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In Strictest Confidence

POB(99)6th
PO99/54 to 70

POST OFFICE BOARD

Minutes of the meeting held on 7/8 June 1999 at 148 Old Street

Present

Dr Neville Bain	Chairman
John Roberts	Chief Executive
Richard Close	Managing Director Finance
Jerry Cope	Managing Director Strategy & Personnel
Mike Kinski	Non-Executive Member (for PO99/58 only)
Dr John Lloyd	Non-Executive Member
Miles Templeman	Non-Executive Member (for PO99/58 only)
Rosemary Thorne	Non-Executive Member
GRO	
Scott Childes	Notes

Richard Dykes, Managing Director Royal Mail
Stuart Sweetman, Managing Director Post Office Counters Limited for PO99/67 to 70 only.
Kevin Williams, Managing Director Parcelforce Worldwide

Others attending:	Jonathan Evans, Acting SCS Programme Director, for PO99/62 and 63 Brian Thomson, DGM Royal Mail London, for PO99/64, 65 and 66. John Modd, Royal Mail Service Delivery Director, for PO99/65 & 66.

APOLOGIES **PO99/54**

Mike Kinski and Miles Templeman attended only for the discussion of the Strategic Plan (PO99/58).

RICHARD ADAMS **PO99/55**

The Board welcomed Richard Adams who had returned after a serious car accident.

MINUTES OF PREVIOUS MEETING **PO99/56**

The Board approved the minutes and separate record of proceedings of its meeting of 27 April 1999 and the minute of its special meeting of 23 May 1999.

MATTERS ARISING POB(99)13 **PO99/57**

The Board noted the matters arising from the meeting of 27 April1999.

THE POST OFFICE STRATEGIC PLAN 1999-04 POB(99)35

PO99/58

(i) This Strategic Plan was fundamentally different from previous Corporate Plans and had the central objective of establishing The Post Office as a complete distribution company. It was based on six key strategies:

- preparing for letters competition;
- Global strategy;
- Distribution and supply chain;
- Customer Management and Access;
- Support Services; and
- SCS

(ii) In reviewing the detail of the Plan the Board wanted to focus on five key issues:

- Royal Mail efficiency and investment;
- Global ambition;
- New investments;
- Capability inhibitions;and
- Post Horizon treatment.

(iii) With regard to efficiency, the Plan showed that Royal Mail should net savings over the five years of £240m, although this was after £390m was re-invested in service and other initiatives. In total the cumulative five year reduction in the net cost base across the organisation including that attributable to volume, was £477m.

(iv) The basic plan showed real growth in turnover of 8%, and underlying profit of 18%. Given the competitive environment, this in itself was stretching, but further ambitions had been built into the plan and sensitivity which showed turnover increasing by some 40% and profit growing by 18%.

(v) A number of new investments were either underway or planned over the Plan period, including the strategic development of a European parcels network (ex German Parcel), customer management, network banking, Lottery, and management of wholesale cash. The projected return on turnover from these investments ranged from 10% to 25% and all produced satisfactory financial returns. The returns on other areas of investment: global letters, logistics, express and Government gateway, were lower ranging from 5% to 20% and their affordability was therefore questionable.

(vi) The success of the Plan was dependent on a number of key issues. Management capability would be crucial, particularly during a period of intense organisational change. Providing sufficient incentives through a reformed pay policy would also be necessary to retain and recruit employees of sufficient calibre. Maintaining good industrial relations, ensuring that the commercial freedoms set out in the White Paper were fully delivered and managing the impact of regulation on prices were other key factors that would determine the Plans' success. All these factors clearly represented a risk to successful achievement of the plan.

It was noted that

(vii) Members wanted to ensure that the efficiency targets set for Royal Mail were sufficiently stretching. There had been some feedback that Government officials considered that improvements were insufficiently radical. This view was not supported by the Board who felt that the Plan set out programmes which collectively represented the biggest transformational change undertaken by The Post Office; ideally, employee support for this would be won so as to enable the good industrial relations and flexible working which were essential to the competitive success of The Post Office.

(viii) However, Members did accept that the present projections were unlikely to be sufficient to underpin competitive success in the longer term; but given the very early stage in the deployment of the change programmes, a more ambitious set of projections as the mainline of the Plan could not be justified.

