

**REPORT OF A MEETING BETWEEN
STEPHEN BYERS MP AND THE NATIONAL EXECUTIVE COUNCIL
HELD ON 19 MARCH 2000
AT
THE GRIMSTOCK COUNTRY HOUSE HOTEL
BIRMINGHAM**

The President thanked Mr. Byers for coming again to address the Executive Council. Mr Byers thanked the Executive Council for inviting him to come along again. He told them that he would give them an up to date progress on a number of issues from the PIU Report. He said that they had tried to keep the Federation fully informed about developments through THE GENERAL SECRETARY. He welcomed the opportunity to come back to the March meeting and explain where they had got to and answer further questions to deliver on the commitment previously made.

He said that they had made progress on a number of key issues on the PIU Report. The PIU Report was very much a vision for the Post Office and there were twenty four separate recommendations contained within it and the Government said at the time that they would endorse all of those recommendations and move them forward and deliver on them. The important thing about the PIU report was that it was very much a shared Agenda, not just for Government, not just for the Post Office, not just for the Federation but all three had a very important part to play in a real sense of partnership to deliver on the recommendations contained within the report and also to meet the very real challenges that lay ahead.

He realised that because of changes Government were introducing primarily the move to ACT, the Post Office Network would be facing a changed world starting in January 2003. But in reality subpostmasters had been facing a changing world for many years and Mr Byers regretted that the PIU report had not come about ten years ago because there was needed a good strategic view on what the network needed and recognise the priority that should be attached to the Post Office Network. However it was not until last year that the detailed proposals were made which were now being pushed on.

He would report on the progress of the key issues and also one or two other areas which were not mentioned in the report which can also be moved forward to benefit the network itself. The two main recommendations which could significantly assist the network in terms of developing new income streams would be the Government General Practitioner concept and secondly the Universal Banking Services idea both of which have been pursued with considerable vigour over the last few months.

As far as the Government General Practitioner was concerned, Leicestershire had been identified for a pilot project. The reason for a pilot for GGP was that there were a whole range of different aspects to it some of which would be very costly and might not be that beneficial. There were some aspects which would not cost too much but would make a real difference in terms of what the Post Office Network could offer. There were some Government services which were wanted to bring within the GGP

proposals and the best way to do that was for a pilot in a comprehensive way exactly how GGP would work.

What had become clear was that the sum of money put aside for the first year, £15 million to roll out GGP was not enough, because they were moving ahead more quickly than originally expected. He wanted to ensure that they got it right and not hold back because of money not being made available, so he had managed to get agreement from the Treasury that they would put in an extra £10 million in the coming financial year to GGP. Mr Byers said that instead of being £15 million which was the original plan, it was going up to £25 million. He thought that there was now big protection there as they were moving well, they were slightly ahead of themselves and he thought they should use the momentum to push it on and to provide additional resources to make sure that they could do that.

Leicestershire was selected because it was a good mix of post offices both rural and urban and it reflected actually on a county basis many of the challenges that were around the whole country. That is why Leicestershire was chosen. It was going well and the Government wanted to roll it out as quickly as possible and not hold back as far as funding was concerned.

The second big initiative was obviously Universal Banking Services. When he came to speak to the Executive Council in November, the Government were in detailed discussions with the banks about the core principle of Universal Banking Services and indeed the way a lot of the banks themselves made a contribution to get it under way. In December they agreed in principle to be part of Universal Banking Services and to provide some money to get the concept under way.

The Government had been talking to them since then in detail about a Memorandum of Understanding. He said that his own view was that the Memorandum of Understanding would be signed when all the commissions were right for the network. What he did not want to do was to have a Memorandum of Understanding which did not offer a Post Office based solution because that was what Universal Banking Services was all about. They were making progress but it was very slow partly because they wanted to get all the main banks on board and indeed the major building societies.

In particular Nationwide had agreed to be part of Universal Banking Services and all of the main players now had signed up in principle. They were now working out the details of the Memorandum of Understanding whether it could be signed in a week or two. His own view was that he would much rather leave it a month and get it absolutely right than to try and rush things ahead of the Prime Minister calling a General Election.

It would be convenient politically to be able to have something signed but he wanted to deliver what he had said to you otherwise it wouldn't be worth having. If they got to that situation then they would do something later rather than not being what they wanted. He said that he was very clear in his own mind about that.

He was confident that they would get a Memorandum of Understanding which would deliver what they wanted to deliver which was a Post Office based solution, bearing

in mind that the prime motive behind this if they went right back was to ensure that they could deliver on the obligation which they had given ourselves which was that anybody who presently received benefit or pension should be entitled to receive that benefit or pension in cash at their Post Office in exactly the same way by accessing what would be a Post Office bank account.

