

STRICTLY CONFIDENTIAL

FOR USE OF NATIONAL EXECUTIVE COUNCIL OFFICERS ONLY

NATIONAL FEDERATION OF SUB-POSTMASTERS

**REPORT OF THE
SPECIAL MEETING OF THE
NATIONAL EXECUTIVE COUNCIL**

held on

11 JUNE 1999

at

**THE REGENCY HOTEL
LONDON**

REPORT OF A SPECIAL MEETING OF THE EXECUTIVE COUNCIL
held on 11 JUNE 1999
at The Regency Hotel, London

Present Mrs J Kendall, National President and Chairman

Mr I Abernethy	Mr J Jannetta
Mr N Bradbrook	Mrs. P. Jervis
Mr J E M Burford	Mr C Jones
Mr A M Burrows	Miss C A Lindon
Mr A R Butlin	Mr H Morgan-Jones
Mr M Challinor	Mr J Peberdy
Mr M Darvill	Mr P Walsh
Mr R Edmondson	Mr J Willshaw
Mr B G Ingham	

<i>In Attendance:</i>	Mr C Baker	General Secretary
	Mr K Davis	Assistant General Secretary
	Mr P Heasman	Assistant General Secretary
	Mrs K Davis	Research Officer

Apologies: Mrs P Jenkins
Mr D Marshall

THE CHAIRMAN welcomed everyone to the meeting, thanking them for attending. The meeting had been convened in order to provide the opportunity for the Executive Council to question the views of Mr Stuart Sweetman and Mr Dave Miller on the announcement concerning the Horizon Project, and the implications for the future.

Executive Council members had submitted questions which they wanted to be put to Mr Sweetman and Mr Miller. These had been collated by the National President, the Chairman of the Negotiating Committee and the General Secretary and encapsulated into ten questions, which would be asked by various members of the Committee.

THE GENERAL SECRETARY referred to his meeting with Mr Stephen Byers, Secretary of State, at the Department of Trade and Industry advising how it had come about. Mr Byers had personally telephoned the General Secretary on the Thursday after Annual Conference to say that a solution had been found, which was to be announced the following day. This solution was what had become known as 'Option B3'. Mr Byers described it as 'Benefits Agency remaining until post offices are automated and money from Government'. The only other option had been to jettison the whole affair. The Post Office's

press release had welcomed the announcement. The only negative response had been the Federation's press release and as a consequence Mr Byers wrote to every member of Parliament, on 27th May, making reference to the National Federation of Subpostmasters.

An Horizon Working Group was set up and on Monday 7th June the General Secretary received correspondence convening a meeting the following morning. This was to take place immediately before the meeting with Stephen Byers, although the two meetings were not linked. The Working Group had been chaired by Ian McCartney MP, Minister of State.

During that meeting, where the Post Office were forced to be very open, the Terms of Reference were changed at the Federation's behest. The group would be overseeing the negotiations between ICL Pathway and ICL and the Benefits Agency. It would have the power to call anyone, 10 Downing Street, ICL, the Benefits Agency and anyone else they needed to call to make sure the Option B3 was whole. 'We took the challenge at that meeting and claimed it as our own.'

MR PEBERDY, Chairman of the Negotiating Committee, advised that Mr Ian McCartney had acknowledged the importance of the meeting by saying some of the things that the General Secretary had eluded to. It was a working group to resolve difficulties, all with the same status, and this Group had the full backing of the Government.

THE GENERAL SECRETARY reported that the meeting with Mr Stephen Byers had been extremely positive. They had been able to set out the concerns that the Federation had, and explain why those concerns existed. It was emphasised that the Federation represents all subpostmasters, Rural and Urban and when 'villages' were referred to it was the Urban Village. Subpostmasters had a £1 billion investment and they would fight to protect it. Mr Byers had been asked specific questions at the meeting which are detailed below together with the answers given.

Question 1

- ◆ What does your press statement mean?
- ◆ What is ACT at Post Offices?
- ◆ How far has it been thought through?

From 2003 the Benefits Agency will start to expect all claimants to have a normal commercial relationship with a bank or building Society and, moving benefit by benefit they hope to have completed the exercise by the year 2005 meaning all beneficiaries will be channelled by ACT into a bank your building society account, but that deals will be done by POCL with these banks and building societies to enable bank customers to access their cash at a post office. This would mean non benefit payment bank customers could also use the post office to draw cash.

Question 2

- ◆ Will the Government commit the DSS to remain with the Post Office until the system has been completed and contracts with the banks signed?

This will be an objection of the DTI. The Secretary of State made a firm commitment that the DTI were not going to walk away from the Network.

