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Post offices

BIS Consultation Document – Building a Mutual Post Office, September 2011-11-10

Executive Summary

The Government believes that mutualisation of Post Office Ltd could foster a more vibrant and successful Post Office network. It could help the business to meet the commercial challenges posed by the highly competitive markets in which it operates at a time of rapid technological change. And it could provide a greater focus on the alignment of stakeholder interests, with Post Office's key stakeholders all pulling in the same direction towards a prosperous future.

But mutualisation will only be a success if the Post Office's key stakeholders such as its staff, subpostmasters and customers support it and engage with it. And so this consultation is seeking your views on how it could be done. The consultation document sets out the following key issues:

The current structure of Post Office Ltd and its business strategy.

Why Government thinks mutualisation could be a good idea for Post Office Ltd.

Our belief that the members of the mutual should comprise an equal mix of 'producers' (such as employees and subpostmasters) and 'consumers', with no one constituency having an overall majority.

Why we believe that a Post Office mutual could work best without a Government ownership stake, to provide a clear cultural break from the past, with Government able to continue its relationship with the mutual on a contractual basis.

Our proposal that a possible structure for a Post Office mutual could be a three tier structure, comprising of the membership, a representative body, and Board of Directors.

Other considerations which we need to take into account before a move to a mutual would be possible, the most important of which is Post Office Ltd's financial stability.

The Post Office is facing some difficult challenges, with greater competition online, and higher customer expectations. Post Office Ltd is currently introducing new products and making changes to its network to make it more competitive and attractive to consumers. The Government is providing £1.34bn of funding for the network over this spending review period to support that strategy, and is determined to put the Post Office on a long term sustainable footing.

We believe that, in addition to the other changes Post Office Ltd is making to address the underlying economic issues it is facing, mutualisation could also help to secure the future of the Post Office network. A mutual Post Office might be better able to react to

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commercial opportunities and risks than under the present Government ownership structure. And mutual ownership could better align the interests of Post Office Ltd's key stakeholders, by giving them a greater say in the decisions made by the company which affect them. But we are clear that any mutualisation would need to involve robust protections to ensure the Post Office continued to act for the public benefit, as required by the recently passed Postal Services Act 2011. The Post Office acts in the public benefit in many ways, for instance through the continued delivery of services which are relied upon by so many (often vulnerable) consumers, across a comprehensive, nationwide network.

Government believes that the members of a Post Office mutual would best be composed of a balanced combination of producers (such as employees and subpostmasters) and consumers. This would ensure that both those who run post offices and those who use them would have a say in the future of the network. For stakeholders to be able to influence the running of the post office network, we think the mutual should be arranged in a three tier structure, with a 'representative body' acting as a formal link between the members and the Board of Directors of the mutual. The representative body would represent the wider interests of the members, and ensure that the Post Office continued to act for the public benefit. It would also be vitally important to ensure that whatever governance arrangements might be put in place actively help the business rather than adversely affecting its day to day running or creating slower decision making processes. It is more important now than ever that Post Office Ltd is quick to respond to the fast changing markets in which it operates.

We also believe that to be successful in the long term, the Post Office mutual would require a clear cultural break from the past. As a result, we believe that it may not be in the Post Office's best interests for Government to be one of the future owners of any mutual. If Government were to retain a stake in the mutual, the successful establishment of the mutual could be a lot more difficult because it would be harder to engender the shared purpose and behaviours among the mutual's members. It is therefore envisaged that if the Post Office were to be mutualised, Government could instead continue to maintain its relationship with the business through contracts. For example, contractual arrangements could be established to ensure that a wide network is maintained (by keeping open branches that would otherwise be commercially unviable), and that Post Offices continue to provide key services which people rely on. However, it is recognised that there are practical issues, not least how a Post Office independent of Government would be able to raise finance and working capital, that would need to be overcome before such a change could be implemented.

Any move to a mutual would be dependent on several factors. The success of Post Office Ltd's current strategy, which sees the company returning towards financial stability, is critical. Unless it is commercially sustainable, it is highly unlikely that the company could or should be transferred to a mutual. Mutualisation would also be dependent on Parliament being satisfied with the final proposal, as well as Government's ability to ensure that any such change would be affordable and represent value for money for the taxpayer. Perhaps most importantly, no move to a mutual would be made unless Post Office's key stakeholders were supportive of the proposal, and there was agreement on a particular governance structure.

Any transition will inevitably take a number of years, however Government believes that clear progress towards mutualisation could be made by the end of this Parliament,

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provided that the above conditions can be met. Over this period, Government will work with Post Office Ltd's stakeholders to take a number of important steps necessary to further develop the shared purpose, culture and operating methods needed to succeed as a mutual.