(ix) The Board considered whether there was a need to set out alternative strategic proposals for Parcelforce, including those that government had in the past rejected. In discussion it was recognised that Parcelforce had embarked on a clear strategy based on the hubs and the development of express and logistic services; this followed years of blight and uncertainty caused by government blocking of investment and of proposals to reduce counter-productive internal competition. This, and the decision by the present Government not to sell Parcelforce Worldwide, suggested that signalling the possibility of a change of strategy in this Plan was not appropriate. However, the success of the deployment of the current strategy should be kept under careful review with a view to considering other options (especially on express and logistics) should profit projections not be met.

(x) The presentation of new investments was also reviewed and it was agreed that future Plans could cover more radical alliance options. This was certainly a possibility for logistics, and analysis would be completed in the autumn. On letters, the early need for a really major initiative would be considered at the Board Awayday, along with further development of International letters, POCL post-Horizon and Parcelforce profitability.

(xi) It was acknowledged that to some extent the Plan did not provide sufficient detail of the organisation's global strategy or market analysis, although the work that had been done was on a par with other countries. Work of this nature was ongoing but could not be completed over the short term. A great deal of work had been completed on the impact on the domestic market of not developing the international market and a statement on this could be incorporated within in the relevant section.

(xii) In advance of their meeting with the Secretary of State, the Chairman and Chief Executive would be provided with information on the impact that progressing the revised Horizon programme would have on POCL's profit and loss account and cash flow. Additionally, the Strategic Plan would highlight, possibly in an annex, the impact of Horizon continuing in the guise of option 'B'. This would show the sensitivities of some of the key assumptions e.g. securing 50% rather than 25% of Government Direct business and also retention of some BA business permanently.

(xiii) A statement on the £480m that Government had agreed that POCL could draw down to cover its income and funding gap would be included with a sensitivity on an unfavourable VAT outcome.

(xiv) The mainline financial projections were based on a reduction in the monopoly limit to 50p. The Post Office's policy on the monopoly had always been for a progressive, phased reduction followed by a review of its impact. Any change had also to be consistent with Europe and given that greater liberalisation would be introduced in either 2003 or 2005, it seemed illogical to press for unnecessary changes. Members supported this position although it was known that government officials believed the assumption to be unrealistic. A table summarising the impact of a reduction on the profit and loss account over a ten year period could be provided.

(xv) Officials had sought more information on worst case scenarios and how the business would deal with more

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radical liberalisation, technical substitution etc. The Board felt strongly that the Plan was its best view of its commercial strategy and that an in depth analysis of every fine point of detail was not necessary. The Board unanimously supported the style and presentation of the Plan.

(xvi) Paragraphs 8.4 and 8.5 of the Plan appeared contradictory with one implying that commercial freedoms were the key to future success but the other stating that the organisation would remain 'risk-averse' as long as it remained publicly owned. The wording of these paragraphs would be reviewed.

(xvii) The proposed amendments would be incorporated into the Plan and a final draft, with the alterations highlighted, circulated to Members. This would occur five days before the Plan was submitted to the Minister, which was due at the end of June. A summary version of the Plan and draft covering letter would also be prepared and circulated, the latter emphasising that the Board was content that the risks and opportunities within the Plan were pitched at the appropriate level and that to increase the degree of risk would be an irresponsible action for the Board to support.

(xviii) In conclusion Members confirmed that the Plan was for the first time a commercial plan which set out the appropriate degree of change, was deliverable and was in a style and format that Members unanimously supported.

(xix) The Board thanked David Burn and his team for their excellent work in putting together The Post office's first commercial plan and the Chairman thanked Members personally for their contribution and input to its development.

(xx) Agreed the general direction of the Plan, the treatment of key issues and financial and performance projections.

(xxi) Noted that work was continuing on augmenting the market segmentation to clarify the rationale of a complete distribution company with a global reach objective.

(xxii) Devolved to the Chairman and Chief Executive, in consultation with colleagues, the amendments set out above.

(xxiii) Agreed that the Plan, amended as necessary, should be put to Government.

Action

Jerry Cope

(i) Highlight for Members the amendments made to the Plan following the Board discussion

(ii) Review the wording on paragraphs 8.4 and 8.5 of the conclusion, in particular with regard to references to being 'risk adverse'.

Stuart Sweetman

(iii) Circulate the Terms of Reference of the Horizon Working Group established by DTI.

CHAIRMAN'S BUSINESS

PO99/59

(i) Board Effectiveness would be discussed at the Board Awayday in July.

