



**BIS** | Department for Business  
Innovation & Skills

**CONSULTATION DOCUMENT**

**BUILDING A MUTUAL POST  
OFFICE**

SEPTEMBER 2011



**POST  
OFFICE** ®

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# Building a Mutual Post Office

The Postal Services Act 2011 allows for the mutualisation of Post Office Ltd and sets out a broad framework under which mutualisation could be achieved. The Government has been clear that mutualisation should happen from the bottom up, and that the views of the Post Office's stakeholders will be vital in the creation of a mutual Post Office.

This consultation document follows the comprehensive report *Mutual Options for Post Office Ltd* commissioned by Government from Co-operatives UK. The aim of this consultation is to assist with the further appraisal of the case for and shape of a mutualisation, building on the recommendations made by Co-operatives UK to move towards an agreed model for a mutual Post Office Ltd.

Issued: 19 September 2011

Respond by: 12 December 2011

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e mail: [postoffice.mutualisation@bis.gsi.gov.uk](mailto:postoffice.mutualisation@bis.gsi.gov.uk)

This consultation is relevant to: Stakeholders of Post Office Ltd, consumer bodies, and the devolved administrations of Scotland, Wales and Northern Ireland, as well as other interested bodies.

# 1. Foreword



In our November 2010 policy statement *Securing the Post Office Network in the Digital Age*<sup>1</sup> we set out our overall vision for the future of the post office network. We have committed to provide £1.34bn to the Post Office over the Spending Review period to modernise the network and safeguard its future. This will also ensure that there will be no programme of post office closures under this Government.

An important part of our policy is developing the proposal to convert Post Office Ltd, over time, into a mutual structure. We think that the Post Office could be ideally suited to a mutual model with employees, subpostmasters and communities working together to help the post office network to deliver its social and economic objectives for the public benefit. The recently enacted Postal Services Act 2011 includes the powers to mutualise Post Office Ltd, together with clear protections to ensure that a mutual Post Office would continue to act for the public benefit. During passage of the Act I was struck by the widespread interest across the political parties to explore the idea of mutualisation further and the Act ensures that Parliament would have to approve the details of any mutualisation.

This consultation is therefore the next step in developing the details of mutualisation. Its aim is to explore what a mutual Post Office Ltd might look like and to seek more clarity on the issues which we would need to take into account before mutualisation could be achieved. We are clear that a mutual Post Office will only work if Post Office Ltd is in a suitable financial position, and if there is real appetite for it from those on whom the business relies to operate the network.

Last autumn we asked Co-operatives UK to prepare a report exploring options for how mutualisation of Post Office Ltd might work. Their report was published in May<sup>2</sup> and was well received by stakeholders in the Post Office network. In this consultation we start from the basis of accepting the Co-operatives UK report's recommendations.

Our overriding interest is to ensure that the Post Office has a vibrant future. Better aligning the interests of the Post Office's stakeholders could help to achieve this. However, we recognise that a Post Office mutual will only be successful if it is built on solid financial foundations.

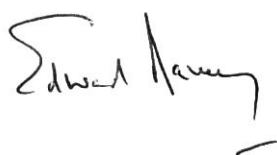
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<sup>1</sup> <http://www.bis.gov.uk/assets/biscore/business-sectors/docs/s/10-1260-securing-the-post-office-network>

<sup>2</sup> <http://www.uk.coop/postoffice>

*Securing the Post Office Network in the Digital Age* set out how we hope to build those foundations during this Parliament – through investment, through supporting the Post Office in its ambition to become a ‘front office for Government’ and through our network modernisation programme with new models for ‘Main’ and ‘Local’ post offices. By such reforms, the Post Office will increasingly be able to meet its many commercial challenges and so become ready to become a social enterprise in a new mutualised business structure.

We recognise that the general concept of mutualisation will not be familiar to all readers of this consultation, so we also try to explain this well-used but less well-understood ownership form. We believe mutual ownership could suit the Post Office well, as it could allow a movement away from Government ownership while preserving the importance of public benefit in a democratic yet enterprise-focussed structure. However, we also recognise that significant challenges would need to be overcome before this could be implemented. We hope this idea and this consultation will spark interest from all who care about their post office.

A handwritten signature in black ink, appearing to read 'Edward Davey', with a horizontal line underneath.

**Edward Davey**

Minister for Employment Relations, Consumer and Postal Affairs

## 2. 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 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, 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.

## 3. How to respond

This consultation opened on 19<sup>th</sup> September 2011. Responses are sought by 12<sup>th</sup> December 2011.

When responding please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation response form and, where applicable, how the views of members were assembled.

For your ease, you can reply to this Consultation online at [www.bis.gov.uk/pomutualisation](http://www.bis.gov.uk/pomutualisation)

A copy of the Consultation Response form is included at Annex 6 or available electronically at [www.bis.gov.uk/pomutualisation](http://www.bis.gov.uk/pomutualisation). If you decide to respond this way, the form can be submitted by letter, fax or email to:

Post Office Mutualisation Consultation  
Shareholder Executive  
Department of Business, Innovation and Skills  
1 Victoria Street  
London  
SW1H 0ET  
Tel: 020 7215 5000  
Fax: 020 7215 5336  
Email: [postoffice.mutualisation@bis.gsi.gov.uk](mailto:postoffice.mutualisation@bis.gsi.gov.uk)

A list of those organisations and individuals consulted is in Annex 5. We would welcome suggestions of others who may wish to be involved in this consultation process.

If you have any policy queries about this consultation, these should be addressed in the first instance to Katie Wake (contact details above).

If you have concerns about the way in which this consultation is being managed or conducted, please refer to Annex 4 which includes the Code of Practice for Consultation and provides consultation details for complaints.

## 4. Additional copies

You may make copies of this document without seeking permission. Further printed copies of the consultation document can be obtained from:

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## 5. Confidentiality & Data Protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want information, including personal data that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

## 6. Background

### 6.1 – Introduction

In our policy statement *Securing the Post Office Network in the Digital Age*, which was published in November 2010, we set out our long-term ambition to create the opportunity for a mutual Post Office Ltd. Last autumn we also commissioned Co-operatives UK to take an independent look at options for mutualising Post Office Ltd. Co-operatives UK published its report *Mutual Options for Post Office Ltd* in May 2011 and the report's recommendations (which are set out in Annex 1) form the basis of this consultation. In June the Postal Services Act 2011, which provides the statutory powers needed to mutualise the Post Office, received Royal Assent.

We hope that this document will provide those with an interest in the future of the post office network with a clearer understanding of what a mutual Post Office could look like, and how it could work. This document looks to take forward the recommendations of the Co-operatives UK report, seeking your thoughts on the idea of mutualising the Post Office and your input to help to build a solid proposition for how a mutual Post Office Ltd could be structured and run.

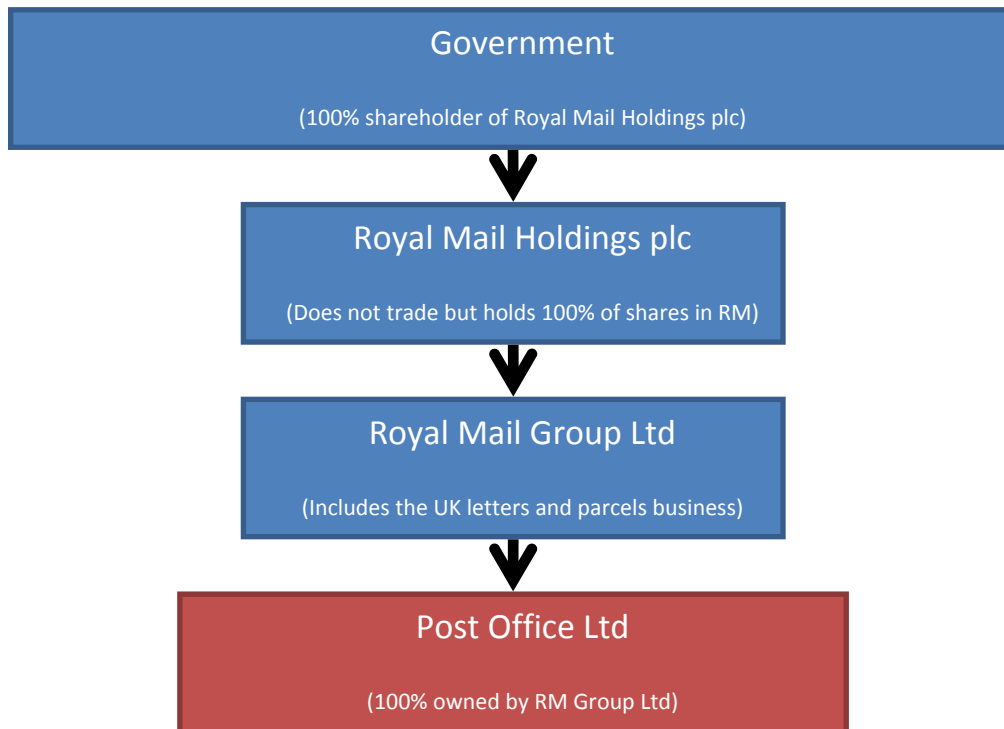
In this first section we set out the context for mutualisation, including detail on how the Post Office is currently operated, the broader strategy for the post office network and some general information on mutuals to clarify exactly what is meant by mutualisation. The second section looks at how a mutual Post Office could work, including what type of mutual it should be, who the members should be and how they should have a say in the running of the business. The third section examines broader considerations associated with a mutual Post Office, including the question of whether it should make distributions (that is pay dividends) to its members and if any additional safeguards would be needed, for example, to ensure the legal requirement that the mutual acts for the public benefit is met.

### 6.2 – How is the Post Office run now?

#### Ownership and governance

Post Office Ltd is currently 100% owned by the Government, through the Royal Mail group of companies. Government owns 100% of a top holding company, called Royal Mail Holdings plc. Royal Mail Holdings plc does not trade itself but it owns 100% of Royal Mail Group Ltd. Royal Mail Group Ltd is the national letter delivery business we are all familiar with, which is responsible for ensuring the provision of a universal postal service across the UK. And besides being a major client of Post Office Ltd, Royal Mail Group Ltd is also its 100% owner. The current ownership structure is shown in the diagram below.