So that was the prime purpose of having a Universal Banking Services and he was very clear in his own mind about that. So those were the two main aspects that they were talking about. There were other areas where they were working on in considerable detail and he would be more than happy to answer any questions that may be raised on those.

There were other areas where they had been talking to the Post Office about how they could provide greater support for the network and he knew that the Federation particularly welcomed the removal of the Introductory Payment which was going to be introduced from April – something which the Federation had been calling for a long time and he was pleased that the Post Office had agreed to make that change.

The Government had also put in place a small fund, £2million worth, to support communities and parish councils who might want to set up a post office or help a post office in their own community but that was to be targeted with small grants of £3,000 or £30,000 for them to change a building, to put in security etc. to be able to offer a post office and that was something which would be available to parish councils. The Government had drawn their attention to the fact that there was this fund which is now available.

The other thing that he intended to do shortly was that within the Post Office Board there was not really a strong non-executive director on the board with retail experience with responsibility for the Post Office Network. What he had always thought was that the needs of the Post Office Network had not always been taken into account at board level. He did not think that the Federation and the Network had received the degree of support, or been treated as a priority, that the Government felt they should be as far as the Post Office board was concerned.

Certain requirements had been laid down to the board in relation to the Network but he thought that what was needed was to have a Post Office board director member who had specific responsibility for the Network and then it would be known that the person on the board was your advocate. They were looking to recruit a new person to the board with retail experience as they could help to understand what the Network could offer and hopefully some progress would be made on that in the next week or so.

He said that he did not want to really say much more than that by way of introduction. This was very much an opportunity for questions to be raised and views made known on the Network. He thought it would be a mistake, bearing in mind a lot of this was because of the move to ACT beginning in January 2003, it would be a mistake if nothing was done before January 2003 and this was a point that he knew Colin Baker had raised with the Prime Minister which was that they wanted to ensure that they had a network in place to meet the challenges of ACT in 2003 which meant that they had to have in place measures to protect the Post Office

network. It would be a mistake to wait until they were just about to move to ACT being introduced.

There were quite a number of ideas that they were working on which went beyond the PIU report and they would want to continue working with the Federation to identify exactly how they could ensure that those things which were in the PIU report were things which meet the priorities of the Federation and ensure that the members were confident that there was a future in the Post Office Network.

Also that people are recruited to come into the Post Office Network as there has been a real problem was that there had not actually been a big increase in the number of people retiring or selling their businesses. The real problem had been lack of people coming forward to take over those businesses and that was the issue that really needed to be addressed, to establish confidence in the business place for the Post Office Network.

He knew that from all the work that he had done in this area that there was huge potential given the support that would now be received from the Government. It was a question of really getting over those message to people. He did not think that the tide had turned actually as there was have a long way to go and work must continue to put over a very positive case for the Post Office Network both to bring it over to people who might come in and to continue putting it over to colleagues in Government. He did not think that he had painted too optimistic a picture. He thought that it was a realistic assessment of where they were.

He was very grateful for the support they had from the Federation who had been critical in private. It was right that the Federation had been critical in public on those occasions when they had had to do so on behalf of members. He wanted to be very clear that he understood that that was what the Federation had to do from time to time. That was fine, he wanted to keep working together in a healthy democracy. He knew that the pace of change might not be as quick as was wanted and the Government was not putting in as much money and as quickly as the Federation would like. He accepted those discussions and wanted to work with the Federation to ensure that they could underpin the Post Office Network for today and well into the future as well.

Mrs Reeves asked that when she was talking to members, she heard very many concerns about the Universal Bank and what its definition was for the future whether it was actually a bank account and covered under banking regulations or whether it was a card account that would be a replacement for the pension and allowance book and what exactly type of account was being envisaged on the Universal Bank post office card account?

Mr Byers replied that he thought on the Universal Bank, at the moment there were two ideas of accounts to be operated. One was the basic account which banks offered at the moment which would be accessed through the Post Office Network and then there was the card account, clear account which was a pure Post Office based solution.

They had got the Financial Services Authority to accept that this could operate through the Post Office Network. They had to get to the details of exactly what regime it operated and that had not been done yet but obviously there were continuing discussions about what functions could be operated through it so that was the detail which still had to be worked through.

Once the Memorandum of Understanding is signed from the banks, the next stage was to move on to the detail of exactly what would be offered. It would be quite interesting to have the views of the Federation on how it should operate and what functions it should have.

Mrs Reeves asked again the thing that she wanted to know that when she asked whether it would be a bank account it was more along the lines of what the requirements of transferring it from a pension book on to a post office account. Was it going to be complicated with a lot of requirements for identification and a lot of form filling because she thought that there was a major concern about the amount of paperwork that would have to be done on a transfer from the current system to a card system.