(ii) Stuart Sweetman and John Roberts were due to meet Keith Todd and Richard Christou from ICL later that afternoon to confirm Horizon accountabilities and seek reassurance on ICL's capability to deliver the programme.

(iii) A Horizon Working Group had been established by Ian McCartney, The Post Office Minister, and its Terms of Reference would be circulated to Board Members.

(iv) Meeting with Secretary of State. A meeting with the Secretary of State to discuss the working relationship with DTI following recent developments with Horizon, had been arranged for 10 June. The Chairman, John Roberts, Rosemary Thorne and John Lloyd would attend.

(v) It was important that The Post Office was seen to be supportive of DTI and was prepared to work with them to rebuild relationships with the Treasury. It was also important to work with both the Secretary of State and the Minister, rather than focus attention on one or other individual.

(vi) If appropriate, the Chairman would write to the Secretary of State after the meeting to confirm understanding of the key issues.

CHIEF EXECUTIVE'S REPORT POB(99)36

PO99/60

(i) Quality of Service. Performance across all the businesses was not good. Counters had achieved a quality of service result of 93.5% in April and a three month rolling result of 94%. This was against a target of 95%. Royal Mail's First class quality result remained disappointing at 88.8%

compared with a target of 92.5% and a result last April of 90.4%. Parcelforce's Next Day quality result was also below its 97% target at 95.8%.

(ii) Partnerships. (Secretary's note: the minute of this discussion has been circulated to Members on a personal basis).

(iii) National Audit Office (NAO). The NAO was to undertake a review of the internal Government processes leading up to the acquisition of German Parcel. The NAO had no jurisdiction over The Post Office and therefore no access, although, depending on the issues raised, points of clarification might be considered. A draft copy of the NAO report would be forwarded to The Post Office.

(iv) Conferences. Four conferences of senior Post Office Managers had been held during May to launch the SCS programme; positive feedback had been received from delegates. The Chief Executive had also addressed the CMA conference. Communication from the SCS team was now being issued on a weekly basis.

(v) White Paper. Government was still maintaining that the White Paper would be issued at the end of June although obtaining input from Treasury was proving difficult.

(vi) A number of issues with regard to the White paper had still to be clarified. These included:

- the danger of double jeopardy through the regulator and Government setting incompatible targets;
- clarification of the definition of "commercially robust" criteria for investments; the Treasury was seeking the inclusion of "financially affordable";
- agreeing a package around the monopoly reduction which would not enable the regulator to act independently of the European Union;
- obtaining year-end flexibility around the £75m investment fund which would allow for a rollover of + or - £20m;
- sources of borrowing; The Post Office needed access to borrowing to avoid acquisitions of cross-subsidies from Royal Mail;
- a response to proposals on pay policy which were first tabled in February 1999;
- clarification of the definition of the Monopoly to close a loop hole with regard to electronically produced items which were currently outside of the legal definition; and
- Horizon

(vii) New Report. The style and format of the new performance report was welcomed. In future it would be appropriate to report a single Group profit forecast to DTI with the Board being provided with this and a breakdown of the individual business performance.

FINANCIAL OVERVIEW

PO99/61

(i) Profit for April was:
- Royal Mail £32m;
- Parcelforce WorldWide £(3.0)m;
- POCL £6.6m

(ii) The current full year forecasts were:
- Royal Mail £487m;
- Parcelforce Worldwide £14m;
- POCL £31m; and
- Group £525m (before tax)

(iii) In order to achieve its full year income forecast Royal Mail National had had to adjust its cumulative position to the extent that it differed significantly from the 12 month trend. On current performance the full year forecast was £60m above the 12 month trend line.

(iv) Royal Mail had entered the new year below its expected level and this exacerbated the income shortfall.

(v) Since the Board approved the Royal Mail budget, the balance of risks and opportunities had altered substantially with risks of £100m now identified. The original budget had in hindsight been overly aggressive with regard to expected savings. A price increase would not be appropriate in the wake of the White Paper and commercially would cascade the wrong message to employees.

(vi) It was fundamentally wrong for costs to be increasing whilst volumes decreased and Royal Mail would have to address this issue. In the short term a number of recovery actions had been identified including a continuation of existing austerity measures which in the last four months of 1998/99 had realised savings of £32m. In total these actions were expected to recoup £115m. With regard to income, advertising expenditure of £17m had generated income of £50m and a profit of £9m. The possibility of investing further expenditure to generate a similar profit was being examined. The introduction of the performance bonus scheme, which had up front costs of £56m, had been delayed and savings expected during the year would therefore not be realised. The scheme would only be introduced once expected benefits materialised. In delaying its introduction the risk of industrial action was increased.