Question 3

Have you considered the claimants, are they going to be:

- ◆ forced to have bank accounts?
- ◆ forced to remember pin numbers?
- ◆ forced to pay bank charges?

What about those on Income Support?

The banking world is changing and the relationship between banks and their customers is also changing. The question of forcing people to have bank accounts and the way which this will work in the future will be one of the issues which will be addressed by the Working Group under the minister, Ian McCartney. The Secretary of State clearly signalled that this is something that he expects the Working Group to resolve.

Question 4

- ◆ How will the banks cope with Horizon handling all transactions when they are now reducing their own Networks and branches?
- ◆ What other Networks are envisaged will be used and what will be the Post Office's share when all that is in place?

The answer to this question was that he felt he had covered the majority of the questions in previous answers but he went on to stress that within the White Paper there is a clear commitment for the Government to use the automation platform in post offices to get people into these post offices. The Secretary of State, with the Network, was ideally placed to get this new Government work which he felt should compensate for the loss of work due to the introduction of ACT. He also felt that this would be a matter for the working group to give serious consideration to.

Question 5

- ◆ What will be the size and shape and viability of the Network?
- ◆ Would the Government consider compensating, both financially and with additional work, if required?

This question was accompanied by an explanation of the public/private business relationship, the effect on footfall.

The Secretary of State would not be drawn to answer this question, saying that he could not commit the Government to being able to establish the size and shape of the Network or compensating subpostmasters three years in the future. He felt that the breathing space between now and 2003 should enable the Network and The Post Office to be in a position to meet the challenges by the time that they present themselves.

Question 6

- ◆ What does the future hold for subpostmasters?
- ◆ What hope can you give them if 30% of their work goes? The loss of work equals loss of post office. Do you remember the last public outcry?

The Secretary of State felt that the future was good for subpostmasters but did accept that loss of work would equal loss of post offices and he fully understood that we were reserving the right to mount an ACT campaign, should that be necessary. He in fact said 'you may want to do a campaign later on'. He said that it was up to us all to create the right environment to use the automation platform for accessing the modernisation of Government plans, that there was a huge potential there which had not been tapped yet.

Question 7

- ◆ How much subsidy is the Government paying into this and, if necessary, how much more will you pay in to further fund this proposal?

This question was accompanied by a statement that subpostmasters with their struggling viability would not be able to make any further contribution.

£480 million. He would not be drawn into saying how much more the Government would pay in the future but again repeated the statement that the DTI would not walk away from the Post Office Network.

Question 8

- ◆ What impact will the out sourcing of the Benefits Agency work have on your commitment to keep the Benefits Agency 'at the party'?
- ◆ Will the Government be able to control the aggressive American company which has obtained the contract?

It was the Secretary of State's view that the out sourcing of the Benefits Agency Central Network would not in any way affect these proposals. That they could control the aggressive American company if need be but that

payment by ACT was not dependent upon having a fully completed CAPS System in place.

Question 9

- ◆ With the savings now being generated by OBCS do you need to go down the ACT route?

The Secretary of State was firm in his view that the Benefits Agency wanted ACT and that even if the Horizon Platform had rolled out in the way it was originally intended, the contract with the Benefits Agency would still end in 2005 and it was their declared intention at that time to move to compulsory ACT having used the intervening period as a means of encouraging people to opt for ACT.

Mr Sweetman & Mr Miller joined the meeting.

THE CHAIRMAN welcomed Mr Stuart Sweetman, Chairman of The Post Office, and Mr Dave Miller, Counters Finance Director, to the meeting. She hoped that there would be a full and frank exchange of views and looked forward to their presentation. When the meeting was finished she hoped there would be a true partnership between POCLand the Federation.

MR SWEETMAN thanked the Chairman for the invitation to met. He introduced Mr Miller who had two roles. He was the existing Role Programme Director of the Horizon Programme, a position he had held since the beginning of the previous year, and Managing Director of the new Post Office Network Business Unit. In the latter role he would be responsible for all things to do with the Post Office Network and the interests of the Federation and its members. MR SWEETMAN's objective at the meeting was to try to bring the Committee up to date, from his point of view, on the path they had to tread, and the route that POCLand the Federation must travel together if they were going to be successful in partnership.

MR SWEETMAN explained the options which had been considered in reaching the one that was now known as 'Option B3', with the use of slides. (Appendix i).

Automation would continue. All the central payments and communications would go into the post office but there would not be a Benefits Payment Card on that system. Benefits would be paid by bar coded savings books. The contract would run until 2005 by which time benefits would only be paid by banking system or emergency Green Giros. The contract with ICL would change from PFI transactions, only going through the system to one where The Post Office effectively purchased the system from ICL Pathway.

