

GT/LW

21 May 2013

David Taylor
Operations Manager
Certification Office
22nd Floor
Euston Tower
286 Euston Road
London
NW1 3JJ

Dear Mr Taylor

Re: National Federation of Subpostmasters – Certificate of Independance

Thank you for your letter of 9 May, notifying me of correspondence received by your office that raises concerns about the NFSP's status as an independent trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992. I am grateful to you for extending the deadline for response until 7 June, given our Annual Conference commitments and my subsequent annual leave.

I would respond to your queries as follows, dealing with each of your points in order.

- 1) Firstly, I would comment that it is important to differentiate between direct union activity funding provided by POL and payments received from POL derived from either commercial transactions between the two parties or reimbursement of costs incurred on POL's behalf.

To assist you in your understanding of payments received from POL and its associated companies I firstly outline the main account headings under which payments received are analysed:

Union Facilities

The NFSP is currently in receipt of an annual grant of £175,000. The grant has been maintained at this level since October 2002. The grant enables an official to pay for a substitute post office clerk whilst they undertake union duties. It is akin to employee rights to paid time off to carry out union duties.

The NFSP's accounts and its annual return are analysed by activity undertaken rather than income/expenditure type. Therefore the contributions from Union Facilities towards the costs of officers undertaking duties are offset according to the particular union activity being undertaken. Any amount not offset is shown as a general deduction from administrative expenses and other outgoings.

Commercial arrangements**Insurance commission income**

The NFSP has for many years been in receipt of commission income from the sale of insurance and other finance service products. A long-established arrangement had been in place with Zurich Insurance. This agreement terminated in the latter part of 2009 and was replaced by a commercial arrangement with Post Office Financial Services (POFS) in October 2009. POFS provide post office business insurance to subpostmasters. NFSP's initial agreement is for five years at a commission rate of £80,000 per annum. This income is included in commission income in the NFSP's annual return, and is subject to corporation tax.

Advertisements in the *Subpostmaster* journal

The NFSP has a monthly members' journal in which advertising space is sold on a commercial basis. From time to time POL place advertisements and is invoiced under normal commercial arrangements. Invoiced advertisements for the year ended 31 December 2011 total £12,905 and for the year ended 31 December 2012 totalled £11,110. Income from publications is included in the other income section of the annual return.

NFSP Conference

Representatives of POL regularly attend NFSP's annual conference as visitors. Additionally, in recent years they have taken a stand as part of a small exhibition held for the benefit of members at conference, and have also sponsored the annual conference gala dinner. The total amounts received from POL in relation to these items was £7116 and £6529 for the years ended 2011 and 2012 respectively. The amounts are offset against costs of conference, which are detailed in the analysis of administrative expenses and outgoings in the annual return.

Turning now to the specific amount of £341,850 for "Network Transformation and support activities" referred to in your letter, I comment as follows:

I surmise that the figure referred to by POL is made up as follows:

Invoice raised by	Invoice date	Amount
NFSP	19 April 2012	£250,000
NFSP	11 July 2012	£ 22,000
NFSP Trading Limited	[invoices raised between] 18 April 2012 - 15 Aug 2012	£ 69,850
		Total: £341,850

£250,000 - a one off union facilities grant was received from POL. The union facilities payment was a contribution towards NFSP's union activities in support of Network Transformation. The amount received was not a specific re-imbursement for expenses but rather a contribution towards costs associated with disseminating information to subpostmasters in relation to the transformation programme and campaigning activities in relation to securing future work for subpostmasters to ensure the sustainability of the network moving forward.

As the additional union facilities grant was approved by POL in the same financial year as elements of the Network Transformation and future sustainability of the network campaigns took place, namely 2012, the contribution from POL under union facilities has been directly offset against the expense incurred. However, where the NFSP had expended monies in relation to Network Transformation in 2011 then the gross cost has been shown in the NFSP accounts for that financial year and the corresponding additional union facilities funding received in 2012 is shown as a deduction from expenditure on the NFSP's 2012 annual return.