## Current ownership structure of Post Office Ltd:

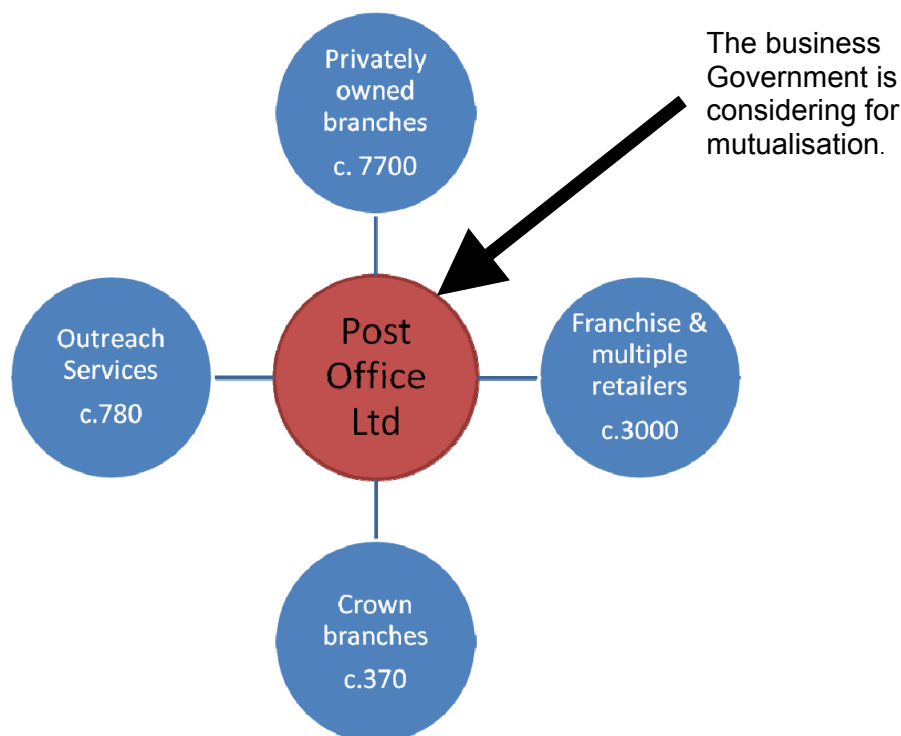


Government has held its ownership stake through this corporate structure since 2001, allowing Post Office Ltd to operate commercially at arm's length.

Post Office Ltd is a national provider of mail, financial, government and telephony services through a branch network of over 11,500 post offices throughout the UK. While Post Office Ltd is 100% owned by the Crown (through Royal Mail Holdings plc), the vast majority of post offices are privately owned and run, in an arrangement that goes back for centuries. These private owners are either individual subpostmasters (who operate approximately 7,700 post offices) or chains such as Spar and The Co-operative (retail chains run approximately 3,000 post offices). Post Office Ltd directly manages 373 Crown Post Offices, which are usually found in large towns and cities. There are also several hundred privately operated Outreach services which ensure that communities are able to access post office products and services where a traditional post office outlet is not practical or viable. These are usually found in rural areas and can take the form of mobile vans or services hosted in pubs and village halls.

So Post Office Ltd is currently a 100% Government-owned, UK-wide company, which operates a franchised business model via mainly private franchisees, as well as through its centrally owned Crown branches. It is Post Office Ltd, the national company and franchiser, that we propose could be mutualised, not the individual franchisees.

## The Network of Post Offices Operated by Post Office Ltd:



### Business strategy

Post Office Ltd sets the strategy for the network and develops the products and services which are then sold over post office counters. To do this it has contracts with a number of major clients to distribute their products across the network, such as with Royal Mail to provide access to postal services, or with Government departments to provide access to services like benefits or vehicle licensing applications. Large clients like these provide the majority of Post Office Ltd's revenues.

Post Office Ltd also provides a wide range of financial services – either access to services on behalf of other providers (such as the current accounts of most high street banks) or sales of its own branded products like savings, insurance, mortgages or credit cards, which are developed through the company's joint venture with the Bank of Ireland. Through another joint venture with the Bank of Ireland, Post Office Ltd is also the number one provider of foreign exchange in the UK.

To negotiate, coordinate, market and distribute a wide range of products across such a large national network requires a significant national operation. For example, a comprehensive cash logistics service is needed to transport cash securely the length and breadth of the UK, ensuring that people are able to access cash and benefits on demand at all post offices. Thirteen pence in every pound in circulation in the UK passes through a Post Office. Post Office Ltd employs over 8,000 people, of whom over 5,000 work in or manage the 373 Crown offices, 2,600 focus on network support (including supply chain operations such as cash handling) and around 600 work in central functions including marketing, legal, HR and accounting.

Outside the Crown network, Post Office Ltd has a contractual relationship with the people who run individual post office branches (subpostmasters). There is some variation in the contractual arrangements between different types of branches, but generally speaking Post Office Ltd provides the products, cash and any equipment required for operating the branch, and the

operators of each branch provide the premises and employ their own sales staff. The National Federation of SubPostmasters (NFSP) is the representative organisation of individual subpostmasters which is recognised by Post Office Ltd. The NFSP negotiates pay and conditions with the business on behalf of individual subpostmasters, and works with Post Office Ltd on a range of other issues of interest to subpostmasters.

In summary, Post Office Ltd's franchised network enables people to access mail services, financial services and Government services. Its latest business strategy positions it to prosper in these markets in the digital age.

### 6.3 – Why is the Post Office important?

We believe that the Post Office network is important because of the vital services that it provides across its unparalleled national network. Post Offices provide a range of services to customers across the socio-economic spectrum, carry out a critical economic function for many small firms, and often play a significant social role in communities.

In return for the £1.34bn funding from Government for 2011-2015 announced in October 2010, the Government requires Post Office Ltd to ensure that there is a minimum of 11,500 post offices across the country, and that this network conforms to the strict access criteria (established in 2007 following a national consultation) which ensure reasonable access to Post Office services regardless of where people live. The result is a unique national network that is larger than that of all the UK banks put together, with 93% of the total UK population (and 99% of those in towns and cities) living within one mile of a post office.

#### Access Criteria

Five Access Criteria apply at the national level:

1. **99%** of the UK population to be within three miles of their nearest post office outlet;
2. **90%** of the UK population to be within one mile of their nearest post office outlet;
3. **99%** of the total population in deprived urban areas across the UK to be within one mile their nearest post office outlet;
4. **95%** of the total urban population across the UK to be within one mile of their nearest post office outlet;
5. **95%** of the total rural population across the UK to be within three miles of their nearest post office outlet.

In addition, the following criterion applies at a local level to ensure a minimum level of access for customers living in remote rural areas:

6. **95%** of the population of every postcode district to be within six miles of their nearest post office outlet.

The typical post office branch offers a range of services, from bill payment and foreign currency services to fishing rod licences and access to benefits. In total over 170 different services are

available over Post Office counters. There are almost 20 million customer visits to the Post Office each week, including many visits by vulnerable customers, such as elderly and disabled people, who may be unwilling or unable to access services through other channels (such as online). People rely on their local post office to access their benefits and pensions, and to receive assistance from Post Office staff when completing passport or vehicle licence applications, or making bill payments. The basic cash and banking facilities offered by the Post Office are also highly valued by individual customers, particularly in rural areas, as well as by small businesses – over half of whom visit the Post Office each week. Dependence on access to post office services is particularly acute in rural areas where the Post Office branch is in many cases the only local retail outlet, but branches are also of real importance in deprived urban communities.

Post Office Ltd is also supporting the move to a digital world, developing new services to complement the increased use of the internet and to assist those who are unable to access it. In particular, the Post Office is working with national and local Government to help accelerate the delivery of Government services online. This is seeing the Post Office build on its existing strengths and trusted brand to develop and deliver services in areas such as identity verification and applications for Government services – building its role as a ‘Front Office for Government’.

So the Post Office is more than just a commercial organisation; it provides important social benefits to customers across the country. Around 3.5 million people signed a written petition against the ‘Network Change Programme’, which involved the closure of around 2,500 post office branches in 2008/9, demonstrating communities’ attachment to their local post offices.

Research conducted in 2009 to identify the value placed on the Post Office network and the services that it provides found that its social value is at least £2.3bn each year<sup>3</sup>. The value attributed by the research to the network as a whole was greater than the sum of the value attributed to the individual services provided across the network. This indicates that there is an additional inherent social value of the network, which cannot be determined by contracts and services alone. The true value of the network to the public is more likely to reflect the idea of the Post Office and its network as a vital contributor to viability for local retail and other community services, as a social hub, and also as a trusted and respected public service brand.

**Q1 – Do you agree with this analysis of the value of the Post Office network? Are there any aspects of your post office experience that you consider particularly important for a mutualised Post Office to retain?**

## 6.4 – What is the strategy for the future?

The Post Office faces some major demographic, commercial and technological challenges. Customer visits per week have dropped from 28 million visits in 2000 to just under 20 million now, with a disproportionate representation of older customers. The Post Office faces increased competition on the high street and significant e-substitution on services such as mail and the payment of benefits.

Post Office Ltd has developed a commercial strategy that aims to address these challenges head-on while keeping the network at its current size and not repeating the two closure

<sup>3</sup> The Social Value of the Post Office Network; Report for Postcomm (NERA Economic Research, 2009)

programmes of the last Government. As it separates from Royal Mail Group, the business will implement this strategy with the support and challenge of a strengthened Board under a new Chair. At the heart of the strategy is a customer proposition, providing the services that people need, at the times they need them, in an environment that appeals to both new and existing customers. Post Office Ltd is developing innovative products to generate new sources of revenue while expanding its presence online. Implementing this strategy successfully – backed by £1.34bn of Government funding - will be key to securing the Post Office's future prosperity.

### Key Government Commitments

- We recognise that the Post Office is more than a commercial entity and serves a distinct social purpose.
- We will ensure that post offices remain a valuable social and economic asset for our communities and businesses.
- There must be a minimum of 11,500 post office branches across the UK, which meet the access criteria, throughout this Parliament.
- There will be no programme of post office closures under this Government.
- We will provide £1.34bn for the Post Office (subject to state aid approval) to modernise the network and to safeguard its future, making it a stronger partner for Royal Mail and other key clients.
- We want to see the Post Office become a genuine Front Office for Government at both the national and local level.
- We will support the expansion of accessible and affordable personal financial services available through the Post Office.
- We will support greater involvement of local authorities in planning and delivering local post office provision.
- The Post Office will not be for sale.
- We will create the opportunity for a mutually owned Post Office.
- We will ensure that the longest legally permissible contract is signed between Royal Mail and Post Office Ltd before separation of the two companies.

### Separation from Royal Mail Group

We think that the progressive separation of Post Office Ltd from Royal Mail Group, provided for by the Postal Services Act 2011, will help the company to focus better on its own distinct interests. As the regulator Postcomm recently noted, the demerger of Post Office Ltd and Royal Mail will enable each organisation to focus more effectively on its own challenges and help secure a sustainable network<sup>4</sup>. Consumer Focus has made similar points.<sup>5</sup> Under the terms of the Postal Services Act 2011, Post Office Ltd must be ring-fenced from any sale of Royal Mail, so that it remains in public ownership (with the potential for it to be transferred to a mutual model in the future under specific circumstances.) Mail services will continue to drive a significant proportion of Post Office Ltd's revenues, as Post Offices will continue to act as the Royal Mail's retail partner under a long-term contract.

