed one case that was pursued to a successful conclusion. We have received others that are being followed through and are currently being considered. On a cautionary note, it should be mentioned that mitigating circumstances does not mean it is not relevant to that office, it is circumstances that mitigate against why you should not be charged the whole amount. Would also caution about the Wish you Were Here cases which predated this and had acceptance from Post Office for 25%. Once again, the only one so far we have pursued to a conclusion was a win for us.

MR PEBERDY introduced the fact that there is a laid down flow chart process to be followed and if anyone felt that they were being dealt with outside the guidelines of the chart they should flag this up. If a SubPostmaster does not talk to anyone and ignores the issue thinking it will go away, POL will deduct the money from pay. We have run the contract past solicitors who have confirmed that they are legally entitled to do so.

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MR WILLSHAW felt that there were some additions required to the flow chart and that in one area there was no mention of the involvement of the NFSP.

MR MILNER raised an individual case that appeared to be outside the guidelines and MR PEBERDY requested that he supply the details to Shoreham. ACTION

MR DARVILL raised an issue whereby when a SubPostmaster gets robbed they are being held 100% liable for the loss. He cited a case where extreme violence was involved after a break in through a rear room that was not alarmed. The SubPostmaster convinced them that opening the safe would set off a call to the police. He was told he should have asked a neighbour to come into the premises with him. He was also held responsible as he did not search the entire premises before he turned the alarm off. POL continually refers to the booklet 'Security Counts'. He went on to cite another case (the SubPostmaster was badly beaten) where the keys were in a drawer in the secure area, and the report came back that 'perhaps he left the key in the safe door' 'perhaps the safe was open'. In both cases the SubPostmaster was held 100% liable. One has since been written off and one has been reduced to 75% liability.

MR PEBERDY pointed out that Dave Miller has taken details yesterday and would be following them up, and Mr DARVILL should send details to Shoreham.

THE GENERAL SECRETARY said that POL had pulled back on the situation with keys being in the custody of the SubPostmaster now and now took a view that it should be commensurate with the security and safety of the building. If the building is alarmed and secure, then the keys within that building are secure.

MRS KENDALL also raised a case where a SubPostmistress is being held liable purely due to the location of the keys. In the North West Region POL are coming in with lots of security requirements on the back of network reinvention. The manager responsible does not actually go out to the offices in question to see what is required. Having made some unnecessary demands, he has said if the grant is not received, he is recycling equipment from closed offices. If SubPostmasters do not get matched funding, he can supply this at some 50% of the cost of the new equipment.

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b) Recruitment FM MS 03

MRS JENKINS informed Council that 54 new applications had been received as a result of a mail-out in early February offering 6 months free membership to Subpostmasters who had been in office for 9 months plus. She added that recent figures showed that membership for the year had fallen by 1,100. 600 were lost because of Network Reinvention leaving a figure of 500, of which 65 were from corporate membership where one corporation had taken over another. More work needed to be done to ascertain why membership had fallen.

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MRS REEVES suggested that satellite offices be registered in some way to the main office.

THE GENERAL SECRETARY asked MRS JENKINS if she could look at the feasibility of recruiting Sub Post Office assistants as a way forward in increasing membership.

MR M JONES shared his concerns that multiples are joining one office and using the information provided by the Federation to benefit their organisation. He suggested that there should be a structure for membership subscriptions dependant on the number of offices owned.

MRS JENKINS in her response said that multiples paid a corporate rate and said she would look at the structure of multiples as well as satellite offices. She added she would look into the possibility of recruiting Sub Post Office Assistants. MRS JENKINS said she would visit Shoreham in April to discuss with Philip Bloor ideas for membership recruitment. The database at Shoreham had been changed and Branch Secretaries now receive information of the numbers of potential members, how many are members and non-members. A letter had been sent out to all non-members in January, to include multiples, as part of the recruitment campaign. ACTION

MR PEBERDY shared his concerns of falling membership with the Council and asked that the Publicity and Development Committee put 100% effort into increasing membership. He added that Network Reinvention had caused a decrease and it was increasingly more difficult to get new members to join without the incentive of 6 months free membership.

MRS KENDALL asked if the potential membership of 13,866, that was printed in the Annual Report, included multiples as well as how many post offices there were. THE GENERAL SECRETARY responded by saying that the figure excluded offices that have temporary Subpostmasters running them. He added that he would clarify the figures for the Council. ACTION

Irrelevant

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Irrelevant

5. **Training** FM MS 04

a) Training Pilot – Retail Academy FM MS 04

MRS JENKINS reported that the workshops had been well received. 70 Subpostmasters had attended the induction days and signed up for at least one module. Areas covered so far were the South East, North Wales and North West and the next workshops would be held in the North East. Training had already begun in the South East. MRS JENKINS added that the P & D report circulated contained further information.

MRS REEVES asked if copies of the modules could be provided to the Executive Council and asked what the share value option was and the cost of £1,000? MR MILNER asked when roll-out would be in the North-East?

MR PEBERDY had concerns on the resources of the Federation being attributed to Retail Academy and that Retail Academy should take responsibility for providing the necessary resources.

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THE NATIONAL PRESIDENT speaking in his capacity as Treasurer made the point that the Executive Council had previously been told that Federation resources would not be used. This was not the case and considerable resources including staff and financial costs had gone into the training programme. He asked THE GENERAL SECRETARY to explain to the Council what had taken place at a recent meeting at Shoreham with Rob Arntsen.

THE GENERAL SECRETARY told Council that although he felt that any training was better that none he did have concerns with regard to the relationship between Retail Academy and My Knowledge Map and the fact that Rob Arntsen of Retail Academy owned My Knowledge Map and was not an employee as stated in the P & D minutes. At the meeting, in Shoreham, THE GENERAL SECRETARY accused Rob Arntsen of using the Federation to make money; he did not deny this. When he questioned Rob Arntsen of Retail Academy of making use of the resources of the Federation for free, Mr Arntsen offered to make a contribution, which the GENERAL SECRETARY rejected as paying for use of stationery etc did not replace the resources of staff. Mr Arntsen did say he would come back to THE GENERAL SECRETARY with a better offer, which he had not. THE GENERAL SECRETARY was also concerned that Retail Academy were occupying a lot of the P & D's time and felt that members would benefit from retail advice instead of the type of training offered by Retail Academy.

MRS JENKINS in answering MRS REEVES question said that she saw no reason why the Executive Council should not see the training modules, but she would need to find out what format she could obtain them in and would do so. MRS JENKINS said she would find out when the workshops would take place in the North-East. ACTION

MRS JENKINS referred back to the meeting where she had stated that the Federation would not be putting any resources into the training. She apologised if she had misled anyone, but what she actually meant there was a resource requirement for the Federation in the Training Pilot and this could include postage and staff time at Shoreham.

MRS JENKINS explained to the Council that Rob Arntsen headed Retail Academy, but there were other partners involved including the Federation, Federation of Newsagents and other small retailers. She confirmed that Rob Arntsen owned My Knowledge Map. Retail Academy was formed to improve skills in the SME sector. Government money was obtained through the Leaning and Skills Council. The training modules were written by partner colleges, who teach the modules. There is a pilot for 18 months. Retail Academy is not making a profit out of the scheme at present. Further down the line the modules will be sold on to other companies and at that point a profit

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would be made. The Federation would be given the opportunity to buy in to the share option at a cost of £1,000. 45% of the shares would go to the colleges, 45% to non-academic organisations, which include the Federation and 10% to charity.

MRS JENKINS asked the NATIONAL PRESIDENT, in his capacity as Treasurer, what he meant by vast amounts of money going out of the Federation to support this. MRS JENKINS said that a letter to Subpostmasters had gone out from Shoreham to some Branches. Rob Arntsen agreed that he would pay 50p per letter, THE GENERAL SECRETARY asked him to make a better offer and as yet there had still not been a reply. THE NATIONAL PRESIDENT referred back to the Executive Council meeting in January when he had asked the Chairman of the P & D if Federation resources were being used for the project. The Executive Council expenses for training for February were £1,087.40. There was also the cost of the Secretariat.

MR WILLSHAW stated a motion at Conference had asked for training and felt that training should be available. He questioned why there was a cost to the Federation when Government money had been provided.

MR M BAKER asked if Retail Academy were bound by a constitution and it were did it include a tendering process? He also asked what the future financial liability would be to the Federation?

MRS KENDALL had been to a Retail Academy presentation and had also attended a meeting with the colleges. Branch Secretaries had been enthused by the training and felt it was a positive benefit to members.