The other option had been to terminate the contract with ICL Pathway and the Benefits Agency. If POCLhad refused to sign the deal with ICL Pathway,

A.C.T. would have been introduced in 2001 and not 2003. The Horizon solution would need to be introduced into the Network. It would then be necessary to find another supplier and find the money to provide it, thus causing a delay of 2/3 years.

Questions put to Mr Sweetman, and answers given

This is the A.C.T. which we have fought against before, and our customers supported us. Why did you agree it on our and the customers' behalf without referring to us?

MR SWEETMAN described it as 'a fait accompli'. He did not support it but had to acknowledge it as a fact. Alistar Darling decided A.C.T. would become a reality, and the DSS had wanted it since the early 90's. MR SWEETMAN advised that he had not agreed to it, but had acknowledged it as a fact. He had not been asked to agree to it, but asked to co-operate, to which he had said that he would find it very hard to convince subpostmasters. He totally disagreed with it.

What will be the resultant loss of Benefits Agency work to A.C.T. and other Networks?

MR SWEETMAN replied that at the moment the total income the Business received from the Benefits Agency and the Northern Ireland equivalent was just over £400 million per year. That would go down to a minimum of Green Giros for people who were unable to get bank accounts, to zero by 2005. This represented 35% of total business income.

What plans do you have to:

- a) become a bank?

MR SWEETMAN referred to the 'New Vision' slide. They had examined the possibility of becoming a bank but decided they did not want banks as competitors but as collaborators and allies.

- b) combat the threat?

It had been intended to take about 5 years to do deals step by step with all the banks and building societies. Banks with large networks found that by closing a branch they could save £½ million per year and POCL wanted a share of that saving. Any deals agreed which would provide a share of that saving had to be done over the next 2 years to allow them to be completed by the time A.C.T. came in. People would then be able to continue to get their cash because the new accounts would allow them to do it through post

offices. From 1st July work would commence with a view to creating this new business unit. These details now needed to be relayed to Government Departments, Local Authorities and the new National Government Parties in Scotland, Wales and Northern Ireland. MR SWEETMAN emphasised the necessity for new Government business and banking business and if all went well, he thought the loss situation could be recovered.

c) Secure other work/income for the Network?

This had already been addressed.

d) Reduce your costs?

MR SWEETMAN advised that POCL had been paying a high amount of attention to their overheads over the last year to 18 months. This was ongoing with the decision to move from 7 regions to 3 territories, which would take a lot of the overheads out. He estimated that costs would be reduced by 13% over the course of the next 5 years.

In response to MR EDMONDSON's question concerning the possibility of compulsory redundancies, MR SWEETMAN advised that everything possible would be done in order not to resort to that. The number of employees would decrease and there would be a lot of redundancies at managerial levels over the next 2 months. He further commented that compensation for outlet closures was something on which they had existing arrangements which would need to be reviewed and could be vigorously discussed together. This, THE GENERAL SECRETARY said, was already in the pipeline. Mr Sweetman was asked what changes were going to be made on this decision. MR SWEETMAN saw it as an acceleration of those plans and the robustness of the vision over the next 10 years was sustained in it. He did not think there would be any big changes to this direction. If banks were rushed, he considered they would get a worse deal than a long negotiation would raise. The banks would compare Post Office Counters' costs with that of their ATMs who were altering their cost ratios and would pay the least they could get away with. MR MILLER felt that the key was to A.C.T. and what could be done to move the A.C.T. date from those talked about. Both POCLand the Federation had a keen interest to do this, and it was fundamental to do it.

How will this decision affect the agreement that subpostmasters will not have to pay for the automation of their offices?

MR SWEETMAN advised that there were no plans to change this agreement. A lot of subpostmasters were giving up their own time and that of their assistants, and POCL considered this to be their contribution. This did not necessarily mean that a contribution would not be requested, but currently it was not the line that they were thinking of. The aim was to automate 300 offices per week and in order to do that it was necessary to have the co-

operation of subpostmasters to gain confidence to the Business and existing and proposed clients.

MR MILLER further explained that they were in the process of a 'live trial' running the software in 300 offices. If that was done successfully by the end of July they would be looking to start a national roll out in the third week in August. This would be built up at a relatively low rate to Christmas, when they would review how the offices on the system were working. It was probable that there would be around 2,000 offices operation by Christmas and it was estimated that by around 10th January 2000 they would start the roll out at the full rate of £300 per week. Present indications were that this timescale could be achieved.

MR BUTLIN referred to the serious problems that the South West was having with the software, especially with the balance, and asked Mr Miller whether any changes were to be made in that respect. An assurance was sought by the Committee that the balance would become more user friendly, more logical and easier for subpostmasters to use. Would it be possible for subpostmasters to have more input into the way the balance was done. The North East was facing similar problems, subpostmasters were incurring additional staff costs, an example being around £350 in the four weeks that his office had been up and running.