£22,000 - a contribution was received from POL in relation to costs associated with the NFSP region and branch network arranging nationwide joint NFSP/POL meetings to discuss network transformation with both members and non members. The monies received were directly offset against the costs incurred in relation to the holding of the meetings.

£69,850 was invoiced by the NFSP's trading company, NFSP Trading Limited, to POL. This is accounted for by an invoice for £62,850 in connection with research, development and the delivery of a pilot training seminar held in Bristol and seven invoices totalling £7,000 in relation to specific visits by financial consultants to individual sub post offices. The amounts invoiced were reflected in NFSP Trading Limited's accounts and were subject to corporation tax. The amounts received are shown under other income on the NFSP's annual return for 2012. The training programme, "Planning a profitable future", was designed to promote and assist subpostmasters in developing the profitability of the retail sides of their businesses which indirectly would assist with the sustainability of the post office network.

- 2) I can confirm that the NFSP both historically and currently conducts annual pay negotiations with POL. The outcome of these negotiations is notified to all subpostmasters by POL, and to all NFSP members by myself as General Secretary. Whether that collective bargaining is effective or ineffective is a question on which every member will have their own subjective viewpoint. Subpostmasters' remuneration system is complex, being in the main a combination of an element of 'fixed pay' and an element of 'transactional pay'. Transactional pay is dependent on the volume of transactions being undertaken at any particular office and therefore will fluctuate according to how busy an office might be month on month or year on year. Recessionary market conditions therefore will impact on transactional pay as would a buoyant market for post office products. I have enclosed copies of our Branch Secretaries Circulars over the last 20 year period, giving an indication of the outcome of annual pay negotiations.

We understand that POL has responded to a request under the Freedom of Information Act in relation to their recognition of the NFSP for collective bargaining purposes as defined by the Trade Union and Labour Relations (Consolidation) Act 1992 stating that they "cannot recognise the National Federation of Subpostmasters for collective bargaining purposes".

While this response is given specifically in relation to the 1992 TULRA, the response does not, in our view, represent the reality of the relationship between us, nor reflects what actually happens in practice.

We maintain that POL's recognition of us as the sole body that represents subpostmasters (both individually and collectively) in disputes and matters relating to pay, contracts and operations is well established and long-standing. The traditional subpostmasters' contract makes several references to negotiation and dialogue with

the NFSP and recognition of the NFSP was only recently clearly reiterated by POL in their new contracts for new post office models known as 'Main' and 'Local':

"The NFSP is an independent members organisation supporting the operators of Post Office branches across the UK and is solely acknowledged by Post Office Ltd as a representative body of operators. The NFSP is the only body with which Post Office Ltd will seek to consult on matters affecting operators, subject to any legal, regulatory or political obligations. Such discussions will take place within the existing and developing relationship framework."

We therefore refute the assertions that have been made.

- 3) The Certification Officer has been informed that the membership of the NFSP is in decline and it is asserted that this decline has been the result of, and will be further exacerbated by, the implementation of the Network Transformation programme by POL. This has the effect of making the NFSP more reliant on payments provided by the employer, POL.

Over the last year our membership numbers have remained relatively static (February 2012 7,168, February 2013 6,903). This is a reduction of only 265 members and includes nearly the first whole year of Network Transformation. However it is true that Network Transformation will mean we have to work doubly hard to recruit the new models into membership. We are having enormous success recruiting Post Office Mains operators and fully expect to have the vast majority in union membership. We are actively working on a specific package to recruit even more Post Office Local operators.

If the recruitment of Post Office Local operators is not as successful as we hope, we do not expect to be any more reliant on income from Post Office Limited and will just have to cut our cloth accordingly by increasing membership fees, making savings and downsizing to become a smaller organisation. Indeed, our colleagues in the Republic of Ireland have a very strong union with just 1,000 members.

I trust my response is sufficiently clear but do not hesitate to contact me if any further clarification is required. I would emphasise, in relation to point 1, that the examination of the NFSP's annual returns to your office clearly indicates the strength of our organisation's balance sheet, and consequently our independence.

I await your response.

Yours sincerely

George Thomson
General Secretary

Encl.