MR BUTLIN asked why the Federation needed to have hands on involvement in the partnership.

MR PEBERDY told Council that there were other people around the country that providing training and that the Federation had got too involved in the partnership.

MRS JENKINS proposed that the Federation work on the Retail Academy programme should progress.

MRS JENKINS responded to MR M BAKER's questions by saying that she would find out if Retail Academy were registered. A reply is still awaited from Rob Arntsen to THE GENERAL SECRETARY and therefore could not say what the costs would be. ACTION

MRS JENKINS proposal was put to the vote and was carried. MR M JONES abstained from the voting, having declared an interest in the general issue of training, as a training provider himself. DECISION

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Irrelevant

8. Dates and Venue of EC Meetings

June 21st,22nd & 23rd 2004 - Grimstock Country house Hotel
October 4th,5th & 6th 2004 - Grimstock Country House Hotel
January 10th,11th & 12th 2005 - Venue to be considered

MR PEBERDY asked if the January 2005 date was provisional or confirmed. MRS JENKINS responded by saying that the booking was provisional and the P & D were sourcing other venues

The Report of the P&D Committee was moved and accepted. DECISION

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Irrelevant

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Irrelevant

A/6 SPECIAL MATTERS

(A) Finance

a) Treasurer's Report FI AC 02

The Treasurer's report had been circulated. THE PRESIDENT informed Council that the Federation's accounts for the year ended 31 December 2003 had been finalised. They showed a surplus of income over expenditure of £143,472. NFSP Trading Company for the same period showed a surplus of income over expenditure of £99,224. Combining both sets of accounts the Federation had a net surplus of £242,696 for 2003, which is an improvement over 2002 of £220,264, and was the best financial result in the Federation's history. It vindicated the decision last year to increase subscriptions. The growth in commercial activities made a welcome addition to funds. Continued projected growth in commercial income and the second instalment of the subscription increase agreed last year should ensure financial stability for 2004.

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THE NATIONAL PRESIDENT relinquished his position as National Treasurer. He expressed his thanks to, Philip Bloor, Andrew Watts and all the staff at headquarters for their co-operation throughout his term as National Treasurer. He went on to thank the Trustees and especially the Chairman, Mr Butlin. THE NATIONAL PRESIDENT, in his position as Treasurer, had achieved stability within the Federation's accounts and returned £363,000 to the reserves. He added that what he had achieved had given him immense personal satisfaction and wished his successor every success in continuing the task of balancing the books in the future!

THE NATIONAL PRESIDENT stated that a contracting network and diminishing membership would make the Federation's survival as an independent organisation ever more difficult as each year passed. Recruitment and retention of members was essential to help maintain an influential organisation, which it needed to be. He added that it had been a privilege to serve the organisation and that he took pride in the fact that he had achieved financial stability for the Federation.

THE GENERAL SECRETARY, in recognising the work of THE NATIONAL PRESIDENT as TREASURER, said that he had been the best Treasurer in modern times and stated how proud he was to have worked with him and call him a friend. THE GENERAL SECRETARY asked that the work of THE NATIONAL PRESIDENT be acknowledged. There was a round of applause.

MR JANNETTA moved his report. This was seconded and agreed. DECISION

Irrelevant

Irrelevant

A/9 MOTIONS TO THE EXECUTIVE COUNCIL

a) Notice of Motion from Mr Mark Baker

MR M BAKER informed Council that the reason for his motion was that when Subpostmasters re-locate offices through no fault of their own, Post Office Ltd were refusing to pay for moving equipment that belong to them, such as Horizon.

MR M BAKER added that if the Negotiating Committee could get an amendment to the contract whereby Horizon be regarded as security equipment under Section 13 of the contract, because it was protecting Post Office Ltd's cash and stock. Procedures could then be used in that section where it identified Post Office Ltd's contribution levels for moving equipment. MR BAKER moved his motion, this was seconded. At the vote there was a unanimous decision to carry the motion. DECISION

A/10 DEPARTMENTAL CORRESPONDENCE

(A) FOR DISCUSSION

POST OFFICE LTD

1. Human Resources PO HR

Irrelevant

3. Network PC NW

a) ISDN Horizon Communications PC NW 06 01

Nothing to Report

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Irrelevant

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A/15 MATTERS RECEIVED TOO LATE FOR INCLUSION ON AGENDA

MR M BAKER informed Council that he had been approached by an associate member with a request that the Executive Council grant financial assistance with legal expenses for her to take her case, of unfair disciplinary procedures, to the European Court of Human Rights. There was a letter from the House of Lords confirming that she had exhausted the domestic legal system and this meant she could now approach the Court of Human Rights. She would be entitled to receive legal aid for the actual court case, but she would first need a petition to put to the Court. She had requested a sum of £1,000 so as she could have the petition prepared. MR M BAKER added that the reason he believed the Federation would need to be involved is because the lady was taking the contract to Court and saying that the contract was a breach of human rights because of the wording and the disciplinary procedures in the contract.

MR M BAKER proposed that THE GENERAL SECRETARY make contact with the associate member and to source appropriate legal people who specialise in being able to prepare such a petition and the costs be monitored and regulated by the Emergency Committee. The proposal was seconded.

MRS KENDALL told the Council that the lady was an associate member of her Branch and MRS KENDALL had previously helped her in an appeal when there was a loss of £75,000. This time it was for £36,000. MRS KENDALL added that the Subpostmaster that took over the office left almost immediately as he incurred a loss of £10,000, which meant that it was possible that the staff were responsible for the loss. MRS KENDALL was of the opinion that the Federation should have some input in what is put to the Court as it could otherwise have an adverse effect if handled incorrectly.

MR PEBERDY informed Council that MR M BAKER had in the first instance brought the case to the Board of Benevolence. The Board decided that it should be brought to the Executive Council. He added that the case should have a caveat whereby it be controlled through the Emergency Committee. MR PEBERDY did not feel it was necessary for THE GENERAL SECRETARY to source a legal body and attend meetings with the member because the paperwork showed that the member, GRO had already sourced a solicitor. He proposed that £1,000 maximum ceiling on this case to be reviewed by the Emergency Committee as necessary. THE NATIONAL PRESIDENT said that the amount should be plus VAT.

MR M JONES asked THE GENERAL SECRETARY for clarification on what the consequences of funding this case would be if the Federation were to assist. He asked that the Council impose a confidentiality agreement on the lady to make it clear that she did not make it public that the Federation had supported her.

THE GENERAL SECRETARY said that if the Federation supported GRO GRO they would be privy to the advice that she is given and that would mean being in control. He added that he was in agreement with having a cap on funding. THE GENERAL SECRETARY added that he felt that legal advice should be sought on the implications. He was in agreement with supporting the case, because it involved the contract.

MR DARVILL raised his concerns that if funding was given in this case others might want the same. He felt that the appeals procedure needed addressing by means of an outside adjudicator.

MR C JONES shared his concern in that once the petition was raised and GRO GRO received legal aid there would be no requirement for the Federation's involvement.

MR M BAKER'S proposal was put to the Council and was carried at the vote. DECISION

A/16 ANY OTHER BUSINESS

None reported.

MRS KENDALL stood and made the following speech:

"Mr President, Sir, the honour falls to me, a very great honour indeed, to give the vote of thanks on behalf of the Executive Council. Of course, this is probably not your last Executive Council meeting and therefore, probably not my last either. We may well live to fight another day (hopefully not with each other). Mr President over the years you have fought a good fight on behalf of all members. I first remember you wheeling your case down the aisle at conference in a motion on too much paperwork for Branch Secretaries, asking for one single agreement file. One resolution not still under the carpet. Of course, you now fully understand what real mountains of paper really look like. What tidy homes you and I will have after Conference – when that mountain goes.

Mr President I am sure your region will one day appreciate what a good fighter and Executive Officer they had and sadly let go.

I for one am very sorry that the Scottish flag will no longer fly along the table. You have chaired this meeting with strict discipline, with wisdom and caring as you always do. You will do the same again before Conference, God willing, and during Conference. Your spirit in the face of defeat in the elections has been an inspiration to all of us; your commitment still is 100%, as always. We love, respect and admire you for it.

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You can be assured Mr President that we around this table will all be there for you at Conference and support you at Conference. We have been and still are proud of you.

Many, Many thanks, once again on behalf of all the people around this table."

There followed a round of applause.