Mr Byers replied that he would have thought that you could get quite a simple system in place but as is known the Government found it very difficult to keep things simple so there might be lots of forms to fill in but he would take this back as a clear message that something simple was wanted because that would be very off-putting if you were a pensioner to suddenly find that you had to fill in a 38-page form but hopefully that is something that will not be encouraged.

Mrs Kendall asked about the Universal Bank. She said that Mr Byers had mentioned maybe what other services and dropped in utilities. This is of course utilities were one of the major features of the post office now – bill payments etc and a lot of elderly customers used this. Was he envisaging that in paying of utilities that this would become like a direct debit system out of that class? Is that what he was referring to? He also said that he would deliver on promise made by Mr. Blair – those who presently received benefits would get it in cash weekly. How would he cover those who would in future receive benefits?

Mr Byers replied that he could not remember exactly the words which the Prime Minister used.

Mrs Kendall then asked what was the actual assurance to the Executive Council today – Was he saying that this would be available for those people who would come on (to benefits) in 5, 10, 20 or so years in the future.

Mr Byers replied that it was for people who chose to have their benefits/pensions paid fully in cash. If someone in 3 years time wanted to do that then they should have access to the card. On the utilities point there were a number of ways in which it could work. A deal had just been done with Scottish Power which was managed by Southern Water allowing utilities bills to be paid not just by pensioners but by anyone who wanted to pay them through the Post Office so they needed to be approaching that use as well.

If he knew he could pay his bills through the Post Office. His view on that was that it would suit him to be able to go to the Post Office and withdraw cash because the Post Office in Newcastle was in his constituency and was nearer to him than an ATM so if he had the facility then he would go into a Post Office more often than he did at the moment. If he could go into a post office and do 4 or 5 transactions then that would be of huge benefit to him rather than paying 5 different bits of forms. That was the area that they needed to get into but they needed to talk about the detail. At the moment they wanted to get the banks to sign up to the MOU. Once that was done then the Government could talk to the Federation about the details. That was his strategy.

Cyril Jones said that, on the Universal Bank account, one thing that seemed to come up regularly when he talked to members was, fine this will all come to pass but the reality was how were we going to get paid for all of this? Subpostmasters would need to be reasonably well paid to ensure that they could make a living.

He said that when he looked at the Post Office card, the money which the banks were putting in was not an awful lot compared with what they were originally going to put in. The PAT 14 account was not very profitable from the bank's point of view and therefore, as there was the Post Office, the banks and subpostmasters was there enough money in the system to make it viable for the subpostmaster?

Mr Byers replied that he thought that there was. On the contribution from the banks they were in negotiations so they could talk about a higher figure than the one that was expected and he thought the contributions that might be acceptable to the Universal Bank services was one that to be honest they did not really expect as there was no legal obligation to fund Universal Bank.

They would be making a significant contribution towards its establishment costs and he thought that it was going to be very beneficial for all of us. In terms of transaction costs through Universal Bank, these needed to be pitched at a level which would mean that one could gain a significant financial income arising from it because that was obviously the aspect which was of particular concern and also that would be needed together with the footfall, from people coming into the post office to access the account as well.

He said that they were looking very carefully at the transaction cost to make sure that the income level were there which would support the retention and the establishment of post offices in the future.

The General Secretary said that the Prime Minister said at the dispatch box that people would be able to draw their pensions and allowances in cash, in full and weekly, would there be any restriction on the number of times that a person could access that card account?

Mr Byers said that at the moment they were working on delivering that commitment made by the Prime Minister. He was more than happy to talk to the Federation about any variation on that, at the moment they were working on delivering on that promise. When the MOU was signed if there were variations on that then they would

have discussions but if there was an issue which the Federation wanted to raise then they would certainly deal with that.

The General Secretary asked what the difficulties were about the signing of the MOU.

Mr Byers said that the difficulty was that whether they could get as much money out of the banks as they could for the establishment costs and whether it should be pro rata. As so often with these things, it came down to money. There was a bit of an argument about money in that whether building societies should be treated in the same way as banks. Should the Nationwide be treated in the same way as the TSB and other issues. How did you open an account? Should there be some restrictions on this. Some banks did not want open access to PAT 14. They would like a restriction on PAT 14 accounts. That was an issue as well but they were not insurmountable. What would happen is that the Government would get the MOU and then there would be detailed discussions after that. They would be locked in and then the details would be sorted out.

Mr Jones asked when would the Federation be invited in?

At the moment they were commercially confidential to the banks. They were big sums of money that they had talked about so they just wanted to talk to us at this stage. Once the MOU had been signed then other people would be invited in and then the details could be talked about. But the MOU would be very broad but there would be a lot of detail within that.

