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Norman Lamb MP
Minister for Employment Relations,
Consumer and Postal Affairs
Department for Business Innovation & Skills
1 Victoria Street
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3rd May 2012*Dear Minister,***Chief Executive's Remuneration**

As you well know, the Post Office is now running as a separate business from Royal Mail with Paula Vennells as its Chief Executive.

I fully appreciate that the issue of remuneration continues to be a very difficult one for the Government. But I do feel it is necessary to draw the issue of Paula's remuneration to your attention although, at this stage, I am not asking for any action on it.

Paula was appointed as the Managing Director of the Post Office in late 2010 when her predecessor was moved unexpectedly quickly in his term to another role in Royal Mail. The circumstances surrounding her early months in the role were challenging, as she sought to lead the organisation out from under the shadow of Royal Mail, not least because she was involved in very difficult negotiations with Moya Greene, her boss at the time, about the future commercial arrangements between the two businesses.

Since I arrived last August, I have seen Paula develop into her current role in leaps and bounds. Both I and our Senior Independent Director, Neil McCausland, (who has been here almost as long as I have) are very pleased that she is our Chief Executive and believe she is well placed to lead the Post Office through its transformation.

We are, however, both very struck by the level of her salary given the complexity and scale of the business and the challenge of our change agenda.

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Paula's current salary is £250,000 – increased from £215,000 as a step to recognise her promotion to the role of Managing Director of the Post Office while it was still a Division of the Royal Mail. That was, in itself, well below the comparator salaries for equivalent roles, even allowing for the fact that we would expect a "discount" to apply for working in an organisation which is owned by Government and partly funded by the taxpayer.

The position is significantly worse now she is the CEO. Early indications suggest that her salary is roughly half the median salary of people who she would view as her peers, as is her total remuneration package including her likely bonus and LTIP.

Now that the membership of the PO Board is almost complete, we will be setting up the Board Committees, including the Remuneration Committee. One of the first things which I shall be asking that Committee to do is to consider Paula's remuneration, largely because it is essential to retain and motivate her fully to develop and deliver our strategy, and partly because of the knock-on effects which her salary level has on the salaries we can offer her direct reports.

In the meantime, I simply want to draw this to your attention because I thought it would be helpful for you to have advance warning of this issue and because it would seem odd not to raise it at the point of our separation from Royal Mail.

Best wishes

GRO

Alice Perkins