

To Norman Lamb
From Katie Wake, Shareholder Executive
Date 3 May 2012

Building a Mutual Post Office: Round-Table Meeting with Stakeholders, Wednesday 9 May 2012, 3.15-4.45pm

Purpose

To develop the Government's response to the *Building a Mutual Post Office* consultation which we intend to publish in the coming months. Invitations have been issued to organisations to could provide the possible members of a future mutual Post Office, encompassing subpostmasters and staff as well as consumers and their representatives.

One of the recommendations of the Government's consultation response may be for Post Office Ltd (POL) to establish a Mutualisation Programme Board, composed of the key stakeholder groups, to embed the culture of mutualism within the business before ownership is transferred, and consider the optimal structure and form of a future Post Office mutual. This meeting is an opportunity to gauge their appetite for mutualisation and a participatory role as owner. You can also probe what they would hope to gain from and contribute to a mutual Post Office. However, we recommend that you do not commit to this at the meeting, if you intend to announce it at the NFSP's conference. The **agenda [overleaf]** and has been circulated to attendees in advance.

The NFSP has previously expressed concern that the Government's response to the consultation has not yet been published (our public line has been that we have expected to publish the response "in the spring"). This is therefore an opportunity to reinforce the Government's commitment to mutualisation whilst also emphasising the importance of the successful implementation of the network modernisation programme and attainment of commercial sustainability as a pre-requisite to a future transfer of ownership.

Attendees

- George Thomson, General Secretary, NFSP
- Mervyn Jones, NFSP
- Billy Hayes, General Secretary, CWU
- Stephen Bell, Head of Policy, CWU
- Brian Scott, Assistant National Secretary, Unite the Union
- Mike O'Connor, Chief Executive, Consumer Focus
- Tom Wright, Chief Executive, Age UK
- James Lowman, Chief Executive, Association of Convenience Stores
- Paula Vennells, Chief Executive, Post Office Ltd
- [John Walker, National Chairman, Federation of Small Businesses – tbc]
- [Peter Marks, Group Chief Executive, Co-operative Group – tbc]
- [Pauline Holyroyd, HR Director, Post Office Ltd – tbc]
- Will Gibson, ShEx
- Katie Wake, ShEx

Proposed Agenda

3.15-3.30: Welcome and introductory remarks from Norman Lamb

Lines to take:

- Thank you for your insightful submissions as part of the consultation.
- We recognise that the path to mutualisation extends over a number of years, and is subject to the implementation of the commercial strategy and network modernisation. But we believe that a mutual structure would offer commercial as well as cultural benefits to the business, some of may be introduced before any transfer of ownership.
- We are therefore keen to engage with you now, as potential candidates for a future mutual's membership, as we prepare the Government's consultation response for publication in the coming months. We believe clear progress can be made by the end of this Parliament.

3.30-4.30: Discussion addressing the following topics (these have been circulated to attendees in advance as possible areas for exploration):

- **Benefits of mutual ownership** – Is a mutual ownership structure the most suited to Post Office Ltd? What are its benefits and pitfalls? How can we best measure the benefits as the Post Office moves to being a mutual?
- **Membership** – How should a mixed membership mutual be structured? Should the representative body of a Post Office mutual include representatives of all members (e.g. staff, subpostmasters and consumers) on an equal basis or should different types of stakeholder have different rights and roles?
- **Stakeholder engagement** – What is the best way for Government and the Post Office to engage with stakeholders to build a suitable mutual? How could the Post Office foster a culture of mutualism in advance of a transfer of ownership? Where might conflicts lie?
- **Public benefit purpose and Government's role** – What is the purpose of the Post Office and how would a mutual model serve it? How should we go about ensuring that purpose is best defined? Should Government retain a role as owner/arbitrator to preserve it? What is the best way of ensuring an appropriate balance between the need for an appropriate failure mechanism and maintaining incentives for a mutual Post Office to succeed commercially?

4.30-4.45: Concluding remarks and next steps**BACKGROUND**

The Government published a consultation, *Building a Mutual Post Office*, in September 2011, asking whether a mutual ownership model would be optimal for Post Office Ltd, with mixed membership of 'producers' and 'consumers' to align its diffuse set of stakeholders' interests for the public benefit. It closed last December and Government is due to respond shortly. A précis of key stakeholders' reactions is appended at **Annexe A**.