THE NATIONAL PRESIDENT stood and said *"Colleagues this has been probably the most memorable Executive Council meeting in my life, for all the best reasons, because I will head into retirement after Conference with memories that will last with me forever. I will never come back; I am going now, if whatever opportunity, you should 'never say never', but I am saying never, if the opportunity arises in Scotland I will not come back. They have closed a book, not even a chapter in my life, they have closed the book and I now need to move on in another direction, and I thank you for all the comradery, the debate, the friendship that we have shown one another over the years, and if I have a regret, it is for my wife, because she worries that the friendships she has made among our partners will no longer be available to her and will evaporate through time. As I say if I have any regret it is for Maria, but thank you for all your kindness support and help over the years." Thank you all."*

SHARON MERRYWEATHER
LYNDA WILLOUGHBY

GRO

21/6/04

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Appendix A

Presentation by

David Mills
David Miller
Gordon Steele
of Post Office Limited

Monday
15 March 2004

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The Future of The Post Office®

NFSP EXECUTIVE COUNCIL MEETING

15th March 2004

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Agenda

- Traditional core business
- Universal banking
- New business already introduced
- Financial Services
- What's next
- The network
- Tomorrow's world

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POST OFFICE®

TRADITIONAL CORE BUSINESS

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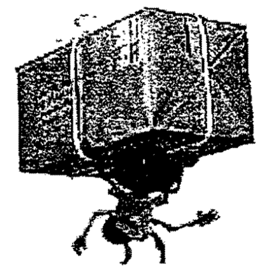
Traditional core business

- Benefits
- Car Tax
- Passports
- Postal Orders
- Bill payment
- Mails business:
  - SmartPost
  - SmartStamp
  - Postage Labels
- **£600m+ per annum**



POST OFFICE ®

UNIVERSAL BANKING

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Universal Banking

	Million
Card Account requests	2.8
PIDs issued	2.6
Accounts opened	1.8
Enlivened	1.5
Active	0.7
Forecast total demand for card account	5.0
Forecast total active accounts	3.9

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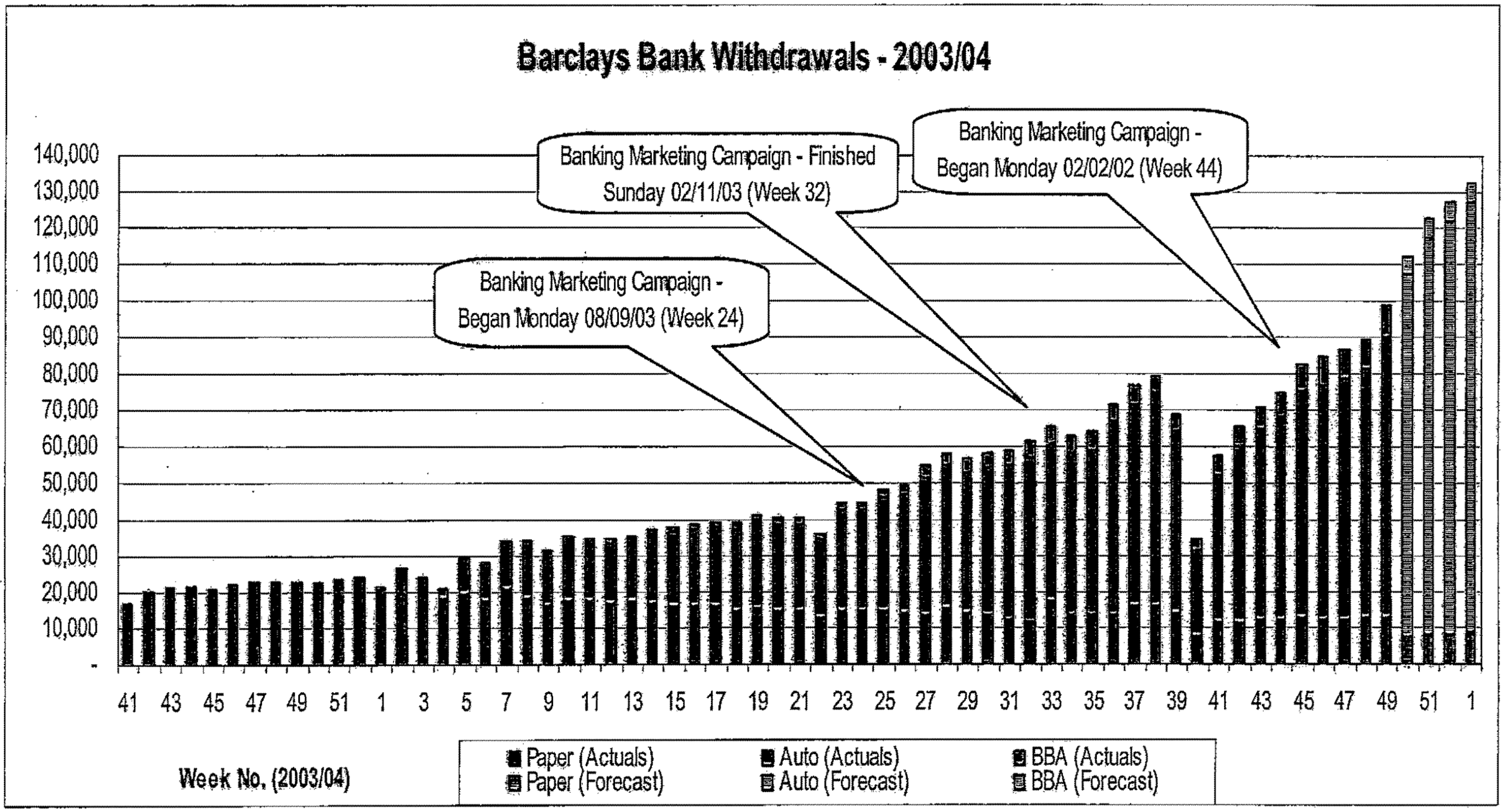
Barclays Bank Withdrawals



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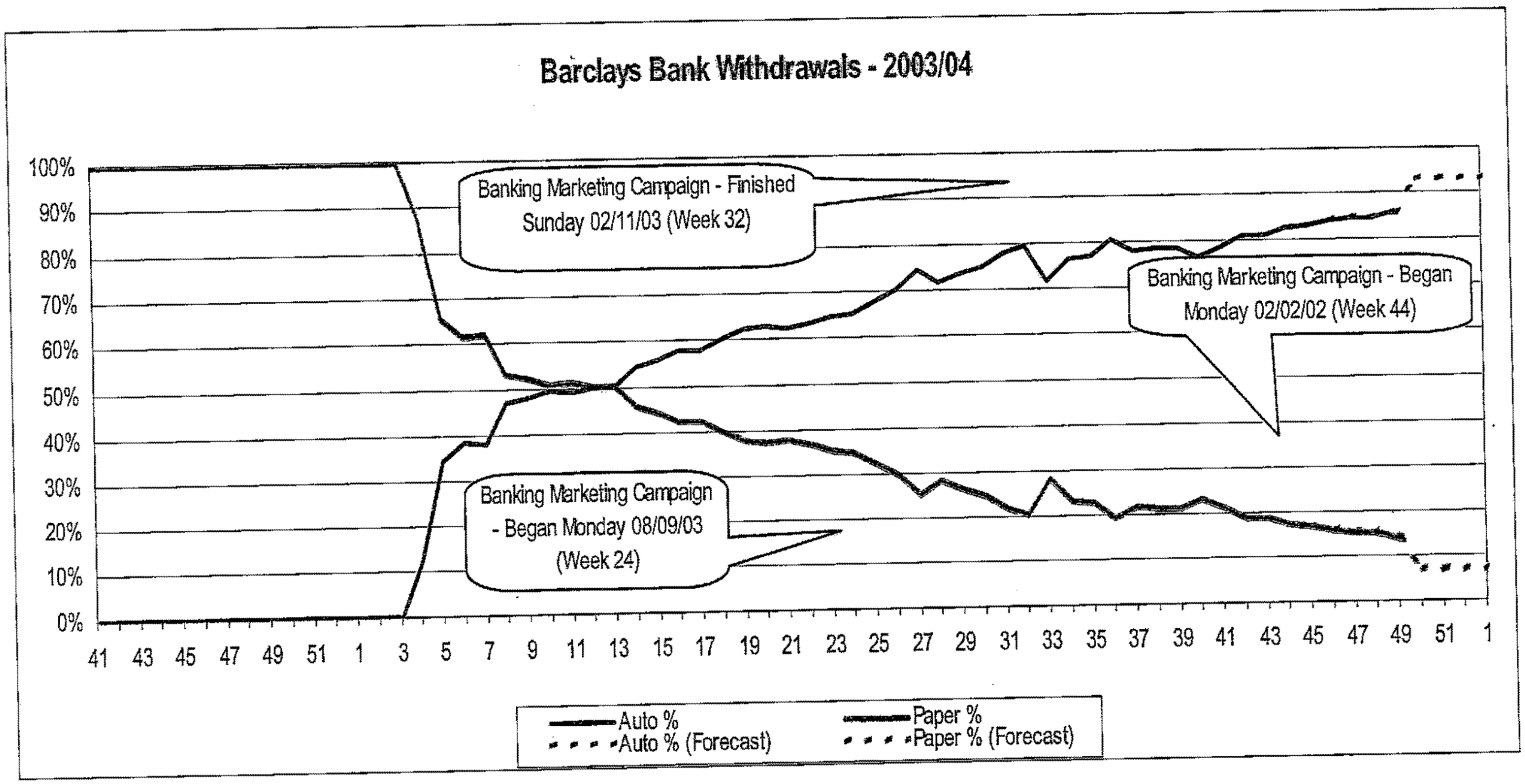
Barclays Bank Withdrawals



