

**Post Offices Advisory Group
Artillery House
Tuesday 28 September 2010**

Agenda:

- 1. Introductions and housekeeping**
- 2. Briefing on revised Hooper report and the forthcoming new Postal Services Bill**
- 3. The Co-op perspective on the network's future**
- 4. Ed Davey MP, Minister for Employment Relations, Consumer and Postal Affairs**
- 5. Group discussion on Bill and future of network**
- 6. Social Enterprise Post Offices**
- 7. End of Green Giro cheques (cheque exceptions service)**
- 8. Latest on PO banking & CF account switching research**
- 9. Any Other Business**

Attendees:

Paul Hook – NFSP
Malcolm Craig – CRC
Ken Parsons - RSA
Mike Granville - POL
Manita Basra – POL
Gretel Jones – Age UK
Gemma Bradshaw – Age UK
Richard Quinn – Co-Op
Nicholas Smith – Co-Op
Elisa Pruvost – Postcomm
Sue Bide– Postcomm
Philip Mind – LGA
Marie-Claude Hemming - FSB
Roger Darlington – POAG Chair, CF
Andy Burrows - CF
Richard Bates - CF
Colin Griffiths - CF
Richard Brown - CF
Chervon Edwards – CF

Part of the meeting was attended by:

Ed Davey – Minister
Natasha Dare – CF
Kallon Basham – CF
Sebastian Gordon – CF
Oliver Morgans – CF
Mike O'Connor – CEO CF

Apologies:

Tony Herbert – Citizens Advice
James Alcock – Plunkett Foundation

1. Welcome and Introduction

Roger Darlington opened the meeting by welcoming everyone and allowing attendees to introduce themselves.

1.1 It was stated that 6.0 on the previous minutes was incorrect and needs to be amended.

2. Briefing on revised Hooper report and the forthcoming new Postal Services Bill

Natasha Dare from the Postal & Digital Communications team at CF shared with the group her presentation on the Hooper report and the Postal Services Bill.

2.1 Natasha gave a brief background on the Hooper report and how the 2010 report differs from the 2008 report. There are two big differences this time, the potential full privatisation of Royal Mail, and the flexibility to change the USO.

2.2 Richard Bates followed with a brief presentation on the possible implications of the Bill to the PO network.

2.3 Mike Granville stated that the outcome of the Bill will determine how POL move forward, he also stated that mail is important to POL but there are various strands of revenue to look in to, including the possibility of offering more government services through the PO network.

2.4 Sue Bide stated that currently RM's logistics business logistics is not regulated and will it will stay as such after the Bill.

2.5 The session ended with Kallon Basham, CF Public Affairs Manager, giving a brief explanation of the approach CF will take towards the publication of the Bill. This will include the following:

- CF is to focus on the regulatory aspect of the bill, and the possibility that Postcomm will be moved into Ofcom- risks associated with regulatory blight need to be mitigated
- Strengthening the protection of consumers
- CF's statutory obligations and funding for statutory PO activity.

2.6 Sue Bide stated that the Hooper report 2010 has made reference to the merger between Postcomm and Ofcom needing to be seamless, with no break in service.

2.7 Paul Hook stated that there is are risks associated with these parathion of RM and POL, with half of all visits to the PO relating to mail.

2.8 Roger Darlington stated that the government subsidy only runs until 2011/2012.

2.9 Andy Burrows scoped whether POL would provide information regarding the potential implications of any loss of subsidy, or demerger, on the size and shape of the PO network. He also asked what representations were being made to Government as POL's sole shareholder. Mike Granville replied that some representations have been made, but until the Bill has been published nothing is very clear; and that POL is working to make the business as self-sufficient as possible, this includes winning new contracts in the private sector and working to improve the viability of the PO network.

2.10 Roger Darlington asked whether the government has made any comment on the subsidy? Mike Granville replied that they haven't.

Action: presentations issued with draft minutes

3. The Co-op perspective on the network's future

Richard Quinn introduced himself to the group and gave a brief summary of the Co-op, their perspective on the future challenges they face as PO operators, and how PO functions sit within the Co-op group structure.

3.1 The Co-op operates over 500 POs in Britain, 300 of which are operated by the Co-operative Group, and the rest of which are operated from 32 regional Co-ops buying from and affiliated to the Co-operative Retail Trading Group. The Co-op positions itself as being the leading operator of community retail.

3.2 Most of the branches are based within local shops selling food and convenience products. Whereas the PO was previously operated as a commercial proposition in its own right, it is now increasingly seen as a footfall driver within the wider branch offer. Richard highlighted a number of challenges for the Co-op PO offer: these include remuneration levels for services provided; engaging effectively with POL on developing its product offer, citing a disconnect between the Co-op's planning cycle and that operated by POL; and the tensions of POL developing a multichannel offer against driving footfall into the branch network.

3.3 Richard highlighted the problems associated with rolling out the STEP programme to the Co-op's post office staff, which delivers retail and sales training to them. Such standards need to be offered consistently across all branches, but the rollout from POL has been very slow. The Co-op has commenced its own work to drive up retail standards, and referenced recent mystery shopping undertaken to support this. POL needs to major on the needs and preferences of the customer.

3.4 Richard highlighted opportunities for the PO network, but stressed these could only be realised if there was consumer clarity on POL's consumer position; if Government articulated a clear vision for the PO network; and these steps were supported by business development measures.

3.5 Richard highlighted that the Co-op was a major financial services player, and underscored the importance of striking the right balance between the Co-op's offer and POL's own banking ambitions. 8 million Co-op banking transactions are undertaken through POs, 25 per cent of which are made by basic bank account holders. The Co-op also provides the platform for the Credit Union Current Account.