<sup>4</sup> See Postcomm's tenth annual report on the network of post offices in the UK (2009/10), at page 4: <http://www.psc.gov.uk/documents/1072.pdf>

<sup>5</sup> See their evidence to the Postal Services Bill Committee on 11 November 2010: <http://www.publications.parliament.uk/pa/cm201011/cmpublic/postalserv/101111/am/101111s01.htm> .

In order to prepare for the separation of the two businesses, a new Non-Executive Chair of the Post Office Ltd Board has recently been appointed<sup>6</sup>. New Non-Executive Directors will also be appointed this autumn in order to ensure that a clear governance structure is in place before operational separation of the businesses. The Executive Team, headed by the Managing Director, oversees the day to day running of the business. We recognise that the new Post Office Ltd Board will not have had the opportunity to consider the proposal to mutualise the Post Office and we will be engaging directly with the Board during the consultation process.

### **New business opportunities**

The Post Office has three main sources of revenue – mail services, government services and financial services, each contributing around a third of Post Office's total income. Revenues from mail services will remain important to the Post Office, but as the number of letters we send continues to decline, this will not be a growth area for the Post Office. As a result, the company will focus on areas with real potential for growth; acting as a Front Office for Government, and boosting financial services revenues.

The Government has an ambition that Government services should be delivered as 'digital by default', offering operational savings and greater convenience to the taxpayer. This will mean an accelerated trend towards direct service delivery – including online – with less physical Government presence on the high street but with alternative provision for those unable to access direct channels. Post Office Ltd has been clear in its ambition to deliver more services on behalf of both local and national Government. Post Office Ltd has been working with Government departments and local Government organisations to identify new opportunities where they will be able to compete for further Government business.

The Post Office has made good progress on this agenda, and is currently developing a number of pilots and opportunities with Government. For example Cabinet Office is working closely with the Post Office to explore the role the Post Office could play as identity assurance models develop. The first of three planned pilots with the Department for Work and Pensions (DWP), verifying documents for pension applications, is underway in the North East of England, and has now been extended to include more branches. Two other planned pilots will test the role the Post Office could play in National Insurance Applications and the feasibility of whether Jobseekers Allowance claimants living in rural areas could sign on for benefits in their local rural post office rather than by post. Post Office Ltd is also exploring with DWP its future role in supporting the delivery of new Universal Credit benefit system.

Post Office Limited has seen success in recent procurements for services that match well with their 'front office' ambitions – for example to fulfil part of a service to enrol Local Authority employees to allow them to access secure Government systems; to offer a range of 'front office' services on behalf of Westminster Council; and to provide identity checking services for criminal records checks for licensed taxi drivers on behalf of the Public Carriage Office.

Post Office Ltd will also continue to consider how best to expand its financial services offering, including through its Joint Venture with the Bank of Ireland and by pursuing its ambition to offer access to all UK current accounts over its counters. From the 23rd of September, when customers of RBS will be able to access their current and business accounts at the Post Office, the holders of almost 80% of all UK current accounts will be able to withdraw money free

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<sup>6</sup> See: [http://www.news.royalmailgroup.com/article.asp?id=2923&brand=Post\\_Office\\_network](http://www.news.royalmailgroup.com/article.asp?id=2923&brand=Post_Office_network)

of charge at the Post Office. Many can also pay money in and check their balances. HSBC and Santander (except former Alliance & Leicester customers) are the only two remaining High Street Banks who do not offer access to their current accounts through Post Offices. In addition, Post Office Ltd remains committed to strengthening its links with the Credit Union Sector and those it serves, including participating in DWP's current feasibility study into the expansion the Credit Union Sector.

## Modernising the network

There is mounting evidence that the current network models no longer work for Post Office Ltd, subpostmasters or customers. Modernisation of the network is essential to ensure a sustainable financial future for the network. Network modernisation has two main areas of focus: the development of several thousand Main Post Offices, and the nationwide introduction of the Post Office Local Model. By the end of this Parliament, we expect over half of the network of around 11,500 branches to have moved to a new operating model. We would anticipate Post Office Ltd making the case for further conversions in the next spending review period.

Post Office Ltd will be investing in the larger offices in the network, in partnership with those who own the businesses, to ensure that they meet the rising standards of service that consumers expect. By the end of this Parliament, Post Office Ltd has committed to ensuring that there are around 4,000 Main Post Offices in place, and that the losses made by the 373 Crown Offices are eliminated.

For smaller branches there will be the phased introduction of around 2,000 Post Office Local outlets by the end of this Parliament. The Local model has been trialled by Post Office Ltd over the last few years and is designed with the consumer in mind, offering longer opening hours, and quicker service. There are currently 88 pilots in place, and customer satisfaction has been very high. The model is intended to run alongside an independently viable retail business. It does away with the traditional 'fortress' glass screen, and means that the Post Office till can be run alongside the retail till – much like a lottery or Oyster card terminal. This flexibility has the potential to reduce staff costs, and means that Post Office services can be accessed for all the hours the retail shop is open. Even though Post Office Locals take up less space in shops and cost less for retailers to run, 95% of transactions by volume are already accessible from existing Post Office Locals and through the pilots Post Office Ltd is looking to extend this offering. On average the implementation of a Post Office Local has increased opening hours by 85% - with typical branches changing from being open around 35 hours per week to 60. Most importantly, overall customer satisfaction with Post Office Locals has been very high, with 94% either very or extremely satisfied, and only 1% dissatisfied.

Post Office Ltd will be continuing trials of both Local and Main branches, with a further series of pilots being launched from November. 30 existing Post Office branches will be converted to the Local model, and 15 will be converted to Main Post Offices. Levels of interest in taking part in the pilot process among subpostmasters have been high, with both the Local and Main trials oversubscribed. Post Office Ltd will continue to monitor the performance of these models, both from the retailer and customer perspective. They will continue to fine tune the model and launch further pilots, with the major roll out starting in 2014.

Introduction of the new models will be critical to putting the network on a sustainable financial footing, which will be a necessary precondition to the Post Office being mutualised. We also hope that the prospect of having a role in the running of a mutual Post Office will lead subpostmasters to feel they have more of a stake in the creation of a vibrant future for the network.

More detail on all of the elements of our Post Office network strategy can be found in the November 2010 policy statement *Securing the Post Office Network in the Digital Age*.

## 6.5 – What is the mutualisation proposal and how does this fit in to the strategy?

We propose that, in time, Post Office Ltd could be converted into a mutual structure, with employees, subpostmasters, and communities all having a greater say in the strategic direction of the business. This would not impact on the ownership of individual post office branches, but concerns the national company, Post Office Ltd, which holds the contracts with subpostmasters, sets the strategy for the business and negotiates national contracts with key clients, like the DVLA, through which services are offered by subpostmasters.

### The case for mutualisation of Post Office Ltd

Post Office Ltd operates in highly competitive markets at a time of rapid technological change. So it would benefit from an ownership model that allows it to be as nimble as possible in dealing with commercial opportunities and threats as they arise. That flexibility is limited under the current Government ownership structure. For example, Post Office Ltd's funding position is tied to rigid public spending reviews and European state aid clearance timetables and Government as a shareholder can be less focussed on commercial considerations than might be optimal for the business.

But at the same time it is important to ensure that the Post Office continues to act for the public benefit. We do not think that this could be guaranteed under a conventional corporate ownership structure that focuses on profit-maximisation above all. That is why the Postal Services Act 2011 prohibits the privatisation of Post Office Ltd and abolished previous provisions<sup>7</sup> which could have allowed a stake in the business to be sold to the private sector.

The concern is that the current Post Office operational structure does not best align its different stakeholders when dealing with important issues. For example, the necessary expansion of post office services online has had only limited support from subpostmasters because they fear a diversion of revenue from local branches and in pay negotiations the interests of subpostmasters and of Post Office Ltd are often opposed.

Converting Post Office Ltd into a mutual could encourage those involved in operating the post office network to pull in the same direction, empowering those who know the Post Office best by giving them a real say in how the Post Office is run. For example, depending on the precise governance structure adopted, members of a Post Office mutual could have a say in developing strategy or scrutinising board appointments. Mutual ownership is already extremely successful for other operators in the Post Office's key sectors (for example the Nationwide in the financial services sector or the Co-operative Group in running nationwide retail networks).<sup>8</sup> During debate of the Postal Services Act there was cross-party support for exploring the idea of mutualisation of the Post Office.

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<sup>7</sup> Under section 67 of the Postal Services Act 2000

<sup>8</sup> See the box below entitled "Some Myths About Mutuals" for more details.

Experts in the field (such as Mutuo and Co-operatives UK) suggest that, so long as it was properly designed, mutual ownership of the Post Office would help to engage and harness the experience of the Post Office's employees, business partners, stakeholders and customers, and in particular the subpostmasters who own the majority of the network's branches. This could in turn help secure the future of the Post Office for the public benefit.

It should also be recognised that there are some significant issues that would need to be resolved in order to allow Post Office to be mutualised. These include considering how a mutual Post Office would raise finance and working capital, and also developing an appropriate failure mechanism that does not expose the taxpayer to undue levels of risk. These issues are outlined further in section 8.3.

### Support for exploring the idea of a mutual Post Office:

"The idea of a new mutual structure for the Post Office is particularly innovative and important. This is a human capital business, which requires the human touch and the service that a mutual can bring to it." **Jesse Norman MP**

"The objective to create a mutual Post Office should have cross-party support." **Peter Hunt, Chief Executive of Mutuo**

"We want to see a first class not a second class Post Office. A mutual, rather than a state-owned, Post Office is one way to achieve that, because over time it can let the people who have the greatest interest in the network share in its success." **Ed Mayo, Co-operatives UK Secretary General**

"The possible mutualisation of the post office network deserves positive examination." **Baron Tunncliffe of Bracknell**

"We are very supportive of the Post Office eventually becoming a mutual company. However, the company has to be worth mutualising." **George Thomson, General Secretary, National Federation of SubPostmasters**

A mutual Post Office Ltd would also fit with the wider Government strategy of promoting the use of mutuals in public service delivery. More information on this wider agenda can be read in Annex 2.

