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JB83 **Post Office Review. Key points and Q&As for Oral PQs and Press queries**

KEY FACTS

Delivers post to every address in the United Kingdom every working day.

Handles over 70 million letters a day.

Only Coca Cola has a more strongly recognised brand image.

Over 19,000 post offices in UK.

Almost 60% of villages have a post office, only 5% have a bank.

28 million visits to a post office every week (on average half the population of the country)

PILLARS OF THE REVIEW

Government is committed to the Post Offic remaining in the public sector.

Committed to the universal service obligation (ie delivery to every address every working day).

Committed to uniform tariff structure.

Committed to a nationwide network of post offices (though cannot guarantee future of any particular office).

Aiming to give Post Office the commercial freedoms it needs to be able to compete effectively in the changing domestic and international markets, and to provide improved efficiency, effectiveness and service standards that the nation needs of it postal service.

There is no question of privatising the Post Office. A minority share sale, even if it were recommended, would not necessarily be as much as 49% of the shares.

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NOTES FOR SUPPLEMENTARIES

Commercial Freedom

WHAT DOES GREATER COMMERCIAL FREEDOM MEAN?

It means the freedom for the Post Office to develop its full potential to provide wider and better services to customers and to meet the challenges and opportunities presented by the marketplace where its international competitors are gaining ground.

WHAT OTHER OPTIONS FOR PARTNERSHIP WITH THE PRIVATE SECTOR ARE BEING CONSIDERED AS WELL AS JOINT VENTURES?

Open mind about options. The Government's concern is with the needs of the Post Office for greater commercial freedom to meet the challenges of the future.

Other options for partnership with the private sector include

- the possibility of increased scope to raise external finance,
- direct investment in private sector companies by the Post Office,
- the creation of a public sector trust,
- an independent publicly owned corporation;
- or a minority share sale.

Also looking at new products for Post Office Counters.

DOES THE GOVERNMENT INTEND TO ESTABLISH JOINT VENTURE ARRANGEMENTS SIMILAR TO THOSE ANNOUNCED FOR QUADRANT ACROSS THE POST OFFICE?

Government welcomes the announcement of the joint venture which is an example of how the public and private sectors can work together to the benefit of all involved.

The joint venture arrangements announced on 31 March for Quadrant, the catering arm of the Post Office, are not a model for future ownership arrangements for the core businesses.

The joint venture arrangements for Quadrant do not constitute privatisation - the Post Office retains a

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51% stake.

DOES THE GOVERNMENT INTEND TO ESTABLISH JOINT VENTURE ARRANGEMENTS SIMILAR TO THOSE ANNOUNCED BY THE POST OFFICE FOR THE RELAYONE SERVICE TO INTERNET USERS

The Relayone service launched by the Post Office on 2 April in conjunction with Microsoft is an example of the how the Post Office is developing its services to meet the challenges of an ever more dynamic market in partnership with the private sector.

The service extends the hybrid/electronic mail services which Royal Mail have been offering for some time to small business and private users who have a computer and Internet access.

The service is structured around a commercial and marketing agreement with Microsoft. It is not a joint venture.

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Commercial Freedom

THE COMMERCIAL FREEDOMS ANNOUNCED FOR THE POST OFFICE TO ENTER INTO DOMESTIC JOINT VENTURES ARE INADEQUATE?

The commercial freedoms announced by the Government will enable the Post Office to pursue new opportunities in the UK in partnership with the private sector.

These are interim arrangements. The next stage of the Review will consider the options and scope for granting greater commercial freedom to the Post Office.

ARE COMPETITORS ADEQUATELY PROTECTED AGAINST THE POST OFFICE ABUSING ITS DOMINANT POSITION?

The Post Office is subject to national and European competition rules. In addition, the guidelines we have set for domestic joint ventures are intended to safeguard against the possibility of unfair competition.

The guidelines require, *inter alia*, that any proposed venture should satisfy normal commercial criteria, that its prices should at least fully meet long-term marginal costs (including a full contribution to overheads), that it should treat the element of the price which represents the charge for access to the monopoly infrastructure in a transparent way, and comply with state aids rules.

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Post Office network

IS THE GOVERNMENT THINKING OF LIFTING THE BAN ON THE CONVERSION OF CROWN POST OFFICES ?

The Post Office were asked last May to suspend their Crown post office conversion programme in view of widespread public concern about the policy. The issue will be considered in the context of the Review.

THE NUMBER OF POST OFFICES IN LONG TERM DECLINE. WHAT DO GOVERNMENT INTEND TO DO ABOUT IT AND WHAT NUMBER DO THEY SEE AS A MINIMUM TO PROVIDE A NATION-WIDE NETWORK?

Neither the Government or the Post Office can guarantee the future of individual post offices, the vast majority of which are privately owned.

But the Government is fully committed to the maintenance of a nation-wide network of post offices.

Part of the strength of the Post Office lies in its ability to reach customers in all corners of the UK; and as a matter of priority the Review will seek to identify ways in which the Government can help the Post Office to sustain a nation-wide network, such as the scope for allowing greater freedom for post offices to enter into new product areas.