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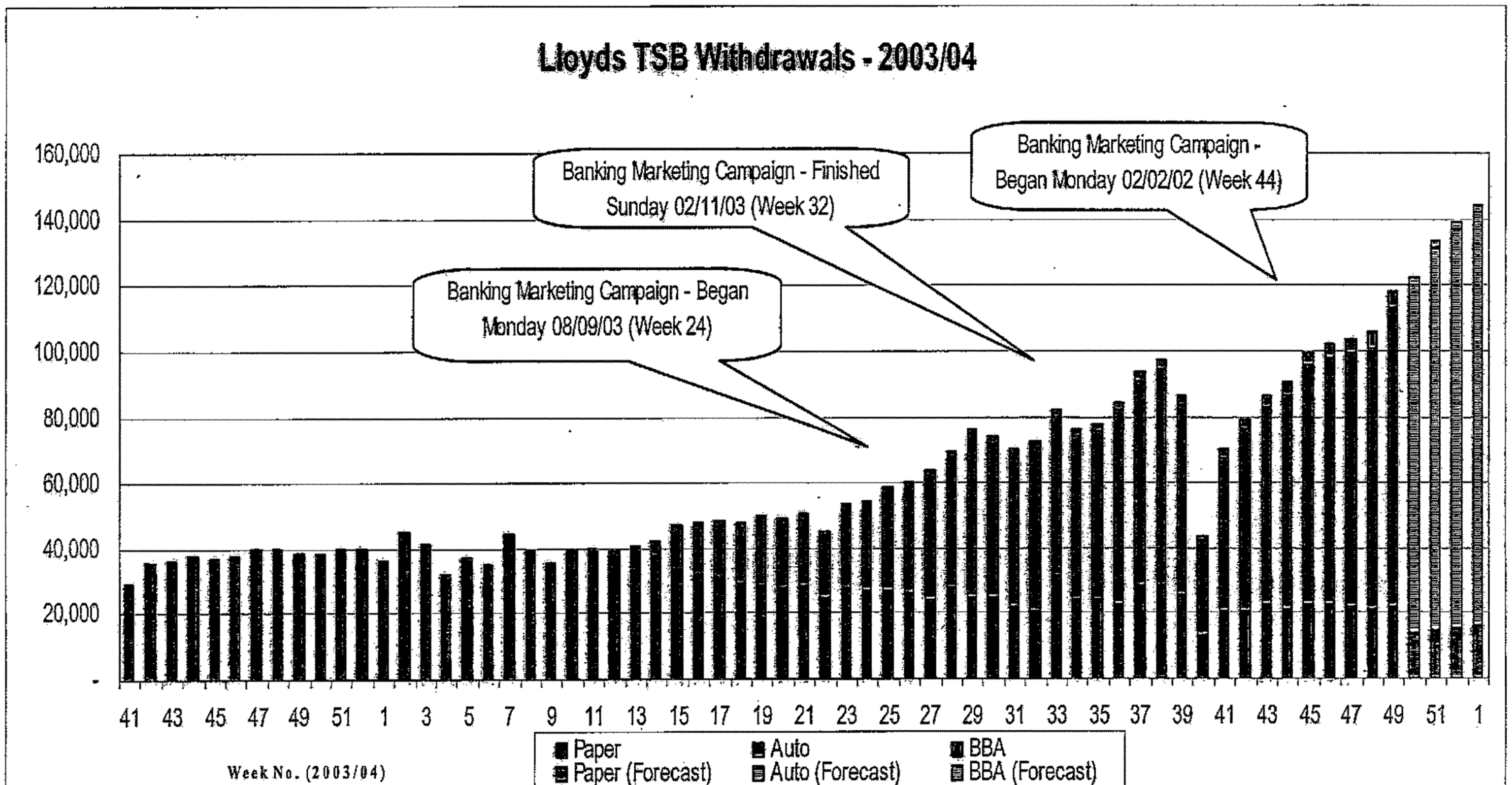
Lloyds TSB Withdrawals