### What is a mutual?

There are many types of mutual structure, but what they have in common is that their members are all committed to a common purpose and share the benefits of meeting that purpose. The UK mutual sector is large and diverse and includes many familiar organisations such as building societies, co-operatives, mutual insurers and employee owned businesses. It also includes community mutuals such as supporters' trusts and clubs and public service mutuals such as housing associations, NHS Foundation Trusts and co-operative Trust Schools. There is no single legal definition of a mutual but it is generally an organisation that is owned by, and run for the benefit of, current and future members, and has no external shareholders.

Who the members are will depend on the organisation and its purpose but they may be customers, employees, or individuals who act as proxies for the wider community. These

members are involved in the governance structure of the organisation, usually either by having a direct say in how the organisation is run, or by appointing others to exercise influence on their behalf.

## Some Myths About Mutuals

### “Mutuals are not ‘effective’ businesses”

In 2010 mutuals in Britain had a gross annual turnover of over £100bn and employed over a million people.<sup>9</sup> The co-operative sector continues to outperform the UK economy as a whole, and grew by 4.4% last year in comparison to total UK economy growth of 1.3%.<sup>10</sup>

### “Mutuals don’t make a profit”

Like any business, mutuals must make a profit to survive and to fulfil their objectives. The difference is how mutuals operate and what mutuals can do with their profits. Unlike the more familiar public limited company, there are no external shareholders and a mutual may take a more long term approach, with higher levels of reinvestment in the business or its core purpose.

Many mutuals are highly profitable businesses which would, if they were listed companies, feature in the FTSE 100. The Co-operative Group, the UK’s largest consumer co-operative, last year had gross sales of £13.7bn, and made an operating profit of £414m before tax and payments to members. It has a membership of 5.8million people and last year paid £104m to its members and communities. The Nationwide Building Society, the UK’s third largest mortgage and savings provider, achieved profit before tax of £317m in the financial year 2010/11. Equally NFU Mutual, the UK’s leading rural insurer made pre tax profits of £159m in 2010.

According to the Co-operatives UK report on the Co-operative Economy 2011, 148 co-operatives in the UK each have an annual turnover of over £5m, with a combined profit of over £600m.<sup>11</sup>

### “Mutuals are yesterday’s news”

There are many examples of successful mutuals across the world, from UEFA Champions League holders FC Barcelona, to Rabobank in the Netherlands. Globally, mutuals have a strong presence in consumer, financial and agricultural markets. The International Co-operative Alliance (ICA) estimates that the 300 largest mutuals are responsible for an aggregate turnover of US\$1.1 trillion which is equivalent to the size of the 10<sup>th</sup> largest economy in the world.<sup>12</sup>

<sup>9</sup> Britain: Made Mutual, Mutuals Yearbook 2010, published by Mutuo

<sup>10</sup> The UK Co-operative Economy 2011, Britain’s return to co-operation, Co-operatives UK

<sup>11</sup> The UK Co-operative Economy 2011, Britain’s return to co-operation, Co-operatives UK

<sup>12</sup> Britain:Made Mutual, Mutuals Yearbook 2010, Mutuo & Kellogg College, Oxford University

Because there is such a wide range of mutuals, we have set clear parameters around what form a Post Office mutual could take, in order to ensure that it continues to act for the public benefit. These are set out in the Postal Services Act and this is covered in more detail in section 8.1. The Act sets out the test for the purpose of the mutual and who the members should be, therefore providing the broad framework for a future mutualisation. It is the purpose of this consultation to establish more detail around how a mutual could be established within that framework.

## 6.6 – What would a mutual Post Office Ltd mean for my local Post Office?

A mutual Post Office Ltd would be likely to have members that reflected its make-up of stakeholders, whereas currently Post Office Ltd is a company with one ultimate shareholder: the Government. As a mutual, the new members would effectively act as owners or custodians protecting the public benefit of the post office for future generations.

Mutualisation of Post Office Ltd would be unlikely to have any immediate impact on ownership of local branches, which would continue to be privately-owned in the vast majority of cases. Mutualisation could allow members of the mutual, such as customers, subpostmasters and those with interests in the network to play a role in future strategic direction of Post Office Ltd and keep the company focused on important issues faced on the ground. Harnessing people's interest in the future of the network mutualisation could create a more vibrant and flexible network. Under a mutual Post Office, we would expect the products and services offered by branches to evolve over time, reflecting the priorities and strategic direction provided by the new members.

However the mutual would be required to continue to meet the Government's access criteria so that customers in urban and rural areas alike would still be able to access key services. We intend for a mutual Post Office to be financially sustainable but if branches in remote rural areas were not profitable or capable of being subsidised by the mutual's profits, Government would still have the power to make a financial contribution to the network, subject to EU state aid laws.

### Community-run Post Offices

The experience of an increasing number of community-run post offices has shown how well the mutual model can work at a local level, allowing communities to tailor services to their needs.

Mutualisation of Post Office Ltd is not the same as mutual ownership of individual branches, however the experience of community run branches offers a good example of the willingness of communities to get involved with their local post offices.

For example, in the village of St Germans in Cornwall, the previous Post Office closed when the subpostmaster retired and removed the premises from use as a Post Office. The village residents formed a local community group and organised fund-raising and grants to start a new shop and Post Office. The local pub gave permission for one of their old out-buildings to be used, which was completely refurbished and the community shop and Post Office opened in September last year. Volunteers from the local community group staff the shop.

## 7. How would a mutual Post Office Ltd work?

In this section we consider and develop the following recommendations of the Co-ops UK Report:

- Both those delivering post office services and those who receive them have a role to play in membership to provide a balance to protect the public interest, and to secure the engagement and support of both key interest groups.
- Independence from Government will be important, and the continuing relationship between the Post Office and Government is likely to be contractual.
- Members should engage with the Board of Directors of Post Office Ltd through a representative body rather than directly
- It may be appropriate, in order to protect the public benefit, to ensure that no group of private interests could have an overall majority.

### 7.1 – What type of mutual should the Post Office be?

As the Co-operatives UK report sets out, there are primarily three types of mutual that could be relevant to the Post Office: customer, producer and mixed. What do these models entail?

Customer mutuals, such as co-operative and building societies, were traditionally set up by customers to address a situation in which customers needed access to goods or services. By having an important stake in the running of the business, customers can keep the management focused on the issues that matter to the customer. The Co-operative Group, with an annual turnover of £13bn, is a customer mutual. The Co-operatives UK report discusses this model in more detail at page 32. We believe that, if the Post Office was solely owned by its customers, then the opportunity to further align the interests of the company and subpostmasters could be lost. In addition, given the mixture of social and economic roles that the Post Office network plays, there is a much broader range of interested customer groups than in a standard commercial entity. These would include customers, rural groups and local communities. For these reasons, while customers are clearly a crucial stakeholder group for the Post Office, we do not think that a Post Office mutual entirely owned by customers would be suitable.

By contrast, a producer mutual is a mutual set up by providers, and is generally focussed on the interests of the producers, or workers. One example of such an organisation is the John Lewis Partnership, where the underlying objective is the happiness of its members, the employees. The Co-operatives UK report discusses this model in more detail at page 31. We believe that this model is unlikely to be suitable for Post Office Ltd since it would be difficult adequately to protect the public purpose of the Post Office if it was entirely employee and subpostmaster focussed. Equally, a pure producer model usually works best when consumers have a lot of choice in where to access services. Just as a pure customer mutual might not give proper regard to the legitimate interests of subpostmasters and staff, so a purely producer model might take only indirect account of the broad range of consumer interests in the Post Office.

The Government agrees with Co-operatives UK's recommendation that a mixture of the producer and consumer models might best be suited to Post Office Ltd. The report suggested that there could be separate categories or constituencies of members, with their influence balanced at each level of the business. We believe that this structure would be the best way to ensure an effective balance between the range of different interests, and that in this way all of the Post Office's major stakeholders could be involved in the running of the business.

In a mixed membership model, an appropriate weighting would need to be created between those delivering the service and those in receipt of it. We would also need to ensure that all members had a say which was proportionate to their involvement in the business. We agree with the Co-operatives UK recommendation that no one constituency should have a majority in the mutual, to ensure that no group of private interests could be able to exert undue power over the business. This will be especially important in order to protect the public benefit.

## 7.2 – Who should be involved in the running of the mutual?

Post Office Ltd has a wide range of stakeholders with differing interests in the company. Under a mixed membership model a balance would need to be struck between those with interests as consumers and those with interests as producers (such as employees). But it would also be important to identify within those subsets who should be members of a mutual Post Office, with an influence on how it is run.

On the producer side:

- There is a clear case for **subpostmasters** playing a key role in a Post Office mutual, for example on their own account or through the National Federation of SubPostmasters (NFSP). This would help to align subpostmasters' interests with those of the mutual. It would also reflect the investment that subpostmasters have made in their branches and the fact that they would be relied upon by the mutual to sell the Post Office's services. In return, subpostmasters would rely on the mutual to maximise return on their investment in a post office.
- For similar reasons **multiples** (or franchises) such as The Co-operative, Spar, and other well known convenience stores such as Londis, Martin McColl and One Stop Shop, which often run several hundred post office branches across their retail networks, are likely to be important players in a mutual Post Office. Currently, multiples have a variety of ways of interacting with Post Office Ltd and are not all formally represented by the NFSP.
- **Front line staff** would also have an important role to play. Giving staff a say in how the mutual business is run could drive greater efficiency, improved communication and greater levels of employee engagement. Post Office Ltd employs around 8,000 staff, and there may also be a case for involving the more than 30,000 staff employed by over 9,000 subpostmasters to work in branches.

On the consumer side:

- A mutual Post Office could give its **customers** the opportunity to be direct members, to provide the company with clear sight on customers' concerns and to build and reward loyalty to the network. Alternatively, the consumer voice could be heard through a body such as the Citizens Advice Bureau.

- There may be a case for giving a direct say to entities representing different customer segments important to the Post Office or those with particular **interests in the future of the network**. So, for example, groups representing elderly people or rural interests.
- Similarly there may be a case for **community** representatives having a role, for example representatives from Local Authorities or even from parish councils.

In research commissioned by Co-operatives UK asking who should have a say in influencing how the Post Office is run, interest groups consistently identified subpostmasters, employees, customers/communities and government. By contrast there was less interest in unions and external business partners (for example Post Office Ltd's partner financial services businesses) being involved.

We would need to ensure through the mutual's constitutional documents that membership of the mutual would be responsive to changes in the network. For example, if a multiple were to decide to stop hosting post offices in its stores, it should evidently no longer be entitled to participate in the running of the mutual.

**Q2. Do you agree that a 'mixed membership' model is the correct model to be considered for a mutual Post Office? If so, whom do you consider should make up the different constituencies of members, and why?**

### 7.3 – What would Government's role be in the mutual?

Under a mixed membership model, membership of a mutual Post Office would be made up of a range of its stakeholders and we would need to consider whether Government itself should continue to be an owner. If it is decided that Government should no longer be an owner, it will be necessary to determine any ongoing relationship it would continue to have with the business.