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Horizon Project

IS THE GOVERNMENT PLANNING TO CANCEL THE CONTRACT TO AUTOMATE POST OFFICES AND BENEFIT PAYMENTS? IF SO, WHAT WILL THIS MEAN FOR THE FUTURE OF THE NATIONAL NETWORK OF POST OFFICES?

The Government is committed to providing a secure, convenient and cost effective means of paying benefits to customers. That is what the Payment Card was designed to do and what we continue to work towards.

The Benefits Agency and Post Office Counters Limited continue to work closely with the supplier, ICL Pathway. We are also monitoring progress to ensure that the programme remains on course to deliver the benefits of a more convenient and secure method of payment. The Government is committed to maintenance of a nation-wide network of post offices.

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Structure

WHAT IS THE POSITION OF PARCELFORCE	The Trade and Industry Select Committee explicitly sought an assurance that Parcelforce will be considered in the Review. The Government is happy to give it.
WHAT IS GOVERNMENT'S VIEW ON TISC's REAFFIRMATION OF ITS VIEWS ON THE ESTABLISHMENT OF AN INDEPENDENT PUBLICLY OWNED CORPORATION?	Interesting that TISC has re-affirmed its previous conclusions. One of the structural options for consideration in the next stage of the Review.

External Financing Limit/PSBR

WILL THE GOVERNMENT RELAX THE EFL TO ENABLE THE POST OFFICE TO INVEST IN DEVELOPING NEW BUSINESS OPPORTUNITIES?	The Government is committed to living within the expenditure totals set for this financial year by its predecessors. There is thus no scope for an immediate relaxation in the EFLs previously set. We will however be looking closely at options for the future financial regime in the context of the Review.
WILL THE GOVERNMENT CONVERT THE POST OFFICE TO A PLC AND FREE IT FROM THE PSBR?	Plc status does not in itself result in classification outside the PSBR. The Post Office will remain in the public sector and therefore remain within the PSBR. This does not, however, rule out greater commercial freedom.

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"Privatisation"

IS THE GOVERNMENT CONSIDERING PRIVATISATION?	No. The terms of reference are unequivocal: the Post Office will remai in the public sector and will continue to provide a universal postal service under a uniform tariff structure with a nation-wide network of post offices.
IS THE GOVERNMENT'S REAL INTENTION A MINORITY SHARE SALE AND IS THAT NOT THE THIN END OF THE WEDGE FOR FULL PRIVATISATION?	No. The Government has an open mind about a wide range of public sector options. A minority share sale is one of those options - which also include • joint ventures, • increased scope to raise external finance, • direct investment in private sector companies by the Post Office, • the creation of a public sector trust and • an independent publicly owned corporation.
DOES A MINORITY SHARE SALE MEAN A SALE OF 49% OF THE SHARES?	The review will be considering a range of options for the Post Office <u>within the public sector</u>. A minority share sale is simply one of those options. It is pointless to speculate on the outcome of the review. at this stage. *[if pressed further on a 49% sale]* There is no hidden agenda.
ARE THE PROPOSALS FOR LONDON UNDERGROUND A PRECEDENT?	The challenges for the Post Office are quite different from those facing the London Underground. The Government's concern is with the needs of the Post Office for greater commercial freedom to meet the challenges of the future for the benefit of its customers.

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Utilities Review

WILL THIS REVIEW TAKE ACCOUNT OF THE UTILITIES REVIEW?	Yes. The Review will take into account the wider review of utility regulation.

Consumer Interests

WHAT IS IN ALL THIS FOR THE CONSUMER?	Customer needs will be an essential issue for the Review. The Government is committed to the maintenance of a universal postal service at a uniform tariff and a nation-wide network of post offices; and to ensuring an effective voice for consumers within any new regulatory framework.

European liberalisation/EU Directive

DOES THE EU DIRECTIVE HAVE MAJOR IMPLICATIONS FOR THE POST OFFICE AND IN PARTICULAR THE UNIVERSAL SERVICE?	The UK postal market is arguably already one of the most liberal in Europe. The Directive was formally adopted on 18 December 1997 and published in January 1998. It must be implemented within one year by Member States . It requires no major changes in the UK. The reserved area will need to change from £1 to 92p approximately but there is no threat to the ability of the Post Office to provide a universal service. We await with interest whatever proposals the European Commission bring forward at the end of this year for the next stage of postal liberalisation.

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European liberalisation/EU Directive

IS THE BRITISH POST OFFICE FALLING BEHIND OTHER EUROPEAN POST OFFICES?

Our Post Office is one of the most efficient and profitable but its lack of commercial freedoms is a disadvantage in a dynamic market. A number of Member States have taken legislative steps to equip their own post offices to face the challenges of an increasingly competitive market.

Industrial Relations

IMPOSSIBLE FOR POST OFFICE TO COMPETE EFFECTIVELY WITH SUCH POOR INDUSTRIAL RELATIONS?

Industrial relations are clearly primarily a matter for Post Office management and the unions. However, if we can help to facilitate an improvement in the climate we will do so.

The Review will consider whether the existing structures militate against a greater sense of partnership between management and the workforce.

The Review will consider ways to improve employee motivation, including ways of ensuring a greater sense of ownership of the Post Office by its employees. For example any minority share sale would include a substantial proportion of shares going to employees.