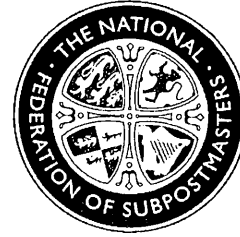


CB/LW PC SC 21

20 October 2005



NFSP

Dear Colleague

**RE: RESTRICTIONS**

I am taking the unusual step of writing to you to explain the Federation's view of the new Restrictions Policy being introduced by Post Office Ltd.

The Federation has been very closely involved in seeking to protect member's investments in their businesses. We believe that this investment is best protected by Subpostmasters continuing to operate with the brand "Post Office" on their premises, as part of a nationwide network of Post Offices across the land and across the water. It is clear that in order for this network to continue as such, it needs an infrastructure to support it. That infrastructure is provided by Post Office Ltd. It needs a core of products and services to provide the income in order for it to do so.

Some obvious examples of the infrastructure, which enable the network to operate as such, are the provision of cash and its collection, and the same, of course, of stock. The Horizon system, which enables products and services to be sold to customers and reconciled with clients, and very importantly the Core Payment and Assigned Office Payment on which some Subpostmasters are totally dependant and is an essential contributor to Subpostmasters' pay.

There are other examples of the infrastructure, which are not so readily recognised. The research and development of new products and services, the advertising spend and the support structure, which is essential for the network to be maintained. This in effect is the glue that binds the network together.

To continue to provide this infrastructure Post Office Ltd needs to retain its strong identity in the community and to have key products, which are known by the population as products you can get from the Post Office. If Subpostmasters could opt in or out of Post Office products and services to suit themselves, Post Office Ltd would not be able to operate in this way and Post Office products and services might start to be distributed in other retail outlets. This would lead to there being no infrastructure for Subpostmasters, indeed it would make Post Offices no different from any other shop on the High Street.

The Federation believes that your investment is best protected by remaining as a Sub Post Office in a network of Post Offices. We, therefore, support the need for key products and services being retained as Post Office products within the Subpostmasters' Contract. Moreover, we took no issue with the list of products and services contained in the new restrictions policy, which is fewer than before and better clarified. There was, however, an area where we had concerns. This was where Post Office Ltd have the ability to change their key products and services, merely by notifying Subpostmasters. This was the position within the previous contractual arrangements and although not abused by Post Office Ltd, it gave us concerns that they could extend their products and services into areas where it is clearly desirable for subpostmasters that they should not.

We have been in talks with Post Office Ltd about this and they have now agreed to some significant improvements in the manner in which the list of products could change. They have agreed the following.

- They have removed the barrier to Federation representation on this subject.
- They have agreed to give at least 12 months notice of any proposed changes to the list of products and services.
- They have undertaken to add only products and services that are a key part of the business.

In addition to this they have confirmed in writing that they are happy to give the Federation its commitment to consulting fully with us with a view to seeking an agreed way forward on any future proposals to extend the list of key products and services. They have also agreed to extend that list only when it is absolutely essential to do so.

Given the need to ensure the network continues with this supporting infrastructure, but with a reduced number of restricted products that are better clarified, and with representation and consultation rights, the Federation is satisfied that it has achieved a much fairer and more secure contract regarding restrictions. We therefore encourage members to sign and return the necessary documentation, asking for waivers where appropriate.

Members can be assured that we will continue to work with Post Office Ltd and others to build on the opportunities the new arrangements provide.

I trust that this letter is helpful in clarifying the Federation's position.

Yours sincerely



**COLIN BAKER**  
General Secretary