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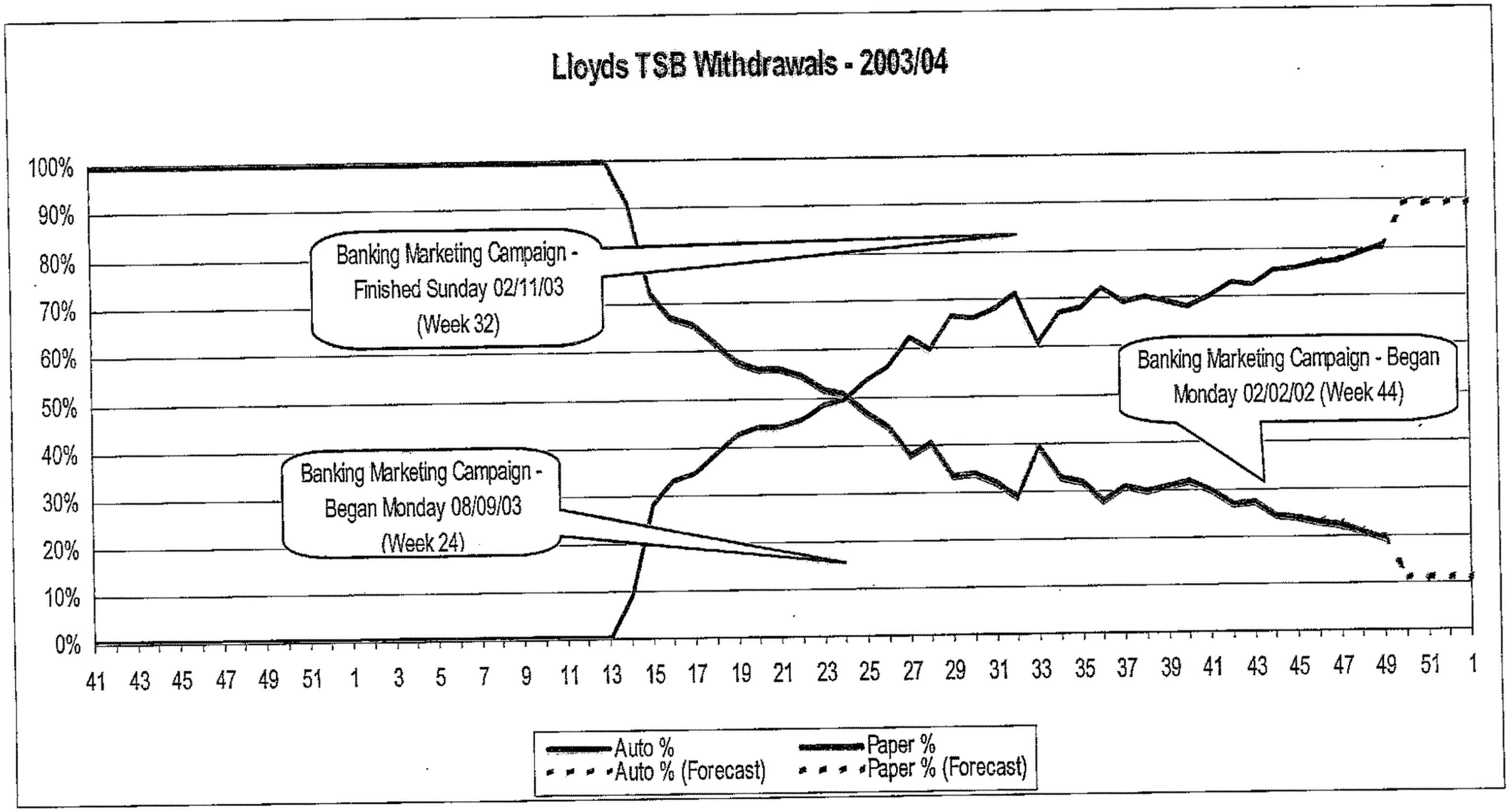
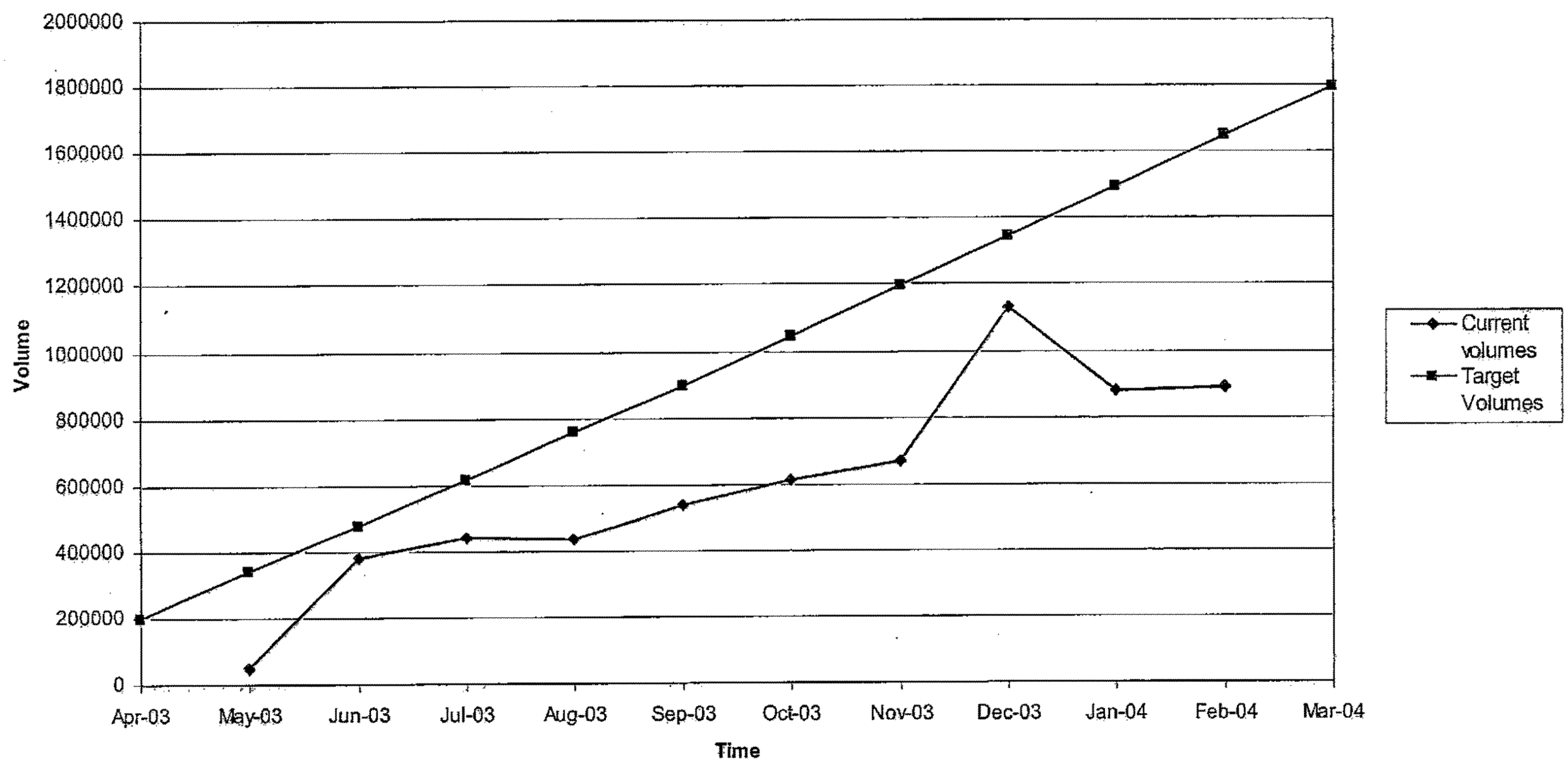
Lloyds TSB Withdrawals



Debit card – Actual v Target 2003/04



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Other banks

POST OFFICE

- RBoS
- HBOS
- HSBC
- NAG

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NEW BUSINESS ALREADY INTRODUCED

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Builds on strong customer relationships…

POST OFFICE®

88% say that the Post Office® is **important** to the community

98% of adults visited the Post Office® in the last year

Of the **2%** that didn't, **50%** say they intend to visit in the future

70% of customers say that we have a good customer **service**
(ahead of Tesco, Royal Mail, BT)

one in two of all adults visit the Post Office® **every week**

96% of the UK population **trust** the Post Office®

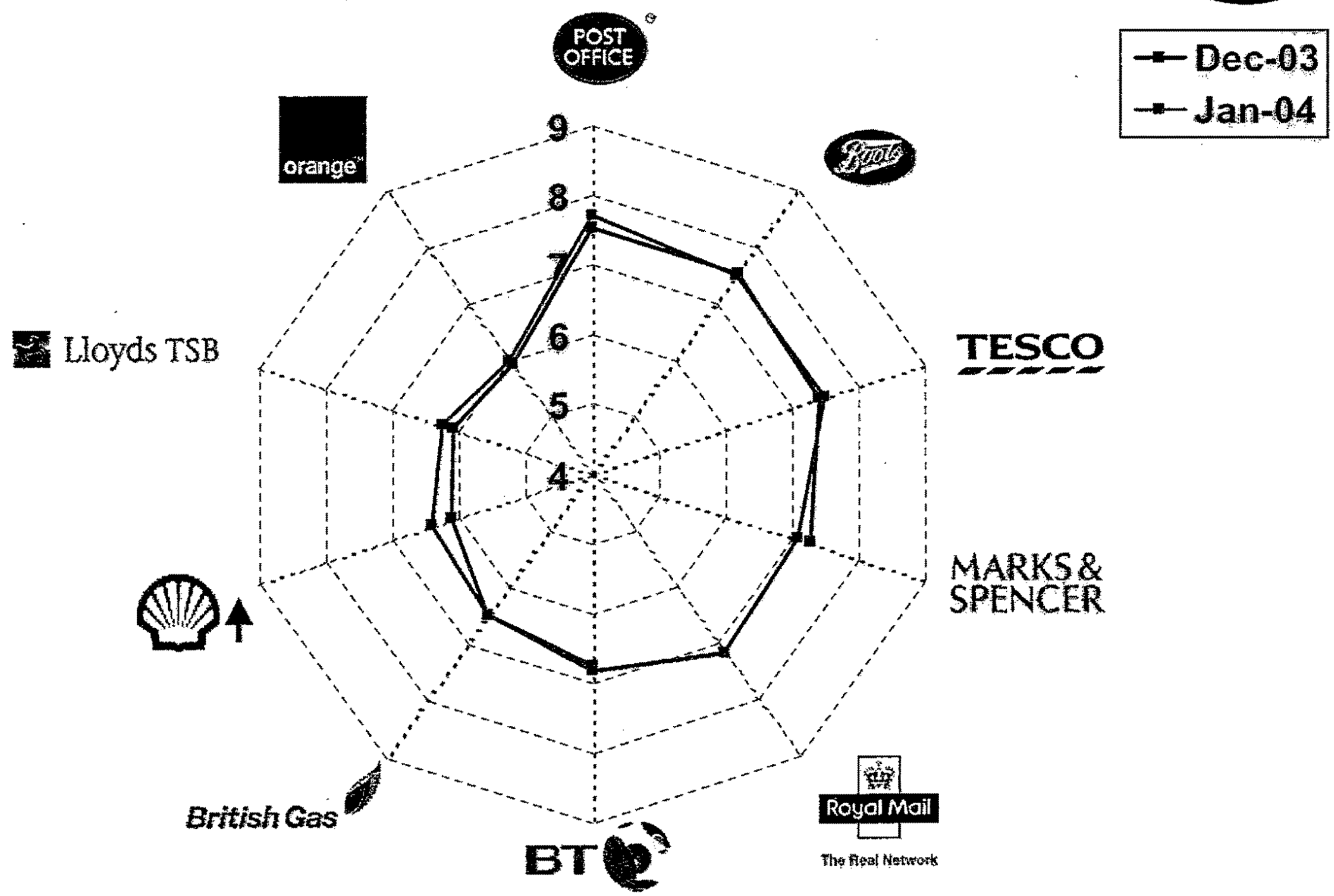
95% of consumers are **satisfied** with their branch

81% of consumers would **recommend** their branch

94% of small businesses are satisfied with their branch

... And brand reputation

POST OFFICE®



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Foreign currency

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Provider	Rate	Commission	€ 100
Post Office®	1.3625	£0.00	£73.39
Lunn Poly	1.3550	£0.00	£73.80
Nat West	1.3639	£2.50	£75.82
Barclays	1.3662	£3.00	£76.20
Going Places (My Travel)	1.3510	£3.00	£77.02
Thomas Cook	1.3400	£3.00	£77.63

Source: Telephone survey to providers on 15th September 2003

"Commission Free"... AND great rates!