MR MILLER acknowledged that there was a problem and said that there would be a software change to improve the situation. If there were serious problems that could not be overcome in the timescale the roll out would be delayed.

Is the automation of every office still a reality, are we facing a Network review? Do you anticipate subpostmasters will remain viable and is there really a future for subpostmasters?

MR SWEETMAN advised that it remained Post Office Counters' intention that the whole of the Network would be automated. He did not consider a two tier Network to be workable. However, he was not at this stage able to say how big the Network would be. The extent and the nature of the Network would need to be examined taking into account the number of branch offices, franchise offices and all forms of outlets. It was necessary to establish what it meant in definition terms. He thought it may be determined by what percentage of the population lived near a post office. The politicians had never defined what a Network was and MR SWEETMAN believed that this would be left to a regulator. Offices were being lost at a rate of 200 per year, which couldn't be sustained. Every outlet needed to be viable and although he admitted there would be fewer offices, MR SWEETMAN would not be pressed on how many that would be. MR SWEETMAN urged individual subpostmasters and Federation branches nationally to make it very very clear to their local MPs the importance of retaining post offices, which were the centre of their communities.

MR MILLER gave his assurance that he would work closely with The General Secretary, and The Chairman of the Negotiating Committee, and any other person necessary, in order to achieve their objectives.

Does the S.C.S. model lead to The Post Office being able to become the complete distribution company without the need for a Counters Network? Does the Counters Business Unit really need a Network of Post Offices?

MR SWEETMAN replied that POCLand the Post Office Network was an integrated part of the complete distribution company. It always was and always would be. This was not in doubt. However the nature of the service would have to be changed but the whole Network of post offices would remain an integral future of the post office for distribution.

It is reported that this is a £1 billion agreement. What does this mean? Who pays what to whom?

The answer MR SWEETMAN said was to do really good deals with Lloyds TSB in England, Wales and also with banks in Scotland. Dealing with many other banks was the route to take.

In the light of the changes which will result, are POCL now prepared to discuss and agree changes to the restrictions in the Subpostmaster contract?

MR SWEETMAN, referring to the Federation and Post Office Counters, considered that divided they fell, together they would survive. It was in no one's interest to resort to a consortium in order to bring deals together. He believed there was far more success in working together as a collective. That was at the heart of the Network and at the heart of the majority of the Federation's members.

What happens if:

- a) The Post Office cannot agree to the terms of the deal?
- b) ICL Pathway cannot agree?
- c) Automation is not completed by 2001?

a) MR SWEETMAN advised that the Heads of Agreement that he had signed had stated that if by the end of July they could not agree a mutually acceptable contract they would be paid £150 million termination fee and that would be the end of it. POCLhad agreed with Government that if this breakdown was not the fault of Post Office Counters, Government would

make money available to them. If it was decided it was 'Post Office Counters' fault then they would have to find the money themselves. There was, therefore, a great deal of pressure on Mr Sweetman not to break down for whim or convenience, but only if he believed it not to be viable. The Board had decided that if the deal was not right or the best achievable, or was not in the best interests of POCL, it could be worth paying the money and moving on.

b) If ICL walked away there would be no deal.

c) If automation was not completed by 2001 and for example there were 1,000 offices to be implemented, then the back of it would have been broken and the objective virtually achieved. Within the Heads of Agreement the £480 million was to be paid in 4 lump sums and 25% would be held back to pay for the roll out as security. There was therefore a financial incentive to get the roll out on time. Once the system was accepted and the monies paid then POCL were committed.

He then spoke about the deadline of 16th July and being in a position to have a legal document signed. Two dates had been given to Keith Todd but both organisations must be totally committed to each other to do it. He said that in a practical sense they would sign the document. He wanted to see more evidence from the Government between now and 16th July (one or two more meetings) that they were getting Government departments to focus on the problems.

We have heard some detail this morning but we do need confirmation of what will be on the new Horizon platform? For example:

- Debit and Credit Cards
- Smart Cards
- Automatic Scales
- Screen information for Royal Mail and other clients
- The Post Office Smart Card

Dave Miller answered this question "off the record".

MR SWEETMAN further advised that he had sent David Sibbick a list of contracts and when they fall due. Ministers should not allow Government departments or agents to them to take work away, and pressure needed to be applied with avenues being opened in every other Government department. MR SWEETMAN wanted these to be in place so that by 16th July he would know that the Government would be behind it. He believed that this was what Mr Ian McCartney also wanted.