The Co-operatives UK report recommended that it would be inappropriate for Government to continue in an ownership capacity. The report noted that Government is an important stakeholder, and has an obvious interest in the future of the business, however it suggested that independence from Government would be crucial when seeking to create an effective form of mutual ownership. The report noted that cultural change will not happen overnight and that building a successful mutual would require a clear cultural break from the past. Government retaining an ownership stake and role could make that transition much more difficult to make. Moreover, no existing large UK mutual has a Government ownership stake.

The Co-operatives UK report suggested that the future relationship between Post Office Ltd and Government could be continued on a contractual basis, with the Post Office continuing to have contracts with Government for delivery of government services, as well as a continuing commitment to the Government's access criteria, and acting in the public benefit, as specified in the Postal Services Act.

## What is Government's Present Role?

Currently, Government has multiple roles in relation to Post Office Ltd:

1. Government is the ultimate **owner** of Post Office Ltd;
2. Government holds Post Office Ltd management to account as **shareholder**, including approving the strategic direction of the business;
3. Government provides **funding** to Post Office Ltd – in the form of ongoing subsidy and a working capital debt facility;
4. In return for subsidy, Government requires Post Office Limited to maintain a network of **at least 11,500 branches** through which certain **entrusted services** must be made available;
5. Government also sets the **access criteria** to which Post Office Ltd's network must adhere;
6. Individual Government departments are **'clients'** of Post Office Ltd, who provide services on their behalf across the network (such as DWP and DVLA).

The new form of relationship with Government suggested in the Co-operatives UK report could provide much more clarity than the current arrangements under which Government has multiple roles and is simultaneously both ultimate shareholder with oversight of the company's strategy and an important client. Under a contractual relationship between a mutual Post Office and Government, Post Office could carry on providing services on behalf of Government, but otherwise could act free of Government in developing its commercial strategy.

Under such a relationship individual Government departments would continue to contract with a Post Office mutual to deliver individual services. The Government would also ensure that minimum network size and coverage requirements were satisfied, either contractually or through the mutual's constitutional documents (or a combination of both). If needed and compliant with state aid rules, Government could also fund – as now – a mutual Post Office to maintain provision of vital services over a national network larger than the Post Office would operate if it was acting purely commercially.

The Government therefore agrees with the recommendation in the Co-operatives UK report, that ideally it should not be involved in the running of a Post Office mutual in the long term. However, we would need to be confident that a contractual relationship would ensure value for money for the taxpayer. If this was not possible, it would seem appropriate for Government to continue to play a role in the ownership structure of a mutual Post Office, particularly if the business is still in receipt of public subsidy. The provisions of the Postal Services Act ensure that the Government and Parliament must be satisfied in advance that a mutual Post Office's governance arrangements make sure that it is run for the public benefit. In section 8 we discuss further the safeguards necessary to ensure that the Post Office would uphold its public purpose.

Any transfer from Government ownership to a mutual would happen over time, and transitional arrangements would be put in place to ensure that any move from ownership to a contractual relationship was graduated and as smooth as possible. It is also important to point out that before Government could be removed from the ownership structure of a mutual Post Office we would need to be satisfied that the Post Office was financially sustainable, independently

capable of raising finance and working capital, and that an appropriate failure regime could be developed.

**Q3 – Should Government fully transfer its ownership of the Post Office to the mutual over time? Please give the reasons for your views.**

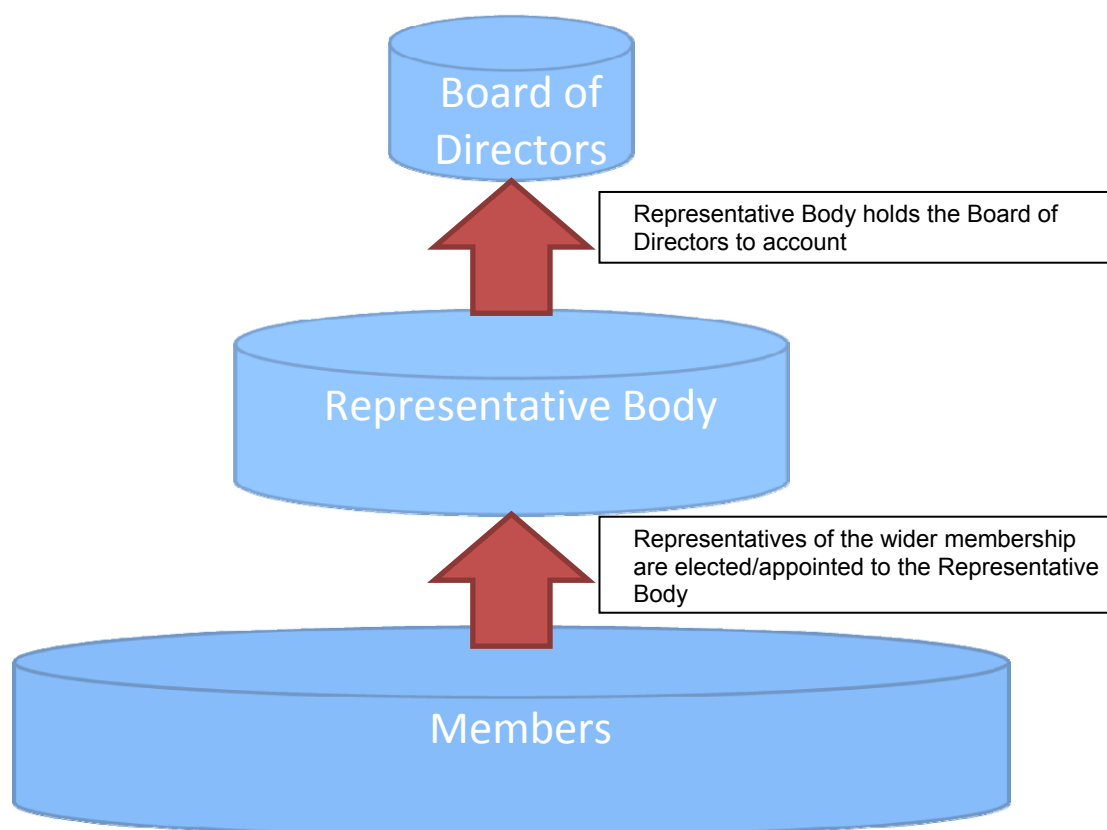
## **7.4 – How would members engage with the business?**

It will be important to balance the need to foster engagement of the members of the mutual in the business with the need to ensure effective day to day management of a business operating in competitive and fast moving markets. It will be vital to ensure that any change in governance arrangements does not result in a structure that is too complicated, expensive or cumbersome; nor too lightweight or limited in scope.

A key question to address is what links there should be between the democratic element (the members) and the executive element (the directors) of the mutual. Through what channels would the members be able to have a say over how the directors are running the business?

In their report, Co-operatives UK looked at a range of models of governance before concluding that a three-tier structure would be most appropriate. Under the three-tier structure, there would be a general membership, made up of different constituencies of member as discussed above. The members would be represented on a representative body, which could be elected by them, appointed on their behalf or a mixture of the two. The representative body could have certain powers of scrutiny and account over the board of Post Office Ltd, including, for example, the power to appoint members of the board. The board of directors would have responsibility for the day to day running of the business.

The Government considers that this structure appears to be the most suitable for a Post Office Mutual. This is because other options do not allow for a high enough level of engagement from members in the running of the business, which we feel will be necessary in a mutual Post Office.



### The Representative Body

The purpose of the representative body would be to act as a formal link between the board of the company and the wider interests of its members. The primary objective must be to ensure that the purpose of the mutual is delivered (i.e. that it acts for the public benefit), and this could be achieved through a range of different governance structures. For example, The Board of Governors (equivalent to the representative body) of Foundation Trusts have wide-ranging powers, such as being consulted on the preparation of forward plans, appointing directors to the Board and auditors, as well as approving the accounts. On the other hand, the Partnership Council of John Lewis Partnership is much more limited and has only one power (which has never been exercised) - the ability to remove the Chairperson.

Whichever approach is adopted, it will be vitally important to ensure that any representative body adequately reflects the full range of interests of the different groups of members. It will also be critical to ensure that the composition of the representative body is properly balanced, requiring consideration of the relative weighting of each constituency of members. The Co-operatives UK report suggests that no one constituency of members (for example, subpostmasters or customers) should have an overall majority on the representative body. We agree with this and propose that those representing consumer interests and those representing producer interests should, taken together, have equal voting rights but that decisions of the Representative Body would require a majority of votes cast to ensure no one interest could dominate.

If this consultation concludes that there should be a representative body, thought will then need to be given to how members become part of the representative body. Representatives could be elected from the general membership, with a certain number of representatives elected from each constituency of members. Alternatively, representatives could be appointed from elements of the membership to sit on the representative body, for example to represent charities, voluntary sector entities or consumer bodies with particular interests in the network.

It will be important that any new governance arrangements do not adversely affect the day-to-day running of the business, or create significantly slower or more expensive decision making processes. The Co-operatives UK report remarks that there is a general assumption that when wider interests participate in governance the decision making process becomes more complex and cumbersome. It would therefore be essential to ensure that there is a suitable balance struck between adequate strategic oversight and challenge by the representative body, and the ability of the Board of Directors to run the business effectively. For any mutual, it is essential that the business is run as efficiently as possible, and decisions should not be delayed by an unwieldy governance structure. This would be particularly important for the Post Office, given the breadth and scale of its operations.

Although it is difficult to compare examples of representative bodies in other organisations, it is usual for such bodies to be limited to a manageable number. For example the National Trust's 'Representative Council' is made up of 52 members, and the John Lewis Partnership Council is made up of 80 members. NHS Foundation Trusts tend to have smaller representative bodies of around 24-30 members. Representative bodies such as these are often referred to as a "Council" or a "Trust", although they usually do not actually meet the legal definition of a trust.

### **The Board of Directors**

The Board of Directors would have clear operational control of the business, but with obligations to the representative body in certain areas. For example, It is likely that the Board of Directors would need to report to the representative body on a regular basis on the performance of the business.

We envisage that the current broad governance arrangements of Post Office Ltd, which are being put in place prior to separation of Post Office Ltd from Royal Mail as set out in section 6.4, would continue. As now, the Board of Directors of the business would be composed of a Non-Executive Chairman, Non-Executive Directors and Executive Directors. In line with corporate governance best practice, the board would include a majority of independent non-executive directors with an appropriate range of skills and experience. The role of non-executive directors is to be independent and objective of executive directors, to support and challenge them and to perform the first line of scrutiny of executive decision making. Board appointments could be subject to scrutiny by the representative body. Any role the representative body might play in appointing the members of the Board would need to be set out in the mutual's constitutional documents.

