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MEETING WITH DEREK HODGSON, COMMUNICATION WORKERS' UNION - 4 MAY 1999

Purpose

Mr Hodgson requested the meeting to discuss progress on the White Paper on Post Office Reform.

DTI Objectives

1. To reassure the CWU that its concerns will be taken into account in the reform package.
2. To seek CWU's acceptance of the reform package as a whole (even though it may have reservations about some aspects).
3. To seek CWU's agreement to co-operate with the Post Office in achieving efficiency and productivity gains needed to enable the Post Office to compete in a more liberalised market.

Those Attending

Derek Hodgson	General Secretary, CWU
Roger Darlington	CWU

Judy Britton	Post Office Reform Team
David Sibbick	Posts

Last Meeting with CWU

Mr Hodgson met Mr Byers on 26 February to discuss the CWU's response to the 7 December statement. The brief covers the issues raised at that meeting.

Future Meetings

Mr Hodgson will be meeting Mr Byers on 5 May and Gordon Brown on 10 May.

Conferences

The CWU's conference starts on 24 May; the Communications Managers Association's conference starts on 17 May; and the National Federation of Subpostmasters conference is from 17-19 May.

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White Paper Timing & Liaison with CWU

Line to take

Aiming for publication before 19 May (the start of the purdah period for the European Elections).

The White Paper is one of the three pillars that we intend to put in place in the first half of the year - along with implementing the EU Directive on Postal Services and agreeing the Strategic Plan with the PO Board.

Can CWU see a copy of the draft?

Agree CWU should be aware of the contents of the White Paper before it is published. Doubt very much if you will be surprised as it simply fleshes out the Government policy set out in the statement on 7 December.

Will arrange to brief you prior to publication.

Conversion of Post Office to a PLC

Line to take

a) No need to convert to a plc

Converting the Post Office to a plc is the best way to underline the accountability of the PO Board and the new commercial status of the public sector organisation.

The legal framework for "Post Office plc" will be more transparent than that for a national corporation which is very opaque.

Post Office plc would be governed by the full range of company law as appropriate to its new status.

b) If plc, then no share sale without further primary legislation

Intend to leave the door open for further reform that might benefit the Post Office.

Primary legislation will enable a future share sale or transfer as Government wishes to maintain maximum flexibility. For example, to allow the transfer of shares to cement partnerships in joint ventures.

Cannot give you assurances at this stage that the legislation places limitations on the sale of shares.

Future Pay Arrangements

Line to take

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Understand that you have been working with the PO management on future pay arrangements, in particular the rewarding of success. The Treasury is still considering the PO's proposals.

The Government does not wish to place undue constraints in this area but will wish to ensure that the new arrangements remain consistent with public sector pay policy.

Hope that the CWU can be relied upon to co-operate fully with the Post Office management in achieving "hard" productivity and efficiency gains if staff are to benefit from enhanced levels of reward.

The White Paper is likely to record some progress rather than firm up detail.

Liberalisation - timing of reduction to 50p monopoly

Line to take

Liberalisation is a key and integral part of the reform package. The Government is committed to competitiveness through competition.

To give a clear signal for the future, we propose to reduce the monopoly from £1 to 50p (or expressed in weight 150g whichever is the less). This represents a sensible first step - sufficiently low to attract some competition yet high enough to allow the PO to be assured of sufficient volume to allow it to provide profitably the Universal Service Obligation.

Will be announcing the move to 50p in the White Paper.

Timing of the reduction will be announced in the White Paper. There are arguments both for and against an early introduction. These are being considered carefully. The main issue is to ensure that the correct balance is achieved between giving commercial freedoms to the Post Office has demanded without stifling competition.

By exposing the Post Office to greater competition ahead of many of its EU counterparts, it will be in a better competitive position to take advantage as markets are liberalised across Europe.

Confident that the move to 50p will not cause any undue problems for the Post Office whatever liberalisation proposals are subsequently issued by the European Commission. Whatever the Commission proposes it is expected to it further reductions in overall price and weight thresholds.

Horizon

Line to take

Ministers remain committed to the objectives of the Horizon project. But deciding how best to reconcile these with our wider Government objectives on social/universal banking, single Government account and the delivery of electronic commerce has

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raised difficult issues, particularly against the background of the serious delays and cost overruns which the project has suffered.

Understand the difficulties which the continuing uncertainty about the future of the project is causing but it is important that we reach decisions that will best safeguard the interests of POCL, its staff and subpostmasters and offer the prospect of a secure and viable commercial future for the business.

Crown Conversions

Line to take

Believe that the strategy of maintaining a significant core of Crown Offices strikes a sensible balance by recognising that some further conversions will be beneficial to customers and to POCL's business while ensuring that POCL continue to maintain direct experience of operating a significant network of post offices.

Believe that it is important that there is proper consultation on any conversions. Pleased to see that POCL, in consultation with POUNC, intends to make changes to the public consultation process to enable interested parties to better evaluate any proposals. This will include specific details of the services to be offered. A Code of Practice on the Counters' Network will be agreed between the Post Office and POUNC.

Procedures for Approving Post Office Investments/Borrowing

Line to take

Government recognises that the Post Office needs to invest in acquisitions and joint ventures with prudent borrowing to grow successfully with new products, partners and markets. Such investments need to be strategic and commercially robust.

The Government has already demonstrated with the acquisition of German Parcel that it is prepared to approve large strategic investments by the Post Office.

Details of the freedom to be given to the Post Office to retain profits for investment and the procedures for considering borrowing to fund the larger strategic investments will be included in the White Paper.

If pressed

Borrowing by the Post Office will be counted against the PSNCR. Again a balance needs to be achieved to ensure that the Government does not stifle the PO Board's commercial freedom to make strategic investments.