THE CHAIRMAN thanked Mr Sweetman for attending, expressing THE COMMITTEE's appreciation of the way he had answered their questions. She hoped he would feel free to talk to the Federation at any time.

MR SWEETMAN thanked The Committee for the invitation. He acknowledged that there would be differences but that would always happen in a relationship. However these would be talked through.

Mr Sweetman left the meeting. Mr Miller remained and answered further questions put to him.

THE CHAIRMAN opened the floor for discussion and ideas for future plans and policies. However, she emphasised that nothing needed to be cast in stone at that time.

MR BRADBROOK had submitted two examples of ways in which clients were presently able to pay their bills. The first was through Paypoint, the second via Post Office Counters, where commission was taken. He believed that the Federation should have its own Network to which the Benefits Agency would have access. His view was that Government would 'string the Federation along' for 5 years, as the previous Government had done with automation, with nothing at the end of it. The Federation was losing between 37/40% of work, as much as 50% in London and needed the power to find itself new work. MR BRADBROOK felt that the way to do this would to become a bank and if possible join with a building society, such as the Woolwich or Nationwide, who he considered would themselves eventually become banks. They had the infrastructure to advise the Federation of the footfalls. POCL had no choice on the way forward, they were being dictated to by Government. MR BRADBROOK described it as 'political dynamite' and recommended that the Federation should 'keep their powder dry' and not get involved at this stage with Post Office Counters.

THE CHAIRMAN's view was to give POCL a chance to sign the deal and go forward from that point. She did not consider that it was their preferred choice. That had come across during the discussions earlier that day.

Discussion continued. There were fears that if the Federation stayed with POCL, more work would be lost and subpostmasters would eventually be left with nothing. Therefore the best route would be for the Federation to do a deal with the banks, or to set up their own bank.

MR PEBERDY agreed that other options must be explored and that there were times when the Federation distrusted POCL. However, once the contract was signed by POCL it would be irrevocable because if they pulled away from it, to replace it could take up to 3 years.

THE CHAIRMAN and MR BUTLIN both had confidence in Mr Miller's commitment to the Federation. He had told the Chairman that he was prepared to meet with the Federation anytime, anywhere. MR BUTLIN did not consider that there was any choice other than to stay with POCL and he

PROPOSED this course of action. MR JANNETTA agreed that to take any other course would be nonsense.

MR BURROWS advised that the path the Federation had set itself had already started and it was important to carry on and explore all the avenues, and this could not be done from the outside. POCL had made their decision and were expecting the Federation to 'get them out of stook'. He saw this as an ideal opportunity to lay the foundation for the future. If the Federation was not involved, the Government would have the opportunity to say that the Federation was invited in, but they walked away. The Working Group included Government departments such as the Treasury and 10 Downing Street and was something that the Federation had been trying to achieve for years. MR BURROWS therefore recommended that the proposal be accepted.

A vote was taken on the PROPOSAL that the Federation should stay where it was, to work with The Post Office rather than against. This was CARRIED.

DECISION

Discussion followed on ideas for the way forward.

THE GENERAL SECRETARY congratulated Council on the decision they had made. To progress the decision and to lead the organisation was important because it was the only chance there would be to keep the business alive. He suggested Council consider a 4 part campaign:

1. To 'stroke' the customers. - To raise the awareness of the community
The priority was to keep the customers coming through the doors and provide a good quality of service.
2. Tell non members that it is their hides we are fighting for.
This would take the form of a membership campaign, also making POCL aware of the value of the Federation.
3. To continue the existing work with Government.
That work produced the letter from Stephen Byers to all Members of Parliament saying that they were involved with the Federation in a Working Group. Keeping Members of Parliament interested and aware by sending people to the Sunday surgeries.
4. To launch an ACT campaign if this was necessary to delay ACT but not to stop it. To delay it until automation was in place, until the deals that banks were doing were complete and until sub post offices had 'warmed' their customers and non members were recruited. Then the Federation would be ready. The right time to do this was when the Party Political Broadcasts started and an election was about to happen. That would be the time to implement campaigns 3 and 4.

MISS LINDON referred to the controversy concerning the plans for Horizon and questioned whether the Federation was getting the package they needed. She suggested that this, being negotiation time, was an opportunity

for POCL to talk to ICL Pathway about modifying and simplifying the package before it was too late.

THE CHAIRMAN advised that Mr Miller had requested a list all the problems with the software and he would address them and talk to subpostmasters to see what they wanted on the programme. He was embarrassed that this had not happened already.

It was important that members be advised immediately of the outcome of this meeting and this needed to be done in a way that would make them aware of the seriousness of the situation, without resorting to scare mongering.

MR BURFORD PROPOSED that the 4 part campaign suggested by the General Secretary be adopted and this was SECONDED and CARRIED.