(vii) Royal Mail's IMPs programme had failed to deliver the expected benefits and it was unclear whether further investment in the short term could help generate further savings. This would be considered further. Consultancy spend was one immediate area that could deliver saving in terms of staff who were employed on short term contracts and opportunities to exploit this would be considered.

(viii) Organisational change could distract attention from the operational and financial administration of the organisation and maintaining focus during this period of change was a key issue. The benefits derived from SCS were unquestionable but were unlikely to benefit Royal Mail in 1999/00. It had therefore identified action to exploit revenue opportunities particularly from its smaller customers.

(ix) The deployment of innovative employee suggestion schemes would be considered.

(x) Parcelforce's £3.0m loss in April included a £1.9m profit from Royal Mail's Special Delivery product for which Parcelforce was now accountable.

(xi) Risks and opportunities remained balanced at £8m.

(xii) Work to reduce debt related to the introduction of SAP continued but the bulk of the recovery work had now been done. In future the Board would be advised of performance on an 'by exception' basis.

(xiii) Parcelforce was focusing efforts on growing its revenue and encouraging results were been seen from a 'below the line' advertising campaign. Resource was also being moved to the International market where market share was diminishing. Non-staff inter business costs were unexpectedly increasing and a review to establish the reasons for this was being undertaken. The Eastern territory was underperforming and a performance review with the management of the territory would be held to see what support could be provided to ensure that improvements were made.

(xiv) The EFL shortfall of £170m had now been reduced to £59m helped through the leasing rather than purchase of vehicles; this provided an opportunity to reduce the impact of VAT. Opportunities to exploit this within

Parcelforce and other Group wide opportunities to reduce the VAT burden would be explored.

Action Richard Close	(i)	Provide DTI with a single Group profit forecast.
	(ii)	In future report on Parcelforce's debt recovery on an exception basis.
	(iii)	Following publication of the White paper, review with DTI opportunities to improve the organisation's management of VAT.
Richard Dykes	(iv)	Consider what benefits might be derived from increasing investment in IMPs technology.
Secretary	(v)	At an appropriate time, make arrangements to hold a future Board meeting at the Parcelforce International Hub.

GEORAPHICAL STRUCTURES WITHIN THE SCS ORGANISATION POB(99)37

PO99/62

(i) Currently The Post Office operated three Territories in Parcelforce Worldwide, nine Divisions in Royal Mail and seven Regions in Counters. Originally, it had been intended to redesign and introduce new geographical interfaces in April 2000 by establishing three commonly defined territories whose boundaries equated to the current Parcelforce format and retained Royal Mail Area boundary integrity. However, there was no reason why the process could not be brought forward in order to derive earlier cost and management control benefits in Royal Mail.

(ii) The changes would result in employee savings of 300 in Counters, which equated to £3-6m in the current year and 500 in Royal Mail, £9m in the current year.

(iii) In reviewing the geographical structure the role of the Country Boards was considered and it was agreed that, given the political implications of the Scottish Parliament, and Welsh and Northern Irish Assemblies, it was important that they should continue to handle the key influence and opinion forming interfaces that would emerge. However, the role of the Boards and in particular the Country Chairmen would change. Currently part-time non-executives with between five and seven support staff, it was envisaged that they would take on a more full-time role covering all Post Office external relations issues in their country with a support staff of two to three. They would report to the Director of Communications and Corporate Relations.

(iv) The proposed geographical changes had been communicated to the DTI, POUNC and Unions. An internal briefing note would be circulated from the Chief Executive and a low key external announcement would be made.

It was noted that

(v) The Chairman would want to reflect on the timing of any changes made with regard to the Country Chairmen. Given that their role was changing it was important that individuals with the appropriate skills and experience were appointed and at this stage it was unclear whether this would result in continuing with external appointments or utilising the abilities of senior managers made available as a result of SCS. The Country Chairmen had been appraised of the proposals and any changes would be communicated to their respective Boards by a senior executive.

(vi) The Post Office expected a significant involvement with the Scottish Parliament although postal services remained reserved to Westminster.

(vii) Endorsed the conclusions on geography and strategic HQ locations;

(viii) Endorsed the migration plans for Royal Mail and POCL subject to the SCS assurance process.

Action
Neville Bain

Review issues concerning the timing of any changes in Country Chairman personnel.