3.6 Mike Granville stated that POL is learning a lot through partnerships with partners such as the Co-op and is committed to working with the Co-op. The sheer size of the network means that to provide training to all staff takes time, but the feedback they have had from the training is very positive.

3.7 Paul Hook stated that STEP seems to be a good programme and would like to see it rolled out further. He also stated that there is real concern around the future of the traditional PO, with very significant challenges on the horizon.

3.8 Gretel Jones highlighted the important community role that the PO plays, including to elderly consumers.

4. Ed Davey MP, Minister for Employment Relations, Consumer and Postal Affairs CLOSED SESSION

5. Group discussion on Bill and future of network

5.1 It was agreed that the group would look at the scope for joint activity once the Bill was published; and that CF would look to keep the group informed of developments.

5.2 Malcolm Craig wanted to know about the PO essential model, asking; do they offer a full range of services? Mike Granville answered: PO essentials are currently being piloted in both urban and rural areas offering 85% of all PO services. He then went on to state that PO essentials will not work everywhere but will form a part of the wider network.

5.3 Andy Burrows stated that CF is currently undertaking research into PO essentials and will present the research at the next meeting, with the full report due out in November. The meeting will include opportunities for group discussion.

Action: Mike Granville will circulate a list of PO essentials to enable members to locate nearby branches to them. This would be for personal use not research purposes, as there are currently several people conducting research on the PO essential model.

5.4 Roger Darlington stated that PO essentials are not listed on POL's website 'branch locator'. Mike stated that he will look into this.

5.5 Gretel Jones stated that the elderly would love to be able to access more government services at the PO, and that steps in this direction would be welcome.

6. Social Enterprise Post Offices

Colin gave a brief presentation on the 'beta' social enterprise website how it works and the functions available on the website.

6.1 Roger asked; what is the audience for this? Colin answered; it is a useful resource for social enterprises and people/communities that wish to set one up. It is also a very useful research tool for CF.

6.2 Nicholas Smith suggested that if people are looking for a PO, would they not go onto POL's website? Richard replied; our target audience is not people wanting to find a specific PO, but to provide an evidence base exploring the size, shape and distribution of social enterprises, and would assist communities who wish to set up a social enterprise. This will also give social enterprises a chance to find and communicate with one another.

6.3 Ken asked; where did CF get their definition of a social enterprise. Colin answered that the definition came from the Social Enterprise Coalition.

6.4 Ken Parsons expressed concerns about the robustness of the data, to which Colin Griffiths explained that the database contained 70 examples of social enterprise. CF would be working with partners to encourage other social enterprises to submit their information. Andy Burrows signalled that CF would be undertaking further work on the issue in the coming year, that this resource should be seen in the context of this activity, and that we would want to engage with the RSA on a bilateral basis in the coming months.

7. End of Green Giro cheques (cheque exceptions services)

7.1 Andy gave a brief background summary on the Green Giros, with the announcement due in mid November. He asked if the group would like to do a joint response to the announcement. The issue is important because of:

- The particular risks associated with the vulnerable consumer segments that rely on Green Giros;
- Research highlights the particular importance of vulnerable consumers feeling confident and comfortable in the locations where they access their cash
- The fact that, more widely, the Government should be supporting the PO network with retaining and looking to award additional contracts for business.

7.2 Andy stated that there are several ways the group could respond to this including:

- Sending a letter to the DWP Ministers
- Joint media statement
- Letters to newspapers and Ministers.

7.3 Roger asked if there was a way we could involve the BIS select committee, or possibility a question in parliament.

Action: Andy will draft a response and circulate to the group with suggested next steps

8. Latest on PO banking & CF account switching research

8.1 Richard gave a brief update on PO banking stating, including an outline of the relevant commitments that were given in coalition government's Agreement on the creation of post bank. He also stated that the government are currently looking at the following:

- Negotiations with ABCUL to see how credit union account holders can access their accounts at the PO.
- The minister has had discussions with those banks who continue to not provide customer access to their accounts via the PO network.

8.2 Richard stated that CF is on the steering group for work research commissioned by BIS that HMT is leading that is looking at the options for introducing a customised account for low-income consumers and how the costs of doing this might be bet. He stated that a bespoke bill payment mechanism for low-income consumers looked set to form an important element of any such account.

8.3 Mike Granville stated that work to develop the Children's Saving Account is still ongoing, and that the introduction of a PO Current Account continues to depend on market conditions. Andy Burrows explored which market conditions were contingent to the decision to proceed.

8.4 Oliver Morgans gave a presentation on his research into people switching bank accounts. 2,000 people were interviewed over the phone with the key messages of the research being:

- Customers are disinclined to switch and are disengaged with market offers, but consumers with a grievance with their current bank are more likely to switch People fear their credit rating will be tarnished if they switch banks
- It is hard to understand the market and which bank would suit you best
- If people do switch, many are put off by the hassle, fear of errors occurring or effects to their credit rating. This deters lower-income consumers in particular.

8.5 Oliver stated that the PO is a trusted brand: the POCA research suggested that the PO could take advantage of the public perception that all banks were the same, but that the PO offered something different.

9. Any Other Business

9.1 Richard discussed the appetite for joint activity by the Group around the banks that will not let their customer's access their money via PO's. It was agreed that CF would draft and co-ordinate representations.

9.2 Roger suggested a December meeting, with the intention of inviting the Minister along again.

Action: CF to set up a meeting for December, with Andy trying to find a suitable time/date for the minister to attend.

9.3 It was stated that CF's outreach report will be put on the agenda for the next meeting.

9.4 Elisa stated that Postcomm will be publishing their 10 year report and would people like a brief summary at the next meeting?

Action: Andy to put on the agenda for the next meeting.

Next meeting is to be scheduled for December 2010