DECISION

The Executive Council instructed the Publicity and Development Committee to concentrate on items 1 and 2. It was important to make people aware of the value of the post office and the customers even if it meant that the Publicity and Development Committee jettisoned some of their present work. They were to focus on this as a priority.

ACTION

MR DAVILL sought guidance from Council for the way forward, or for some ideas as to what they wanted. THE CHAIRMAN referred to their Publicity and Development Committee meeting on the Sunday prior to the Executive Council meeting and hoped that some of the items discussed would appear on that agenda.

It was agreed that ideas from Executive Officers would be sent to Mr Heasman, in order that they could be discussed at the Publicity and Development Committee meeting.

ACTION

MR HEASMAN, drawing on his marketing experience, cautioned that the Federation was entering a different world to anything it had experienced before. The campaign discussed, would need to be programmed over a period of 18 months to 2 years. It would be a continuing and ongoing process.

Ideas for campaigning for membership

- ◆ Non members felt that they had a right to their existing customers, they must be made to question where their next customer was coming from.
- ◆ The best way to get members was to knock on the door.
- ◆ Inform subpostmasters of a forthcoming meeting convened to discuss the threat to the subpostmasters' businesses, but advise that only members will be allowed to attend and membership cards must be shown. Sign up non members as they come through the door. However, care must be

taken not to undermine confidence in the Federation and promoting the fact that the Federation is representing members within Government Departments was considered a good fact. "We have been invited to talk to Government to develop your future."

- ◆ Make people aware of the value of the post office and the customers.
- ◆ Federation logo to be printed on lottery slips.

Irrelevant

- ◆ Educate Branch Secretaries to follow up such opportunities in getting involved in their local communities, then the support of the public would be there when needed.

Involve the Editor and Tim Cobb in the work of the Publicity and Development Committee.

It was AGREED that members would be updated on the automation project via a Branch Secretaries Circular. This would start the process of the Branches calling meetings which members would have to attend in order to get the information they sought.

DECISION

In response to a request for guidance on what feedback Executive Officers could give their branches, THE GENERAL SECRETARY considered that everything that Mr Sweetman had discussed was in the public domain **with the exception of the specific figures contained in the graph used in his presentation.** He suggested that the line to be followed could be that the Government appeared to have favoured ICL Pathway and allowed the very expensive £1 billion contract to go to them, but THE GENERAL SECRETARY considered this had saved POCL in that the Benefits Agency were going to proceed down the A.C.T. line, but as this would not happen until 2003, it was anticipated that the automation platform would be in place by then. In the meantime the Federation would be active and everyone would have a part to play: Individuals would be 'stroking the customers', branches would be holding meetings and giving advice and Regions, Executive Officers and Federation Headquarters would also be active. The aim would be to lead an A.C.T. campaign before the next General Election should that be necessary. There was no harm in members of the Government knowing what the Federation's plans were. The Federation felt that subpostmasters had been let down by the Government when the Benefits Card was jettisoned.

THE GENERAL SECRETARY warned that to start a scare story that there would be nothing for subpostmasters after 2002 would not do their businesses any good. Members should be told that the Federation was on the Horizon Working Group. Three meetings had already been diaried with Mr McCartney and these would continue, with no end date.

An article would appear in *The SubPostmaster* as soon as possible "We feel let down, we are going to fight."

ACTION

THE CHAIRMAN referred to questions submitted by MRS JENKINS in her absence. Referring to the urgent communication sent by Mr Sweetman to all subpostmasters, MRS JENKINS questioned why did the Federation not decide to make contact with members and could the Federation find means of doing so in the future if there was a matter of extreme importance?


THE GENERAL SECRETARY advised that the Federation had in fact corresponded with every subpostmaster - it was on the front page of the journal! Sending letters to each member was a very expensive operation and had to be done sparingly. However that would be done when the time was right.

THE CHAIRMAN closed the meeting, thanking everyone for their attendance, and hoping that they had found it profitable. She hoped that the information given at the meeting was the beginning of better news to come.

In proposing a vote of thanks to the Chairman, MR BUTLIN said that everyone had been given an opportunity to air their thoughts, which was appreciated. On behalf of the Executive Council he thanked the Chairman for the way in which she had conducted the meeting.

LESLEY HARRIS

GRO



**PRESENTATION TO
NATIONAL FEDERATION OF
SUBPOSTMASTERS
EXECUTIVE COMMITTEE**

STUART SWEETMAN

DAVID MILLER

11 JUNE 1999

TOPICS

- Horizon history
- Options faced with
- The deal and potential impact
- What now?