KATIE WAKE

Cc: SoS; David Willetts; Perm Sec; SpAds; Will Gibson; Mike Whitehead; Peter Batten; Roger Lowe; Richard Callard; Josh Coe

Annexe A: PRÉCIS OF KEY STAKEHOLDERS' RESPONSES

National Federation of Sub-Postmasters

Welcomes mutualisation. Recommends mixed membership through a trust model with a 'proportionally greater producer influence on the representative body' with a government presence within the trust. Access criteria and a minimum number of post offices should be retained to protect the public benefit alongside the consumer presence. Before ownership can be transferred, 'a commitment to additional government funding will be required' to transform the remainder of the network and access to working capital assured. Profit distributions a long way off and should only be made to producer members once operating costs and investment needs are met. Membership organisations prosper with reasonable homogeneity of interest among their members; proposes an 11-member representative body comprising one POL staff member (elected through the union); 2/3 POL Board members; 4/5 sub-postmasters (including multiples but elected through the NFSP); 2 consumer/special interest bodies; 1 local authority; 1 government representative.

CWU

Post Office should remain in government ownership as transferring ownership 'risks removing the onus on government to meet its responsibility to maintain the network'. In the instance of mutualisation 'safeguards' and a 'robust failure mechanism' would be needed. Any mutual Post Office should be 'purely producer-owned' by employees and subpostmasters or, at worst, dominated by producers to deliver culture change and ensure better alignment of interests. If consumers are included it should be through representative organisations e.g. Citizens Advice to reduce election costs. Unions should have a formal and substantial role. Multiples should be excluded as they are also competitors of POL. The question of profit distributions cast as 'premature' and not endorsed.

Unite

Supports the principle of mutualisation but deeply sceptical of its plausibility for the Post Office. Continued Government ownership is Unite's preference; mutualisation is 'an unnecessary distraction from the primary objective of securing the network'. Needs to be clear benefit to the organisation; this isn't apparent from consultation. Government should remain a presence in a mutual – possibly as a sleeping partner. Would support mixed membership with a three-tiered structure and proposes multiples and subpostmasters having strategic involvement through a consultative forum with customers involved through representative councils and a transaction-based dividend. Dividends only suitable once the Post Office is profitable. Frontline staff should receive payment based on a proportion of year-end surplus once other costs and investment charges were deducted; and multiples recognised through a performance bonus e.g. for achieving sales targets. Presses for a Post Bank.

Consumer Focus

Supports mutualisation but only once 'necessary financial and non-financial indicators' have been achieved. Ambivalent about the withdrawal of Government ownership: 'a phased shift ... is preferable (with the retention of a minority share in the first instance)'. Recommends setting criteria for mutualisation with a working group to embed change in the organisational culture. Distributions would only be suitable once POL is profitable. Consumers should have a 51% majority in a powerful representative body that could agree executive remuneration and board appointments. Public benefit should be

constitutionally codified with Government as a recognised and mandatory consultee over any changes.

Association of Convenience Stores

Represents 33,500 local shops, including 4,000 Post Offices so acts both for POL's agents and competitors. Seeks the representation of large and small post office retailers in a mixed membership mutual which should be detached from Government (though challenges the level of independence that would be possible given continued parliamentary and political interest). Envisages a role for profit distributions but believes reinvestment in the network should be a primary focus; raises concerns about raising capital needed to meet network requirements, given state aid uncertainty and currently small asset base. Wants a balanced representative body of producer and consumer members. Agrees that network restructuring and a return to commercial viability are essential if mutualisation is to be possible.

Age UK

Ambivalent about mutualisation: likes consumers having a more direct link to the services they use but concerned about weakened government influence to protect the public benefit. Would support mixed membership with a representative body but concerned by producer dominance and believes consumers should be represented by specific representative groups (e.g. of the elderly). Seeks greater clarity over timetable, milestones and safeguards.

Citizens Advice

'A mutual Post Office is preferable to a commercial Post Office' but caution is urged given the danger of misalignment of interests within a mutual. Supports a mixed membership mutual, with composition kept under review, and a balanced representative body. Government ownership should only be withdrawn if contractual arrangements can be confidently assured to protect the public benefit. Profits should be used to improve services including through grants to subpostmasters to improve their post offices or expand their services.

Co-operative Group

Supportive of mutualisation and the withdrawal of government's shareholding albeit whilst retaining an important role as contractor. Envisages a varied, mixed and balanced membership with a representative body with 'real teeth'. Distributions should be made available in the long-term both to consumer and producer members. Identifies a 'tension between the mutualised Post Office's provision of key services within the community ... and the need to maintain the Post Office on a sustainable commercial basis' that requires further clarification of how the public benefit objective will be enshrined.