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Travel insurance

POST OFFICE®

Family (Single Trip: 14 days – Europe)		
Provider	**Cost**	***Saving vs. Post Office***
Post Office	**£50.00**	-
More Th>n	£55.00	*£5.00*
Direct Line	£56.09	*£6.09*
Age Concern	£56.20	*£6.20*
Expedia	£56.82	*£6.82*
Argos	£64.99	*£14.99*
Tesco	£65.76	*£15.76*
AA	£70.00	*£20.00*
Boots	£72.00	*£22.00*
Co-op Travelcare	£75.00	*£25.00*
ASDA	£79.58	*£29.58*
Travelex	£95.00	*£45.00*
Thomas Cook	£159.96	*£109.96*

"Kids Go Free"... AND fantastic value... especially against the market leaders – the Travel Agents!

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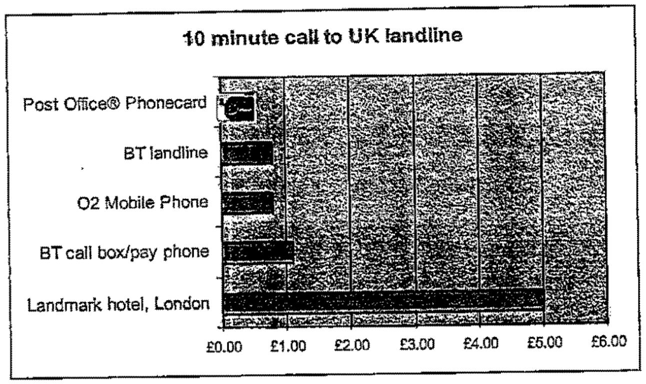
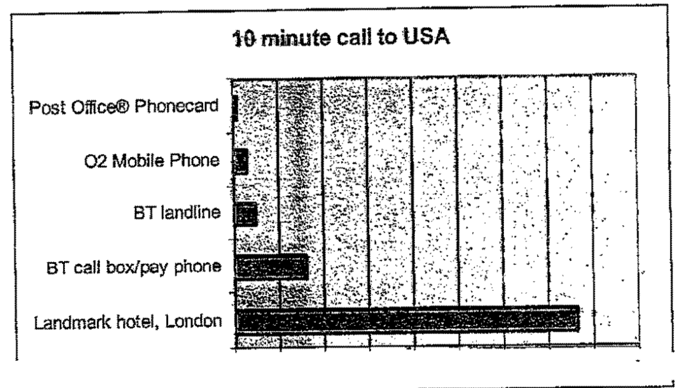
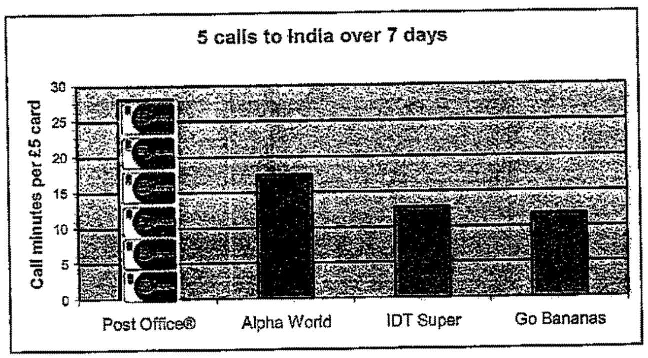
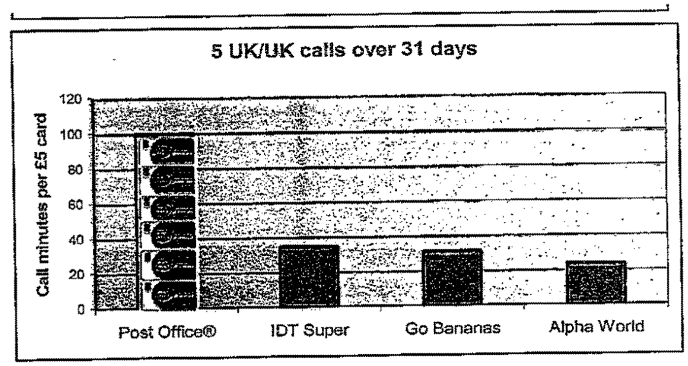
Phonecards

POST OFFICE ®





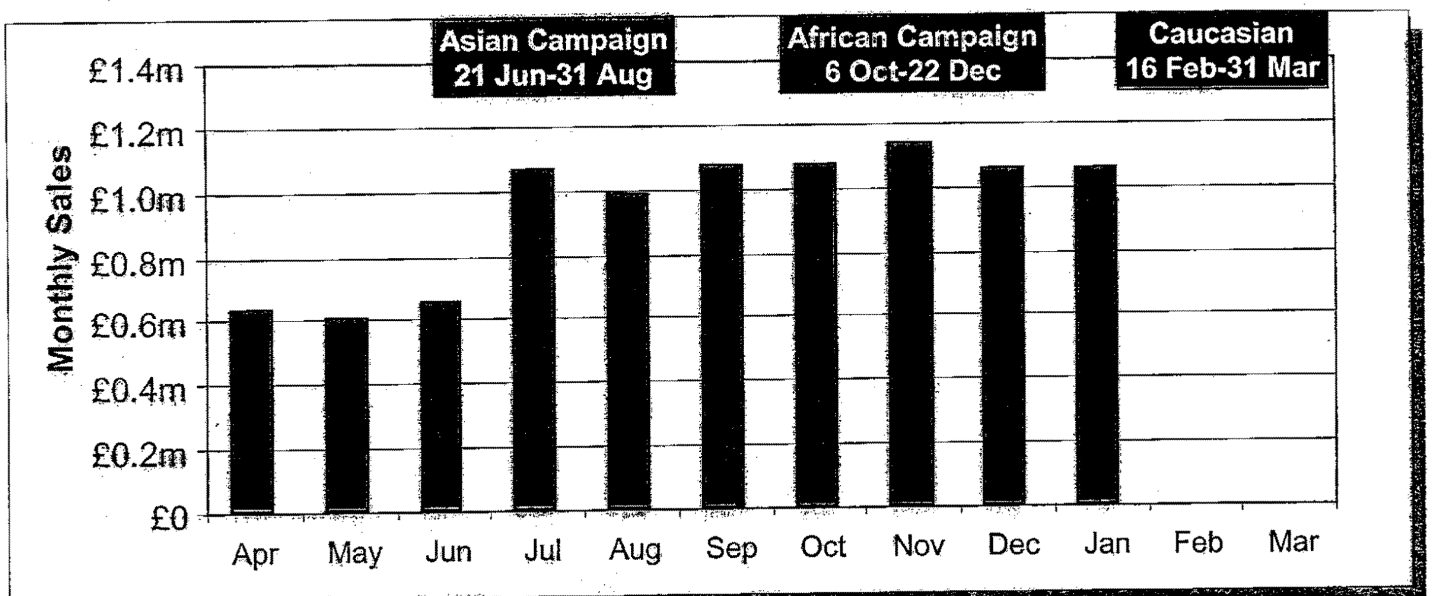




"No hidden extras" on the Post Office® Phonecard means the customer gets a lot more minutes for their money!