HISTORY

- 1993 Anti-Act Lobby
- Joint Feasibility Study for BA Card
1994
- Procurement 1994/1996 - Contract
signed May 1996
- Original Plan Trial 1997. National
rollout 1997/1998

HISTORY

- Many delays - Govt. Review Autumn 1998
- Concluded Programme was deliverable but restructured deal with ICL needed. ICL/POCL agreed. BA didn't
- Negotiations continued past Christmas until May

THE OPTIONS

Option	BA Contract Terms	Pathway Contract Terms
A BA payment card	To end 2007/08 Floor to end 2007/08	To end 2009/10
B1.2 Smartcard Benefit payment through POCL account	To end 2004/05 Floor to end 2002/03	To end 2009/10 New prices
B3 Automation without payment card	To end 2004/05 Floor to end 2002/03	To end 2004/05

THE OPTIONS

Option	BA Contract Terms	Pathway Contract Terms
B3 (with funding) Automation without payment card	To end 2004/05 Floor to end 2002/03	To end 2004/05
C Termination	To end 2002/03 Floor to end 2000/01	N/A

KEY ELEMENTS

- Compulsory ACT from 2003 - over 2 years
- £1bn contract to Pathway
- No longer PFI
- Contract to run to March 2005
- Automation of existing products, future product development on time and materials basis
- Automated network
- “Hope of Ministers that the Post Office will be successful in retaining and winning (Government) business on merit”

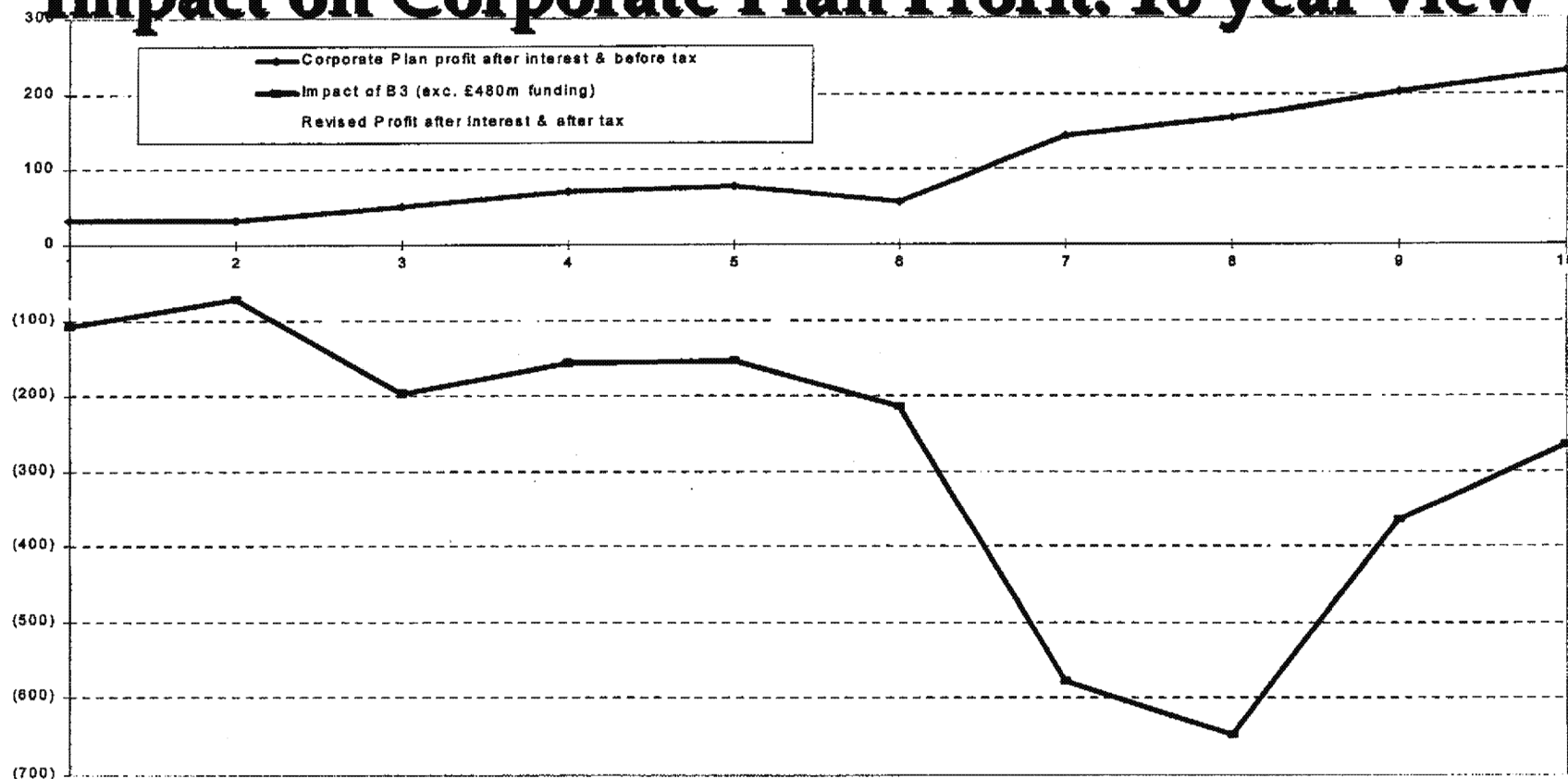
SIGNING THE DEAL

Board meeting held Sunday 23 May

Signing of agreement dependant on;