**Q4 – Do you agree that the members should engage with the business's Board of Directors through a representative body? Or do you think an alternative governance structure would be more appropriate? If so, please explain.**

**Q5 – Who do you think should sit on the representative body? Do you agree that there should not be an overall majority of members representing either consumer or producer interests?**

## 8. Next Steps and Safeguarding the Future

In this section we look at the following recommendations of the Co-ops UK Report:

- There may well be a legitimate public interest in permitting limited distributions of profits to participants in the business, subject to safeguards to protect the public benefit.
- Some form of protection of assets will be necessary to safeguard Post Office Ltd for future generations, and to ensure it cannot be demutualised.

### 8.1 – What existing safeguards are there, and what would need to be introduced?

The provisions in the Postal Services Act, as summarised in the box below, ensure a certain level of protection over the mutual. It could not be demutualised, unless it was returned into public ownership, so could not be sold to the private sector. Equally, moving the Post Office to a different mutual would require the prior approval of the Secretary of State. However, we would like to explore whether further safeguards would be needed.

#### The Postal Services Act 2011

- The Postal Services Act 2011 allows for (but does not require) the mutualisation of Post Office Ltd. Three conditions set out in section 7 of the Act must be met by a 'relevant mutual' in order for the Post Office to be transferred.
- Condition A (section 7(2)) is that the main purpose for which the body exists is to act for the public benefit, and to do so by promoting the public use of Post Office services.
- Condition B (section 7(3)) is that the members of the body are a) people who have an interest in the use by the public of Post Office services (including employees and subpostmasters); or b) people who act on behalf of, or represent, those people.
- Condition C (section 7 (4)) is that the body has in place arrangements to prevent disposals of property or rights by Post Office Ltd that would be inconsistent with the purpose for which the body exists.
- The Act also ensures (in section 4 (5)) that no disposal of a mutual's interest in Post Office Ltd may be made other than to another relevant mutual, the Secretary of State or a company wholly owned by the Crown.
- The Act also ensures (in section 5 (2)) that before any disposal to a mutual is made, a report must be laid before Parliament containing details of the proposed transfer. Parliament will then need to approve the disposal.

## Protection of other assets

Although the large proportion of post offices are privately owned, Post Office Ltd owns capital assets which would also need to be protected to ensure that they were preserved for the public benefit, and that distributions (if permitted) could only be made from a trading surplus and not from other assets. For this reason, and especially to meet Condition C as set out in Section 7(4) of the Postal Services Act 2011, we think that a form of asset lock will need to be included in the constitutional documents of a Post Office Mutual.

Despite the protections that should be placed around the Post Office's assets, we agree with Co-operative UK's recommendation that the business will need to be free to buy and sell property and other assets and to enter into joint ventures and other commercial arrangements if it is to maximise its commercial opportunities. The asset lock will therefore need to ensure the Post Office's assets are used for the public benefit while allowing the business to buy and sell assets to better deliver it.

## Constitutional protections

Many details would need to be written into the constitution of the Post Office mutual to ensure that it would continue to function as specified in the Act, and so that the Secretary of State and Parliament could be satisfied that the relevant conditions in section 7 of the Act (as set out above) had been met. As the Co-operatives UK report points out, it is likely to be necessary to place some restrictions on the ability to amend the constitution to ensure that the conditions continue to be met in the future.

## 8.2 – Should the Post Office mutual's members have the ability to benefit financially from the mutual?

As set out in the Act, the overriding purpose of a Post Office mutual would be to act for the public benefit. Making a surplus would not be an end in itself but would be the means to protect the public benefit. However, potential members of the mutual would need to be aware of any financial benefits they may be entitled to receive from the mutual and this factor would be likely to influence individuals' decisions over whether to become a member. Traditionally, mutuals exist to better fulfil their purpose, rather than solely to maximise returns for investors. While mutuals still seek to make a surplus, that surplus is traditionally reinvested in the business or returned to the members, and not distributed to external investors.

In its current state, Post Office Ltd would not generate a profit without significant subsidy from Government. Over the course of this Parliament, Post Office Ltd is projected to move back towards financial viability, with the level of ongoing Government subsidy dropping significantly. Once a mutual Post Office produced a surplus without subsidy (and as set out above, there is still much to be done commercially to ensure that this would be possible), there could be the potential to make distributions to members. This would of course be subject to the principle that any distribution must be consistent with acting for the public benefit. The business would need to have made sufficient investment in growing its business to meet that requirement before any distribution was made.

Mutuals may limit the extent to which surpluses can be redistributed to their members - typically by choosing to underpin their mutual ownership model with one of the legal structures designed for social enterprise, such as a Community Interest Company or Community Benefit Society, which have built in restrictions on the distribution of profits and assets. We would need to ensure

any such restriction were appropriate for the Post Office. While the Post Office has a social purpose and is committed to acting in the public benefit, it faces competition for all but one of its more than 170 products. Consequently there may be an argument that giving a mutual Post Office powers to make distributions could incentivise those who run the network to focus on driving up its competitiveness by making it a more attractive place to do business. This is, however, only likely to be appropriate once the business is able to generate sufficient cash to meet all of its operating costs and investment needs. In addition, it would be of foremost importance to ensure that the public benefit was protected.

It would be possible to place restrictions in the mutual's constitutional documents on the proportion of profits that could be distributed to members, and to ensure that a certain proportion of profits would be reinvested either in the business or in communities.

**Q6 Do you think a mutual Post Office should have the ability to make distributions to members, provided that the public benefit can be protected and financed through its constitution?**

### 8.3 – Other Considerations

In this consultation we have concentrated on what the broad governance arrangements of the business should be. We recognise that there would also be more detailed governance complexities of governance to address in due course before any move to a mutual could be made. These include:

- The detailed powers of the Members, Representative Body and Board of Directors.
- The mechanism for filling the Representative Body and the exact weighting between different stakeholders on the Body.
- How the mutual is able to raise and finance investment as necessary, as well as how it funds its working capital (which is currently done via a facility provided by Government and approved by the EU).
- If subsidy continues, Government will need to ensure that the mutual is accountable for any subsidy provided to it (most likely through a contractual arrangement).
- If, as the Co-operatives UK report suggests, the ongoing relationship with Government is to be a contractual one, with Government no longer an owner, the relationship will still need to be such that Government can ensure that the mutual is incentivised to reduce its reliance on Government funding. All funding would also need to be compatible with EU State Aid rules.
- The appropriate formal ownership model and corporate form for the mutual (see Annex 3).
- We would also need to ensure that the mutual is committed in the long term to providing an appropriate level of service across the country, and that the needs of users are taken into account when planning service provision.

- Sufficient protections would need to be put in place to preserve the public benefit, particularly regarding minimum levels of service provision.
- It is also normal for failure protections to be built in when any business moves out of direct Government ownership.

**Q7. Do you have any comments on the considerations outlined? Are there any other considerations you think Government should pay particular attention to, in the event of a transfer of Post Office Ltd to mutual ownership?**

## 8.4 – Conclusion and Next Steps

This consultation will close on 12 December, after which we will consider all contributions, and we plan to publish our response to the consultation in spring 2012. In this consultation we have set out:

- 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.
- A summary of additional 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.

Even if there continues to be broad support for mutualisation, there could not be an overnight change to a mutual model for Post Office Ltd and, given the current financial position of the post office network, transition would inevitably take a number of years. Nonetheless, Government believes that clear progress towards mutualisation could be made by the end of this Parliament, having taken a number of important steps to develop the culture and operating methods needed to succeed as a mutual. This process will also need to take into account the practical issues highlighted above.

As part of the Government’s response to this consultation we will set down criteria that must be met before a move to a mutual could be made. These conditions are likely to focus on the following four key issues:

- The successful progress of Post Office Ltd’s strategy to modernise its network, grow new revenues and confidence that the company is, or will soon be, on a sustainable financial footing.
- The support of stakeholders to proceed with a move to mutualisation and broad consensus on a particular governance structure.
- The ability to secure parliamentary approval for the proposed transfer to a mutual.
- The ability to demonstrate that any transfer to a mutual will represent value for money and be affordable for the taxpayer

Given that it will be some time before the necessary conditions are in place to allow mutualisation to happen, if there is continued support for the idea of mutualisation we will encourage transitional arrangements to be put in place before any full transfer to a mutual. This would help to drive the significant changes in culture that would inevitably be required across the range of stakeholders in the post office network for the transition to a mutual to be a success. To take two examples, a working group helping to map out the path to mutualisation could be established in order for stakeholders to begin to become more involved with the running of the business, and support systems could be put in place to ensure that future Members of a mutual Post Office had the capacity (and were aware of their responsibilities) to play an effective role in the new business.

A broad outline of the steps that would be required on the path to a mutualisation of Post Office Ltd is set out below.



**Q8. In the light of this document do you consider that mutualisation should be the preferred future ownership model for Post Office Ltd, as opposed to continued Government ownership? What do you see as the advantages and disadvantages of mutualisation for the post office network and its users?**

## 9. Consultation questions

1. Do you agree with this analysis of the value of the Post Office network? Are there any aspects of your post office experience that you consider particularly important for a mutual Post Office to retain?
2. Do you agree that a 'mixed membership' model is the correct model to be considered for a mutual Post Office? If so, whom do you consider should make up the different constituencies of members, and why?
3. Should Government fully transfer its ownership of the Post Office to the mutual over time? Please give the reasons for your views.
4. Do you agree that the members should engage with the business's Board of Directors through a representative body? Or do you think an alternative governance structure would be more appropriate? If so, please explain.
5. Who do you think should sit on the representative body? Do you agree that there should not be an overall majority of members representing either consumer or producer interests?
6. Do you think a mutual Post Office should have the ability to make distributions to members, provided that the public benefit can be protected and financed through its constitution?
7. Do you have any comments on the considerations outlined? Are there any other considerations you think Government should pay particular attention to, in the event of a transfer of Post Office Ltd to mutual ownership?
8. In the light of this document do you consider that mutualisation should be the preferred future ownership model for Post Office Ltd, as opposed to continued Government ownership? What do you see as the advantages and disadvantages of mutualisation for the post office network and its users?

## 10. What happens next?

This consultation will close on 12<sup>th</sup> December 2011. We will then analyse all the responses and expect to publish the Government Response in spring 2012.