Post Office® Phonecards

- Grown sales to over £1m per month
- Target £2m a month by April 2005



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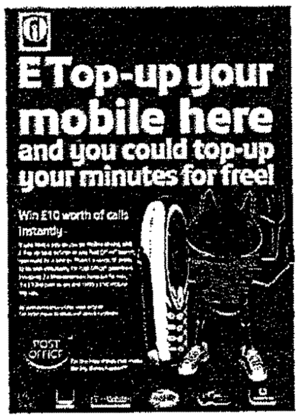
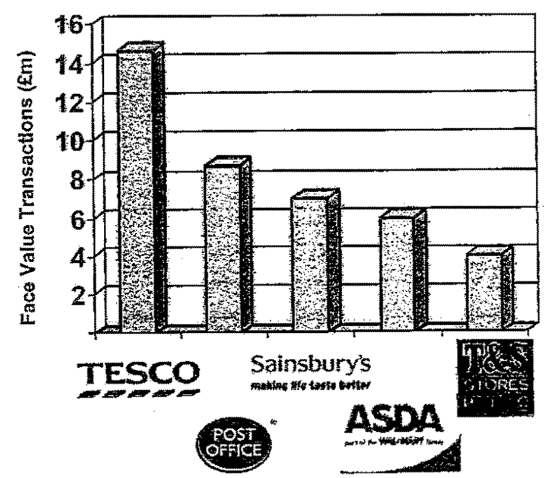
E-top ups



- Launched on 13th November
- Over £25m counter transactions
- Successful SMS campaign

- No. 2 in the market
- Over 15,500 branches
- Driving footfall



Network extensions

- Last summer MoneyGram grew from 2,000 to 3,000 branches
- Largest single money transfer network in the UK

- On-demand Bureau network increased from 700 to 1,700
- From April, open to all

- From February, MVL branch network increased to 4600

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The new advertising

POST OFFICE

- Live on 27th December
  - **Travel & Banking** – over 4,000 showings
  - **Personal Loans** from next week
- Research results encouraging
- Sales up 33% on currency and record withdrawals for Banking

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POST OFFICE ®

FINANCIAL SERVICES

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Financial Services

POST OFFICE®

ACTIVITY	TIMING	LOAN VALUE
Midlands Pilot - HBoS	to end Jan	£2.5m
Northern Ireland - BoI	from Feb	£2.0m
National launch	22 March	
Motor - soft launch - roll out	1 June 1 July	

Training mandatory

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POST OFFICE ®

WHAT'S NEXT?

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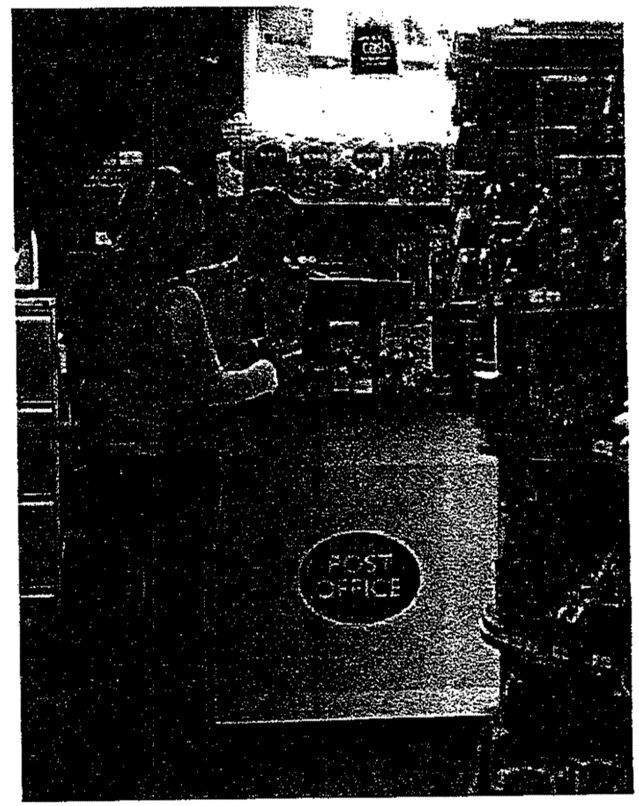
What's next?

- Bill payment strategy
  - Relationship with A&L Girobank
  - Low Value Prepayment System
  - Post Office® Savings Stamps
- Post Office® Home Phone
- New travel products



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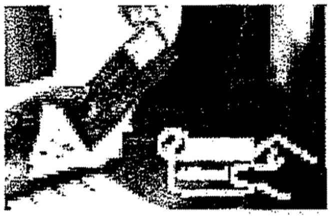
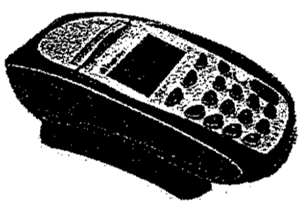
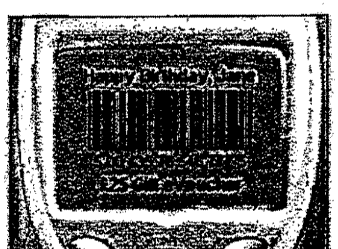
Bill Payment Strategy







Integrated bill payment solutions

- cash, cheque or debit card
- over 16,500 locations
- new retail side terminal
- new generic Savings Stamp

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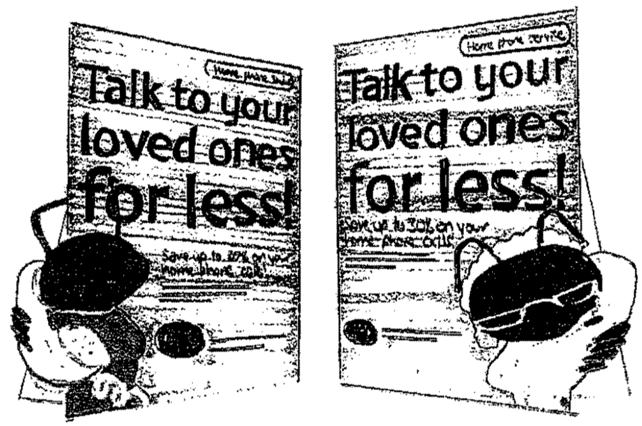
Post Office® HomePhone

- £6bn market
- Launch later this year
- Aspiration - 1m+ customers
- Good remuneration for subpostmasters



Post Office® HomePhone

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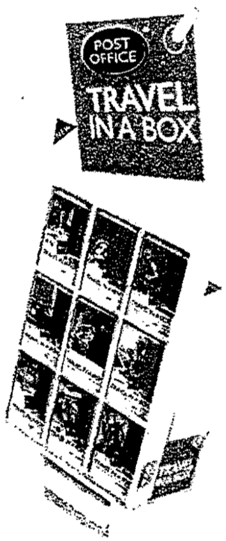
New travel products



- Specialised travel insurance products
- Attraction Tickets
- "Travel In a Box"

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POST OFFICE®

THE NETWORK

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Urban

- Network Reinvention:

Closures	1063
In consultation	1562

- 83% of business to receiving branches
- Last office into consultation December 2004
- Last office closed March 2005

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Escalations

POST OFFICE®

Current rate of escalations is 27%

Stage 1

Progressed to closure	115
To be reviewed again as part of Area Plans	5
Withdrawn	20
Awaiting stage 1 decision or stage 1 meeting	34

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Escalations: Stages 2 and 3

POST OFFICE®

Stage 2

Progressed to closure	6
To be reviewed as part of Area Plans	6
Withdrawn	6
Awaiting stage 1 decision or stage 1 meeting	16

Stage 3

Withdrawn	1

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Crown

POST OFFICE®

- Staff costs too high
- Premises costs too high
- Central costs too high
- Analysis – working on costs
- Income too low

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Rural Strategy

- Funding expires in April 2006
- Alternative delivery models researched
- The preferred option presented to DTI
- No formal response received
- There remain a number of options for the future

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Range of options

POST OFFICE®

- Rural regeneration and modernisation
- SNP "rollover"
- Pure commercial view

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Symbols, Groups, Multiples and Supermarkets

POST OFFICE ®

- 50% urban
- As at today:

Tescos	330 Post Offices
Sainsburys	390 Post Offices
Co-operative Group	425 Post Offices
Spar	390 Post Offices
Londis	395 Post Offices

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POST OFFICE®

TOMORROW'S WORLD

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What's beyond the Horizon?