- Post Office allowed to sell £480m of investments
- Profit and EFL targets adjusted for this £480m
- Proposed white paper freedoms to be maintained
- Option will lead to deterioration in the financial position of the Post Office

Impact on Corporate Plan Profit: 10 year view



Corporate Plan profit after interest & before tax	31	32	50	70	78	56	145	169	202	230
Impact of B3 (exc. £480m funding)	(107)	(71)	(196)	(156)	(153)	(214)	(578)	(647)	(364)	(264)
Revised Profit after interest & after tax	(76)	(39)	(146)	(86)	(75)	(158)	(433)	(478)	(162)	(34)

HORIZON WORKING GROUP

Terms of Reference

- to oversee negotiations
- to contribute to problem solving
- assist in maximising commercial potential

HORIZON WORKING GROUP

Membership

DTI

Ian McCartney

Frank Doran

Geoff Moore

David Siddick

Isobel Anderson

CWU

Dereck Hodgson

Roger Darlington

POCL

Stuart Sweetman

Dave Miller

NFSP

Colin Baker

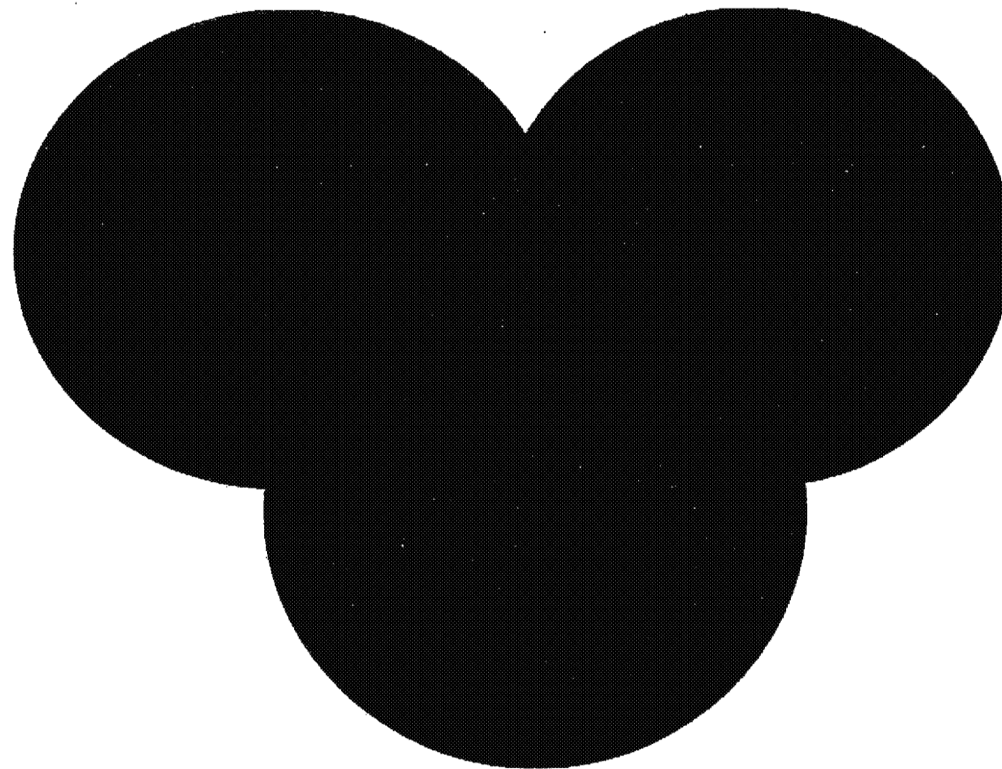
John Peberdy

CMA

Terry Deagan

Tony Harris

NEW VISION



Key Enablers:

**Network
Smartcards
Trusted Brand**

NEED TO FIGHT

- Understand BAs plan for ACT 2003/2005
- Understand banks key drivers to accept this work
- Understand who pays i.e. Govt Consumer
- Understand impact on PO Network - viability threat of all types of outlets
- Plan campaign together and co-ordinate actions