# Annex 1: Recommendations of Co-operatives UK Report

## Purpose

1. The purpose for which Post Office Ltd exists is to act for the public benefit:
  - This is set out clearly in the Postal Services Act, and must be secured in any process of transfer into mutual ownership
  - Post Office Ltd has a recognised social value, illustrated in research and by public support;
  - Research for this project supports the view of an underlying public purpose.
2. However, Post Office Ltd is a business, and unless it succeeds as a business, it will not be able to continue delivering public benefit.
3. For Post Office Ltd to succeed as a business, the business of operating post offices must be commercially attractive, both to independent subpostmasters and to multiples.

## Ownership

4. Both those delivering the service and those in receipt of it have a role to play in ownership, to provide a balance to protect the public interest, and to secure the engagement and support of both key interest groups.
5. In relation to those delivering goods and services, there are a wide range of people and organisations involved, certainly including Post Office Ltd employees, subpostmasters, multiple store operators and employees of subpostmasters and multiples. These have important, but significantly different interests, and it may be appropriate to recognise some or all of them separately as constituencies of members. Their respective interests also need to be balanced in relation to each other.
6. Looking at those in receipt of post office services, given the direct and indirect importance of post offices within communities, there may be a good argument for recognising both customers and wider community interests as possible constituencies of members.
7. The research rightly identifies Government as an important player, both politically and given the potential for increased business for the Post Office as a front-office for Government. However, since Government is seeking to create a form of mutual ownership, independence from Government will be important, and the continuing relationship is likely to be contractual. Therefore, continuing in an ownership capacity seems to be inappropriate.
8. There are a range of possible approaches to ownership/membership including:
  - The direct membership of the business by individual people, as in the case of the Co-operative Group and the South Essex Partnership;
  - Representative membership by a limited number of chosen individuals as in the case of Glas Cymru;
  - Ownership by a trust, with a separate democratic structure, as in the case of the John Lewis Partnership (but based on a range of interests, not just those of employees or producers).

## Governance

9. Of the three basic models for governance examined, Model 3 (based on a separate representative body and board of directors) seems to be the most appropriate for a large, complex business moving out of state ownership.
10. The composition of the board of directors, in terms of the executive directors, must reflect the needs of the business. The board should probably include a majority of independent non-executive directors.
11. The composition of the representative body should reflect an appropriate balance of different interests. The following points seem appropriate:
  - The majority should comprise representatives elected by and from the various constituencies of members;
  - The representative body could include a minority of individuals appointed by particular specified organisations, for example from consumer groups and the voluntary or charitable sector;
  - It may be appropriate, in order to protect the public benefit, to ensure that no group of private interests (such as operators) could have an overall majority;
  - Consideration needs to be given to the role of devolved and local government.
12. Distributions – there may well be a legitimate public interest in permitting some limited rewards to be paid out of profits to participants in the business.
  - It will be a matter for the Secretary of State to decide whether this would be compatible with the commitment to public benefit;
  - If such distributions are to be permitted:
    - Parameters will need to be set out in the constitution;
    - The process for deciding about such distributions will need to be specified;
    - Such parameters and process will need to properly protect the public benefit.
13. Protection of assets – some form of protection of assets will be necessary to safeguard Post Office Ltd for future generations, and to ensure that it cannot be demutualised.
14. Constitutional protections – if certain key constitutional features are needed to protect the public benefit and to safeguard the business for the future, provisions will be needed in the constitution to make sure that those provisions are “entrenched” and cannot be changed by future generations.
15. Organisational culture – a mutual constitution provides a framework and an opportunity for a more participative approach to governance. However, it is insufficient, in itself, and appropriate support, including training and development, will be needed to assist Post Office Ltd in the transition. The inclusion of a reference to values and principles within the constitution can be a helpful way of linking structure to culture.

# Annex 2: Government's wider agenda on mutuals

The coalition Government has an unprecedented ambition to reform how public services are delivered, to drive up quality and create more value. The Efficiency and Reform Group (ERG) in the Cabinet Office is working to offer innovative solutions that meet the public's rising aspirations.

The coalition Government is breaking this down, creating new options and removing roadblocks to innovation in public service provision both within central Government and across the wider public sector.

We are enabling different services and groups of staff within the public sector to spin out into organisations with a significant degree of employee control or ownership.

The coalition Government is determined to devolve power to those who actually deliver services, and are particularly interested in the benefits offered by forms of mutualisation such as increased staff motivation and increased productivity. These organisations have the potential to unlock the latent enterprise and ability of public servants, combining the best of the public service ethos with a more entrepreneurial, customer-focused approach. We are also keen to involve the voluntary, community and social enterprise (VCSE) and private sectors.

Inevitably, the process of pursuing these ambitions will look different for different public services. The Cabinet Office is offering flexible, targeted support in order to ensure that ambitions are met in a broad range of environments, developing 'Rights to Provide' for the civil service and wider public sector.

## Wider Public Sector Mutuals

### "Rights to Provide"

For public sector workers who want to form mutuals or cooperatives to deliver public services, Government is delivering 'Rights to Provide'.

- The Department of Health has established a Right to Provide for NHS workers
- The Localism Bill is bringing in a Right to Challenge (Right to Provide for local government employees)

There are three main elements to the Mutuals work in the wider public sector:

- **Mutuals Taskforce**

Francis Maude has appointed Professor Julian Le Grand to Chair the Mutuals Task Force, which brings together key policymakers and experts to drive further and faster the changes to policy and process necessary to enable public service mutuals to develop.

The Mutuals Taskforce is working with Departments on the development and implementation of these rights by focusing, for example on specific service areas of Local Government, provision including Youth Services and Probation.

- **Pathfinder programme**

To lead the way in forming more mutuals the Cabinet Office set up a Pathfinder programme, involving more than 20 groups of public service employees, in August 2010 with a second wave in February 2011

- **Mutuals Support Programme**

The Mutuals Support Programme is a fund of more than £10m, dedicated to supporting some of the most promising and innovative mutuals so that they reach the point of investment readiness. Further information will be available shortly.

## **Central Government – New Commercial Models**

In Central Government, ERG is focused on developing new commercial models, working with government departments to allow professionals who deliver public services to take control, and to tailor their services to meet the needs of the taxpayer and the service user. The first of these is My Civil Service Pension (MyCSP).

Through the Enterprise Incubator, Cabinet Office will directly support fledgling organisations to become viable businesses, harnessing new commercial models to drive their success and engage their employees. Dedicated teams led by experienced experts in employee engagement will work alongside civil servants to enable them to deliver services in innovative ways.

Empowered employees with ownership of the organisations they work in will have higher levels of productivity and innovation. The result will be better, more efficient public services.

## Annex 3: Alternative Structures

As we have discussed in section 7, it is important to focus on which body or individuals should hold management to account, but there is also the question of how that body links to the actual ownership of the business. The Co-operatives UK report discusses three broad forms in which ownership of a mutual can be held; direct membership, representative membership (referred to here as selected membership) and trust membership.

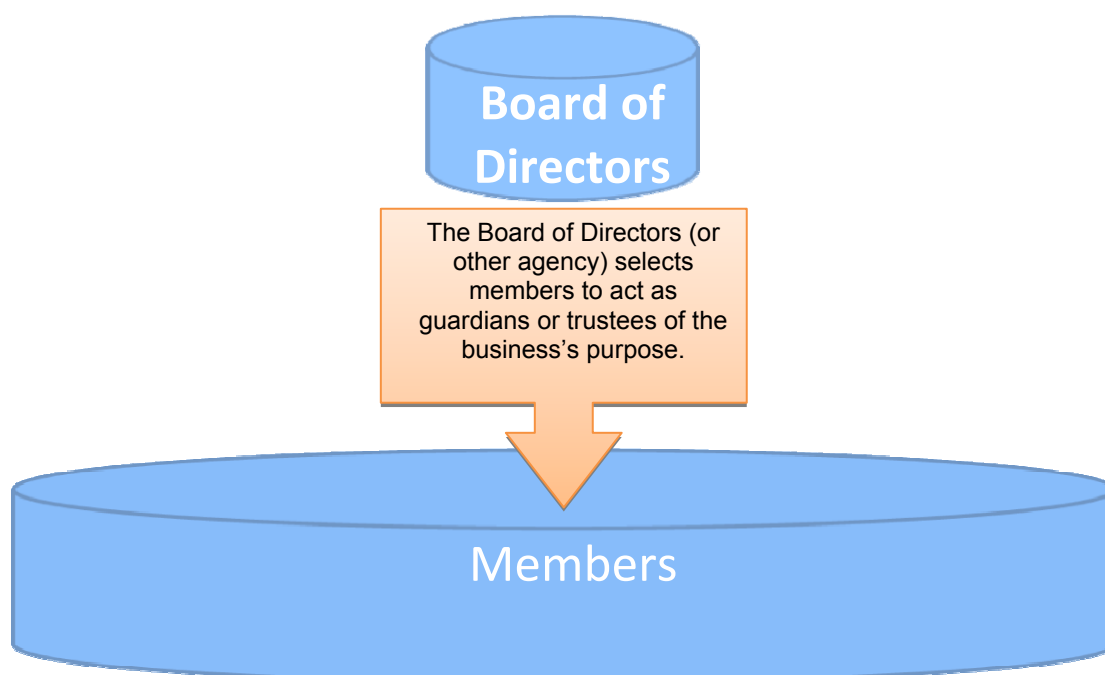
### Direct membership

An example of an organisation with direct membership is the Co-operative Group. Under a direct membership structure, each individual member (for example each customer or member of staff) would directly own a stake in the mutual. In larger organisations, this model of mutual ownership tends to be accompanied by a governance structure which involves a representative body (elected by the members) through which the members engage with management in the running of the business. Without this, with a large number of direct members, decision making in the organisation can become unwieldy. With an elected representative body, members can be divided into constituencies to separate their different interests, or locations.

In a mutual Post Office, direct membership could ensure that all who have an interest in the Post Office can have a say – either directly or through their elected representative – in how it is run. Particular attention would need to be paid as to whether individual customers should be members, or whether they could be represented in some other way in the governance structure of the business (through selected membership – see below).

### Selected membership

An example of an organisation with selected membership is Glas Cymru (Welsh Water). In organisations with selected membership, not all of those with an interest in the organisation are automatically entitled to take membership/ownership rights. Instead, members are selected (by the company's board or by an external agency) to represent those interests, usually because they have experience in the sector, or a keen interest in the company's aims. The selected members may have rights to remove the Chairman of the company and/or approval rights over appointments to the Board. Under this model, the selected members are effectively obliged to act as guardians or trustees of the business's purpose. They are also expected to play the role conventionally carried out by shareholders of the business, except that they receive no financial benefit from doing so. Depending on the number of selected members appointed, it may be that all members of an organisation are able to hold the Board to account without the need for a subset of them to form a separate representative body.