Mr Darvill said that he was worried about the banks. What he could see was that the funding of the Universal Bank was going to be paid for initially by the banks. In year 2,3,4 and 5 were they still going to do it because if not, it would come out of the profits being made by the post offices on other products and if it had to come out of that then certainly the Post Office would "screw us to the floor" and get it down as cheap as possible and subpostmasters would get nothing out of it. Unless there was some assurance that in ongoing years subpostmasters were going to make a reasonable living.

Another worry there was at the moment was about order books. The DSS knew who all the recipients were. Why could they when it comes to 2003, replace those order books with plastic cards take their order book in and give them a plastic card?

Mr Jones asked how Mr Byers envisaged the Post Office smart card be operated. Would it be a Post Office own card and branded as a Post Office product or offered as another bank product?

Mr Byers said this was part of the implications that needed to be looked at. He had always seen this as a Post Office product and that is how they needed to move it forward. But whatever happened it would be a Post Office product and branded as such.

Mr Jones asked how was this going to be financed in the future?

which supported closure rather than expansion, he wanted Mr. Byers to weigh those words. Sending the Post Office a signal now that there was money available might stop them from approaching this as being the only way to balance the books was by closing a large amount of post offices when there might be other ways.

Mr Byers said he was very clear that this whole exercise was not about a programme of closures but was about the re-invention of the network and was about the strengths of the network. The reason that the network should be supported was that it was comprehensive. In spite of the closures which had taken place, there was still a critical mass of post offices there. What we could not afford to happen was to see this withering away on the vine or, as the General Secretary said, if the Post Office proactively goes out on a closure programme, then we would make it very clear that this was not the Government's plan as the Government was a major shareholder in the Post Office and we would use our shareholding in a way which would support the policy objectives that we had set which was about re-invention – not widescale closures.

That was what we were about and we would not have embarked on the PIU report and we would not have embarked on getting money out of the Treasury to the tune of £72million with more money to come, £500million which would be spent on the computerisation of the network if we didn't think and didn't believe that the network had got a crucial role to play. So we had already got one quarter billion pounds committed to the network so it was something we valued and were not going to allow the Post Office to reduce by closures.

Mrs Kendall said that she was very pleased to hear this news but wondered if the Post Office had the same message because they seemed to be out there causing worry to many sub-postmasters who felt that there was no future. No future with their particular office – that was the message being given by the Post Office. You could not run a business if you had this tremendous load on your shoulders, a large investment which you might never realise. Many sub-postmasters who had been made redundant from other jobs went out on their own, created a good business and now saw no future. Perhaps you would make your message clear to the Post Office.

Mr Byers said that one of the reasons he was keen to have a Director with specific responsibility for the Network was to ensure this message got out. If you had an example of people from the Post Office saying these negative things, please let us know because we would get through a very strong message and would act on this.

Mr Roger said that the Post Office seemed to be telling sub-postmasters that unless they were running a SPAR or other local convenience store, then they would fall under. It was important to get the message back to the Post Office that this was not right.

In the Courier, they were saying a Bigger Brighter Future but some of the messages that the Post Office were putting across and a careless word they made was causing us no end of harm. We needed them to focus on the Network and he was pleased to say there would be someone on the board who was Network focussed. Would they replace an existing board member or would it be an additional member.

Mr Byers said that they had to replace the board on 26th March in order for it to become a PLC but it would be an additional member.

Mrs Kendall told of a subpostmistress who had been told that, although her office was bigger and did more transactions than the other one in that place, the other office because it was an 8am to 10pm SPAR, would remain and she would have to close.

Mrs Jenkins said that this was not just in the North East but was right around the country and was causing problems to our members.

Mr Byers said that it was helpful to hear this at first hand. If your General Secretary could provide details this would be useful as we would then be able to demonstrate to the Post Office centrally that people out in the field on their behalf were delivering this message. What worried him was that, while they had an agreement with the board in London, that message was not getting through to the country. There was huge potential here. What he wanted was to see the Post Office getting their people out in the field embracing the vision they had and ensuring this was what they were doing.

Mr Peter Walsh asked if the money that was there now and for the future, was it ring-fenced?

Mr Byers said that the money had been ring-fenced which was why they had to have this £72 million.

Mr Byers said that the most important thing was that you had got a Prime Minister who cared about the Network and had taken a lot of personal time to give consideration to it.

Mr Byers thanked everyone, saying that these had not been easy times and he was struck that, even when the Government had done things which the Federation had disagreed with, he felt that they could now work together in a very constructive way and he felt there was a real future for the Post Office basically because the country needed the Post Office Network and we would lose something very valuable.