POST OFFICE®

- Reliable platform, but a barrier going forward?
- Expensive, complex and one dimensional
- Ageing technology
- 3 phase migration
  1. Upgrade network (Broadband)
  2. Rationalise data centre systems
  3. Gradually migrate counter hardware

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Replacing Counter Hardware

- Urban network closures
- Crown Offices
- Urban network
- Rural network
- Success

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Tomorrow's World

- Water
- Gas
- Electricity
- Television
- Broadband
- Wifi

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Appendix B

Presentation by
Stephen Timms MP

Wednesday
17 March 2004
9am - 10am

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STEPHEN TIMMS' SPEECH TO THE NATIONAL FEDERATION OF SUB-POSTMASTERS EXECUTIVE COUNCIL 17 MARCH 2004 GRIMSTOCK COUNTRY HOUSE HOTEL, GIBSON, WARKS

Introduction

Challenges to the network

You don't need me to tell you that the post office business continues to face an enormous challenge. In the last financial year, Post Office Ltd lost £194 million before exceptional items. The year before, it lost £163 million. It has reported a loss of £91 million in this year's half-year results.

Dramatic improvements in technology, greater mobility and changes in shopping and financial habits all mean that people are simply not using the post office in the way that they used to and custom has sharply reduced.

Well before the switch to making benefit payments by direct credit started last year, benefit recipients were already moving away from collecting their money at a post office.

Over 50 per cent of benefit recipients **already** received their cash paid directly in to their bank accounts rather than by order books, compared with 26 per cent in 1996.

This and many other changes pose big challenges to the network of post offices. They have to be addressed, not ducked, and that's what we've been doing.

Most countries have been remodelling their networks, usually by closing the smallest or least profitable offices and converting directly run offices to agency offices, but also by relocating or opening new urban offices to take account of changes in urban population and customer flows. In Germany, the number of post office branches has been reduced much more drastically from 30,000 to 13,000. Other countries have embarked on a similar process. And in Britain, other networks, such as those of the retail banks, have been scaled back too.

The problem has been being locked into a shrinking market. Our aim is that Pos should continue to serve existing customers well, as in the past, but that they should also have access to expanding banking markets, and that is what our £1/2 bn investment in banking technology can deliver.

Banking at the Post Office

Banking is central to the Post Office strategy for the future. The company has the full backing of the Government to make a success of it. That was why we committed half a billion pounds – in an unprecedented Government investment – to equip every post office in the country with the IT infrastructure to carry out electronic services.

It means that every post office in the country can encourage customers to "Do your banking at the Post Office". We all want to see the Post Office becoming the place for people to do their banking – to get access to cash in a place that is familiar and convenient.

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Sometimes the benefits from what is happening for financial inclusion are overlooked – that was a major concern in the minds of many a couple of years ago, and in my view it should be still. So I welcome the recognition in the recent Citizens Advice publication on financial inclusion, and I quote that:

> *"The government, the banking industry and the Post Office should be commended for the progress they have made in establishing Universal Banking Services. The ambition to enable all people to own the most basic of financial services – a bank account – is one we share."*

And they are right.

Wider access to bank accounts at post offices opens up a very much larger market than benefit recipients alone, and this should benefit sub-postmasters both directly and through increased footfall.

Post office access to benefits/cash

The Government remains absolutely committed to ensuring that those who want to can continue to collect their benefits and pensions at post offices, in full and free of charge from the post office after the move to Direct Payment. The launch of universal banking services on 1 April last year is delivering that promise.

The successful implementation of universal banking services at post offices was due to the commitment and hard work of everybody involved. I would like to extend thanks on behalf of myself and Patricia Hewitt to all those in the Federation who have contributed.

Under the new arrangements for benefits payments, customers have three account choices when deciding how they want to be paid – into a current bank account or a basic bank account or a Post Office card account. That choice is very important. We want customers to choose the account that best meets their individual needs. And we want customer to use the Post office because they want to, not because they have to.

The Post Office card account

The Post Office card account is of course a very important element of the new service. For many on benefits it will be the best account for them, and possibly the only way they will be able to access their money, through a very simple, problem-free arrangement. And of course it is essential that those who deliver this service do so professionally, efficiently and effectively.

I've said before I don't believe the best interests of the Post Office lie in pushing people towards Post Office Card Accounts. The real opportunity for the Post Office looking forward is offering banking services. The Post Office has to break new ground and win customers who use bank accounts, and, thanks now to universal banking services we have put it in a position to do so and to capture new and growing markets, instead of just being locked into declining ones.

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New products at post offices

We have put in place a strong management team at the Post Office and given them the task of turning the business round. Crucially, David Mills and his team are devoting substantial efforts to identifying and developing new products and services. Through the joint venture with the Bank of Ireland, during the next 18 months, we will see the launch of personal loans, next week credit card, savings account, motor insurance, home insurance and life insurance.

A major advertising campaign for travel insurance and bureau de change services has also contributed to making the post office a service customers want to use. I think that's helping too.

The future of the network

Urban reinvention

The starting point for our policy for the post office network is the Performance and Innovation Unit year 2000 report on *"Modernising the Post Office Network"*.
Among the PIU recommendations was that if the Post Office decided that fewer offices were needed in some urban areas, Government should consider providing funding – to compensate adequately subpostmasters affected for the loss of their business. Those men and women have worked hard and it is right that they should be treated fairly now, even though the current level of business in the post office network can no longer support so dense an urban network. So in November 2002, following Parliamentary approval of the funding, Post Office Ltd began its urban network reinvention programme.

The programme is a very difficult exercise – you know the reasons and the need for it and I've appreciated your support for it.

We want better, brighter urban post offices and we've provided up to £30 million for investment grants for modernising and adapting offices which remain in the network. Grants are available towards the costs of improvements such as new counter positions and refurbishments to be matched-funded by subpostmasters.

To date, my Department has paid £5,448,897 to Post Office Ltd under the urban reinvention programme for investment grant funding. This includes an element of pre-funding to the company to facilitate prompt payments to subpostmasters. I understand that the total number of applications submitted by subpostmasters so far is 485, with further cases under discussion with individual subpostmasters. Of these applications, 98 grants, totalling £506,934, had been paid in full as at 20 January 2004.

It was always anticipated that there would be some time lag between closure decisions being announced and take up of this important funding. Post Office Ltd is now beginning to see take up of this increase and expects further increases as the restructuring of the network continues and sub-postmasters become more confident about their future prospects. Post Office Ltd is devoting additional resources to establish a separate team that is dedicated to promoting and supervising the implementation of investment required to upgrade remaining offices.

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We are the first Government to make an investment in the urban network. I want us to restore confidence to subpostmasters about future prospects by reducing the level of over-provision and leaving a viable network. Subpostmasters of offices that take on additional custom from those that close under the urban reinvention programme are relying on those closures to make their businesses sustainable.

The rural network

We have placed on the Post Office an obligation to maintain the rural network and prevent avoidable closures of rural post offices in the first instance until 2006. And we have underpinned that requirement with £450 million over three years to April 2006 to support the rural post office network.

£198m of this funds payments made to sub-postmasters, securing the level of fixed part of the income they receive at 2002/3 levels. £227m funds the support services – such as cash delivery and computer services – that are necessary to underpin the rural network. The remainder – a further £25m – is for a flexible fund to meet the cost of pilot activity to promote innovative ways of delivering post office services in rural areas.

We are looking now at what kind of network will be required in rural communities after 2006 and how that might be funded. That work is being informed by Postcomm's advice on the long-term shape of the network beyond 2006, which was required by the PIU. No decisions have yet been taken.

Subpostmasters

The future of the network rests on a wide range of factors, not least the response to change of individual subpostmasters. The key to success is to concentrate on retaining the current customer base while attracting new business by making sure that everyone knows about the exciting new services the network is providing. If people think the network has no future they will shop elsewhere, but they will be attracted by the range of financial services on offer at their local post office, made possible by substantial Government investment in new technology.

I am optimistic that the average income of subpostmasters will hold up, in accordance with predictions made by Post Office Ltd. Individual customer behaviours will play their part, but where urban post offices have closed, over 80% of customers have moved their business to other offices nearby. This is a higher proportion than anticipated which is a very good indicator for the future and a certain signs for optimism.

Closing remarks

We are investing very substantial sums in supporting transformation of the entire post office network, some £2 billion in total. We have put in place a strong management team at the Post Office and given them the task of turning the business round, to adapt to meet the changing demands of customers and society. The new products and services will help build a commercially successful future for the network.

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A couple of weeks ago I visited the directly managed PO in my constituency in East Ham. The staff told me that – for the first time in at least five years – they could see that more customers were coming in and that the leadership of their organisation knew where it was going and was delivering.

And it's my hope that over these next few months you will sense growing confidence that the Post Office has turned the corner, and that your businesses have a commercially attractive future serving your communities.

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