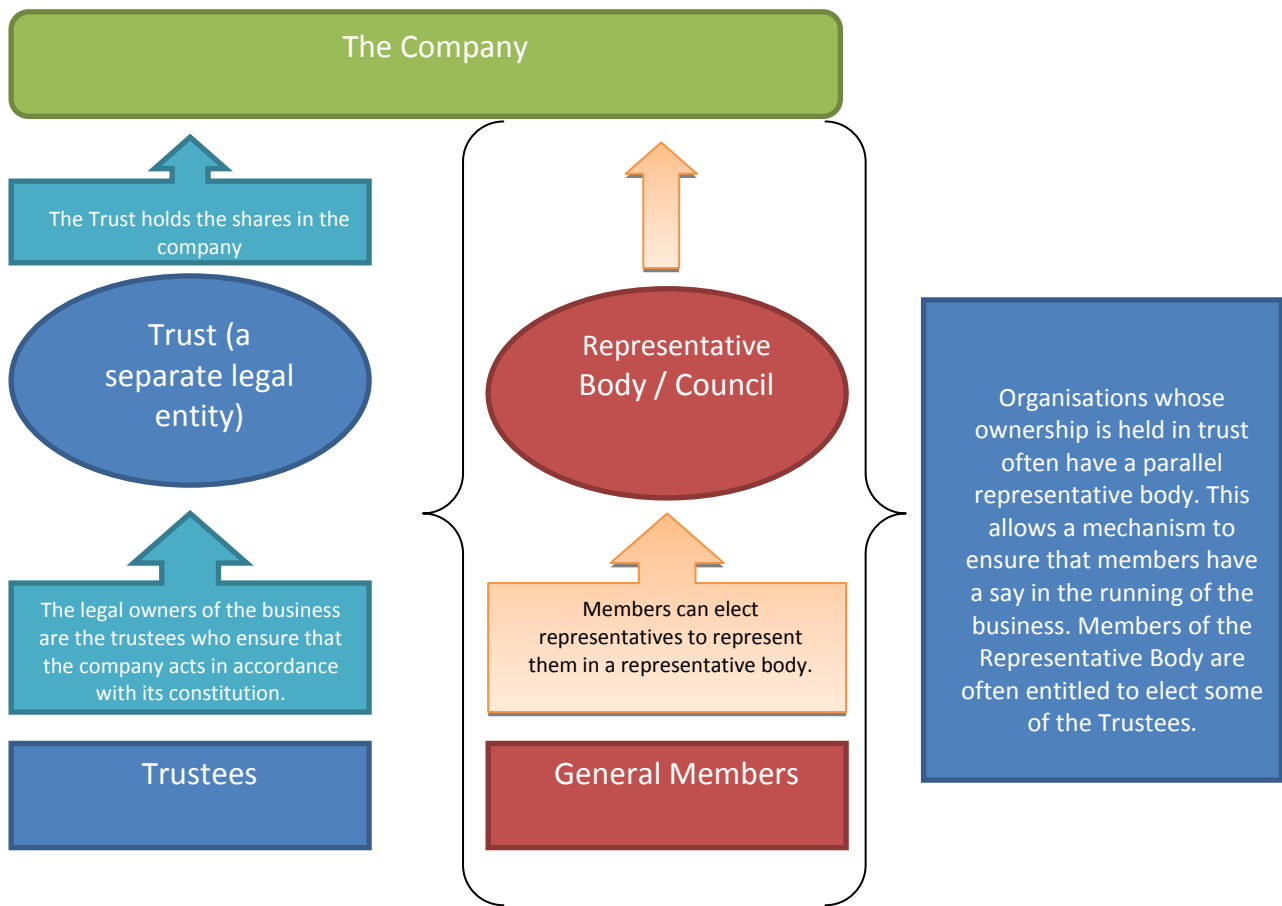


Under selected membership, members could be appointed by the Post Office board and would have a duty to ensure that the company acted in the public benefit. One of the advantages of this approach is that it is likely to be less resource intensive than the direct membership approach. But the major disadvantage of this approach is that only a limited number of, for example, employees or subpostmasters would be able to have a direct say in how the business is run, and their appointment would depend on them being selected by the board. While the representatives would be encouraged to act in a similar way to the representatives on the representative body, the difference is that they are appointed by the Board to act on behalf of a much wider constituency of members, many of whom may be unaware that they are being represented.

### Trust ownership

An example of an organisation with trust ownership is the John Lewis Partnership. In this type of arrangement, ownership is not held by individual members, but by a separate trust. The trust is a separate legal entity – established for specific purposes - which holds the shares in the company and ensures that the company acts in accordance with its constitutional arrangements.

Under trust ownership, the legal owners of the business are the trustees – the people who run the trust. Usually there are only a small number of trustees, so organisations whose ownership is held in a trust may have a parallel representative body. This allows a mechanism to ensure that members have a say in the running of the business, and in some cases also to appoint the trustees. For example, John Lewis has a maximum of five trustees, three of whom can be appointed by the Partnership Council, which is a representative body of the partners (ie members). The National Trust is a charity which operates in a similar way to John Lewis. It is owned by a trust, but has a separate representative Council which appoints the trustees and makes sure they carry out their duties properly. The Council is made up of 52 members: 26 are elected by the general members of the National Trust; and 26 are appointed by organisations whose interests coincide in some way with those of the National Trust.



In a Post Office mutual, this could work in a similar way, with Post Office Ltd being legally owned by a trust – established for purposes which protect the public benefit – but also having a separate council through which members could have a say in how the business is run. Members of that Council could be elected or appointed or a combination of the two.

# Annex 4: The Consultation Code of Practice Criteria

Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Consultation should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

## Comments or complaints

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

Sameera de Silva,  
BIS Consultation Co-ordinator,  
1 Victoria Street,  
London  
SW1H 0ET

Telephone on 020 7215 2888  
or e-mail : [Sameera.De.Silva@bis.gsi.gov.uk](mailto:Sameera.De.Silva@bis.gsi.gov.uk)

## Annex 5: Organisations consulted

We have sent the consultation document to the following organisations:

ABCUL  
Age UK  
All Party Parliamentary Group on Post Offices  
All Party Parliamentary Group on Employee Ownership  
Association of Convenience Stores  
Budgens  
Business in the Community  
Business Innovation and Skills Select Committee  
Citizen's Advice Bureau  
Communication Workers Union  
Consumer Focus  
Consumer Focus Scotland  
Consumer Focus Wales  
Consumer Focus Post (Northern Ireland)  
Convention of Scottish Local Authorities  
Co-operatives UK  
Co-operative Retail Trading Group  
Costcutter  
Countryside Alliance  
Credit Union Foundation  
Employee Ownership Association  
Equality and Human Rights Commission  
Federation of Small Businesses  
John Lewis plc  
Local Government Association  
Londis  
Martin McColl's Ltd  
Mid Counties Co-operative  
Mutuo  
National Assembly of Wales  
National Association of Local Councils  
National Federation of SubPostmasters  
Northern Ireland Assembly  
Northern Ireland Chamber of Commerce and Industry  
Northern Ireland Executive  
Northern Ireland Local Government Association  
Ofcom  
Office of the First Minister and Deputy First Minister, Northern Ireland  
One Stop Stores Ltd  
Plunkett Foundation  
Postcomm  
Post Office Ltd  
Premier Stores  
Rural Shops Alliance  
Royal Mail Group Ltd  
Social Enterprise Coalition

Scotmid Co-operative  
Scottish Chambers of Commerce  
Scottish Government  
Spar UK  
Tates Ltd  
The Co-operative Group  
Trades Union Congress  
Unite the Union  
Welsh Assembly Government  
Welsh Local Government Association  
WH Smith

# Annex 6: Consultation response form

You can also respond online to this consultation at [www.bis.gov.uk/pomutualisation](http://www.bis.gov.uk/pomutualisation) or email responses to [postoffice.mutualisation@bis.gsi.gov.uk](mailto:postoffice.mutualisation@bis.gsi.gov.uk)

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 12 December 2011

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Name:  
 Organisation (if applicable):  
 Address:

Please return completed forms to:

Post Office Mutualisation Consultation  
 Shareholder Executive  
 Department of Business, Innovation and Skills  
 1 Victoria Street  
 London  
 SW1H 0ET  
 Tel: 020 7215 5000  
 Fax: 020 7215 5336  
 Email: [postoffice.mutualisation@bis.gsi.gov.uk](mailto:postoffice.mutualisation@bis.gsi.gov.uk)

Please tick the box from the list below that best describes you as a respondent. This allows views to be presented by group type.

<input type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Central Government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Large business (over 250 staff)
<input type="checkbox"/>	Legal representative
<input type="checkbox"/>	Local Government
<input type="checkbox"/>	Medium business (50 to 250 staff)
<input type="checkbox"/>	Micro business (up to 9 staff)

	Small business (10 to 49 staff)
	Trade union or staff association
	Other (please describe)

**Question 1: Do you agree with this analysis of the value of the Post Office network? Are there any aspects of your post office experience that you consider particularly important for a mutual Post office to retain?**

**Question 2: Do you agree that a 'mixed membership' model is the correct model to be considered for a mutual Post Office? If so, whom do you consider should make up the different constituencies of members, and why?**

Yes       No       Not sure

**Comments:**

**Question 3. Should Government fully transfer its ownership of the Post Office to the mutual over time? Please give the reasons for your views.**

Yes       No       Not sure

**Comments:**

**Question 4. Do you agree that the members should engage with the business's Board of Directors through a representative body? Or do you think an alternative governance structure would be more appropriate? If so, please explain.**

Yes       No       Not sure

**Comments:**

**Question 5. Who do you think should sit on the representative body? Do you agree that there should not be an overall majority of members representing either consumer or producer interests?**

**Question 6. Do you think a mutual Post Office should have the ability to make distributions to members, provided that the public benefit can be protected and financed through its constitution?**

Yes       No       Not sure

**Comments:**

**7. Do you have any comments on the considerations outlined? Are there any other considerations you think Government should pay particular attention to, in the event of a transfer of Post Office Ltd to mutual ownership?**

**8. In the light of this document, do you consider that mutualisation should be the preferred future ownership model for Post Office Ltd, as opposed to continued Government ownership (A)? What do you see as the advantages and disadvantages of mutualisation for the post office network and its users?**

**A**  Yes       No       Not sure

**Comments:**

**Do you have any other comments that might aid the consultation process as a whole?**

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No

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This publication is also available on our website at [www.bis.gov.uk/pomutualisation](http://www.bis.gov.uk/pomutualisation)

Any enquiries regarding this publication should be sent to:

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