SHAPING FOR COMPETITIVE SUCCESS - UPDATE ON COSTS & BENEFITS POB(99)38

PO99/63

(i) At the February Board meeting (PO99/19) one-off SCS costs of £50m had been forecast with assumed savings of 1,000 people. Whilst the financials were not yet confirmed, costs were now forecast at £79m with savings of 1400 people; a stretch target of 1500 people had been set for Royal Mail. The DTI had agreed to EFL relief against the original costs and it was hoped that they would agree to this being extended to the £79m now forecast. There were potential productivity benefits of £200m and the creation of a single sales force was estimated to contribute between £10-23m.

It was noted that

(ii) The very considerable people issues could not be underestimated with a major programme of appointments being undertaken. It was also probable that many people would need to change locations and a firm but consistent approach in line with business values would be important.

(iii) The appointments and redundancy process was being carefully managed and every effort was being made to appoint and retain quality people.

(iv) Ensuring clear accountabilities within the new structure was being given careful consideration.

(v) Agreed that strategic approval of individual business cases would be dealt with by the programme Board (POEC).

(vi) Agreed authorisation of implementation costs by MaPEC to preserve the rigour of review and financial control.

(vii) Agreed that a further update would be provided in October.

LONG TERM OPERATING STRATEGY FOR LONDON POB(99)39

PO99/64

(i) London was currently Royal Mail's worst performing Division against measures of both productivity and service. The operational estate was also older than other areas of the country and provided far from optimum operational conditions; it could not accommodate the technology envisaged in the Future Pipeline Vision.

(ii) The proposed London strategy took three stands: estates, technology and people. New operational buildings would allow the deployment of new and developing sorting technology, which in turn would reduce staffing levels to around a quarter of numbers currently employed in processing centres, thereby enabling a more rigorous selection of people to jobs.

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(iii) Land costs in London were significantly higher than other parts of the country e.g. four times higher than in the Midlands, although build costs were not significantly different

(iv) Potential operating savings of £33m per annum had been identified.

(v) The proposal envisaged the development of new mail centres in East, West and Central London. An important feature of the plan was the redevelopment of the Mount Pleasant site which would be cleared and rebuilt. During this period of development traffic from Mount Pleasant would be transferred into the existing centres at Paddington, Whitechapel and North London. These centres would then shut and the traffic return to the 'new' Mount Pleasant after the development work had been completed.

It was noted further that

(vi) A number of different proposals relating to the redevelopment of Mount Pleasant had been considered including the piecemeal replacement of the building. These had all been rejected although further modelling work could be carried out and incorporated within the full business case which would go to MaPEC in March 2000. Mount Pleasant was a prime central London location and finding a suitable alternative would be extremely difficult. The cost of such replacement would also be considerable.

(vii) Major developments within London were likely to result in environmental concerns, and a positive approach to London wide transport issues would be developed to support the individual planning applications.

(viii) Approved expenditure of £3.4m for external planning costs and £2.9m for internal programme costs to progress the proposals, with a DFE of £0.3m.

(ix) Approved, in principle, the implementation of Royal Mail's long term operating strategy for London at an estimated total project cost of £227.2m, subject to further approval of the detailed business cases.

Action
Richard Dykes

As the investment cases come forward review the opportunities for alternative development proposals e.g. piecemeal development of Mount Pleasant

Projects Approved by MaPEC Requiring Endorsement by the Board - Worldwide Advanced Network Distribution POB(99)40

PO99/65

(i) This project, together with, Address Interpretation (PO99/65), formed the basis of a radical re-engineering of the current UK international pipeline. Specifically, WAND proposed to create a single International Mail Hub to replace the eight geographically dispersed offices of exchange. This necessitated the acquisition of a site at Langley, Berkshire, close to Heathrow Airport.

(ii) The site was to be developed by and leased from Metropolitan Estate's Property Company (MEPC). To maintain the programme and reserve the proposed site it had been necessary to negotiate an extension to the proposed agreement and this extension expired on 8 June 1999. The extension had been agreed at a cost of £374m. MEPC also retained the right to seek alternative development proposals should a further extension be required.

It was noted that

(iii) The project had been subject to one of the most detailed appraisals ever undertaken and the financials were as robust as they could be.

(iv) The experience gained through the development of Parcelforce's Coventry Hub was being utilised with cross business representation on the project board.

(v) The CWU had commissioned a report by external consultants which had been critical of Royal mail's proposals. The union had been involved in the development process. The risk of industrial action, at least in the short term, did exist and the union had sought further time to try and deflect difficulties. Royal Mail would not want to risk losing the site through delaying the signing of contracts with MEPC but also recognised that it would be helpful for the union to been given further time. MEPC would want to publicise the signing of such a significant contract and it would be important to ensure that the timing of any communications was appropriately

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co-ordinated.

(vii) The Board was sympathetic towards the CWU but did not want to put the project at risk through further delays. Nevertheless, it would be appropriate for Richard Dykes to speak with the Chief Executive of MEPC to establish if there was any more flexibility over timing issues.

(viii) The Chairman was content that the full business authority for the project be taken at MaPEC, but for his own benefit would want to see a copy of these papers .

(ix) Milestone reports would be tabled at future Board meetings in a manner to be determined.

(x) Approved in principle the WAND project at an estimated cost of £279.5m at outturn prices and capital receipts of £5.1m

(xi) Agreed that authority for future phases of the project be devolved to MaPEC within the in principle authority given, subject to suitable milestone reports.

Action

Richard Close (i) Provide the Chairman, for his information, with a copy of the business case paper once it had been produced and was ready to be considered by MaPEC.

John Roberts (ii) Consider how best to report to the Board on the three important issues of Horizon, WAND and AI.

Projects approved by MaPEC requiring endorsement by the Boad - Address Interpretation (AI) POB(99)41

PO99/66

(i) The project envisaged the development and deployment of a world leading software capability in the identification and interpretation of addresses and other information such as indicia (attributes) on mailpieces. Development of software had, after a competitive tender exercise, been awarded to Lockheed Martin.

(ii) AI would provide a national electronic network capable of providing cost effective service for mailpiece attribute resolution and tracking to all mail processing machines.

It was noted that

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(iii) The outsourcing of remote video technology had not been ruled out as a possible future development.

(iv) A major risk was Lockheed Martin's capability to deliver, given the size and scope of the project. Internally, the Director Technology and Information Systems was being involved in the project to help ensure potential problems were quickly identified.

(v) The experience gained through the introduction of IMP technology provided some useful insights into the management and control of the project.

(vi) The IMP project, together with other recent large initiatives, provided the internal resource necessary to manage and oversee the project. Appointments would be for the life of the project and the impact of SCS would not be allowed to impact on the project.

(vii) Approved the development and deployment of AI, at a minimum cost of £170m together with a general DFE of £26m

(viii) Approved an additional contract payment of up to £32m (including VAT) based on pre-agreed achieved contract targets

(ix) Approved in principle the establishment of four remotely sited video coding centres at a maximum cost of £3.1m, plus an annual rental of £0.5m.

(x) Agreed that authority for future phases of the project could be devolved to MaPEC within the in principle authority given, subject to satisfactory milestone reports.

HORIZON

PO99/67

(i) A working group to oversee the development of the Horizon programme had been established by Ian McCartney, The Post Office Minister. He regarded the Group as having authority to work across Government. Terms of reference had been agreed and would be circulated to the Board. The Group was comprised of internal stakeholders but did not include representatives of either Treasury or DSS, who could however, be invited to attend for specific issues.

It was noted that

(ii) At some stage Treasury and DSS would have to be included within the workings of the Group but at this stage it was not necessary. The next meeting of the Group had been scheduled for 21 June 1999 and a Trade & industry Select Committee hearing on Horizon had been called for 14 June.

MaPEC - ROYAL MAIL NATIONAL: RELOCATION OF PHILITELIC BUREAU POB(99)42x

PO99/68

(i) The existing lease on a building in Edinburgh which housed the Philatelic Bureau had elapsed and could not be renewed or extended. It was therefore necessary to re-locate and alternative premises had been acquired at a capital cost of £10.7m.

(ii) Although the proposal produced a negative NPV of £1.6m over a ten year life, it did represent the least cost option and provided a positive annual contribution from reduced lease rentals.

APPOINTMENT OF A DIRECTOR OF SUBSCRIPTION SERVICES LIMITED POB(99)43x

PO99/69

(i) Noted that Michael Boddy would resign from the Board of Subscription Services Limited with effect from 1 July 1999.

(ii) Agreed the appointment of Lesley Field as a Director of Subscription Services Limited with effect from 1 July 1999.

DATE OF NEXT MEETING

PO99/70

The next meeting would be at Charingworth Manor, Gloucestershire, on 20 July 1999.