

Transfer of Engagements – Frequently Asked Questions

The following questions and answers are intended to provide members with some additional information about the proposed transfer of engagements. They have been collated based on discussions had by the Board in its deliberations prior to recommending the transfer and to provide some information that has been agreed as part of the Heads of Terms document agreed between TPC and Midcounties to enable the transfer discussions. It is not an exhaustive list.

Q1	Would it be better for TPC to remain an independent society?	A Our main purpose is to provide telecommunications co-operatively. The telecommunications market has changed significantly since TPC's launch. There has been much rationalisation resulting in the market, particularly residential, being dominated by large corporations including BT, Sky, Vodafone & Virgin. Size and scale are very much required to succeed. Aligning with Midcounties provides us with the size and scale necessary to ensure we consistently have the right products for our customers and succeed in delivering TPC's mission. Having said that, we have developed a strategy, encompassing residential and business markets, to take TPC forward. It would be possible to make our strategy work as an independent society, but it has to be recognised that alignment with Midcounties would materially increase the strategy's chances of success.
Q2	What are the benefits of transferring engagements to Midcounties?	A Midcounties has 670,000 members and many more customers, all potential residential customers for TPC. Additionally, Midcounties has an existing, successful Energy business that provides opportunities to cross-sell services to our customers. This also offers a unique opportunity to offer both residential and business customers the chance to buy their telecoms and energy requirements from a single co-operative. Looking to the future, Midcounties breadth and strength in the market will make it possible for us to develop new ranges of products, particularly residential, in the e-care, e-monitoring, e-health, e-security and other services that enable increased social and digital inclusion.
Q3	What will happen to my TPC membership and share capital?	A Membership of TPC will automatically be transferred to Midcounties and as a Midcounties member you will enjoy the full range of associated benefits. Any withdrawable share capital held with TPC will be transferred, or added to an existing share account if a TPC member is already a Midcounties member, and will receive interest of 2% on share capital over £200 (the TPC rate is currently 1.5%) and a rate of 1% on share capital of between £10 - £200.
Q4	What impact will a ToE have on dividends?	A The Heads of Terms provides for a guaranteed dividend rate of 5 pence in the pound spent on TPC purchases during the two-year transitional period. After this time the dividend rate will revert to the rate that Midcounties members agree at their AGM.

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Q5	Will anything change with my telephone & broadband services?	A	There will be no changes, or disruptions, to service.
Q6	How much will the ToE cost?	A	Both parties will cover their own legal costs, but other than that there will be no costs.
Q7	What will happen to TPC Staff?	A	<p>All TPC staff will be TUPE'd* to Midcounties with all benefits retained or enhanced where Midcounties benefits are better than TPC's. TPC will operate as a separate division for at least two years, although we will undoubtedly look for areas where greater co-operation can deliver increased effectiveness and efficiency.</p> <p>* The TUPE Regulations preserve employees' terms and conditions when a business or undertaking, or part of one, is transferred to a new employer. Employees of TPC would automatically become employees of Midcounties on the same terms.</p>
Q8	What will happen to the TPC name?	A	TPC will continue to trade under its brand name, although it should be noted that we already have plans in hand to brand our business services TPC Networks.
Q9	Will TPC operations remain in Chipping Norton and Manchester?	A	Yes. Chipping Norton is recognised by Midcounties as both being the natural home of TPC and as an important location for Midcounties. Whilst office space is in relatively short supply in Chipping Norton, TPC is committed to maintaining its presence in both the Chipping Norton area and in Manchester, although it is possible that over time some operations may move to Warwick.
Q10	Was Peter Murley's statement at the AGM that "TPC is a telecommunications business that is a co-operative rather than a co-operative that is a telecommunications business" designed to make this ToE more palatable to members?	A	Not at all. The fact that we are presenting our business strategy at the SGM demonstrates that the TPC Board has developed plans and a vision to continue as an independent society. Indeed, it was those plans that in part made a ToE an attractive proposition for Midcounties. The Strategy document sent out with the SGM papers makes it clear that the Board and Nick Thompson see TPC as a co-operative and as a telecommunications business, they are indivisible. However, we also see and welcome the opportunities that exist in closer alignment with Midcounties and their plans to develop a unique utilities service that has telecommunications at its heart.

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Q11	Are we in danger of losing anything through this ToE?	A	Invariably things change in business, we are in the middle of a major restructure in TPC right now, one that has been initiated in order to ensure we have the right products and service capability to give our customers the right products. Certainly, Midcounties has a significantly greater size and scale than TPC. However, the agreement that TPC will operate as a distinct division within the Energy business will retain much, if not all, of the independence together with its small to medium sized business feel. In the Board’s opinion any possible negatives are massively outweighed by the huge benefits of joining forces. The potential for selling into Midcounties and our TPC customer base, synergies within Energy, increased presence with suppliers, improved career opportunities for the team alongside shared values and principles and a co-operative way of doing business present a golden opportunity that we, as a Board, feel is in the best interest of TPC members and improves our ability to drive the business forward.
Q12	Why are we just giving our co-op away after almost 20 years of hard work?	A	We are incredibly proud of the TPC and what it has achieved in its twenty-year history and we want to do everything we can to ensure its future success. Co-operatives have been undertaking transfers of engagements for decades as a way of ensuring the strength and continuity of the co-operative movement. By proposing a transfer of our engagements to Midcounties we believe we can ensure that TPC can flourish and continue to provide value to its members whilst benefitting from the increased resources and scale that can be offered by Midcounties.
Q13	What processes have the Board followed to get to the point of recommending the ToE?	A	The TPC Board has discussed the proposed Transfer of Engagements at length with the Midcounties Chief Executive and Secretary. The Board has undertaken due diligence and is satisfied that all of its questions and concerns have been dealt with satisfactorily before arriving at this point where it is recommending completing the Transfer.
Q14	What if the Members say no?	A	The decision to vote for or against a Transfer of Engagements is a fundamental member right. The Board is recommending to you that you vote for the motion but if the required majorities are not reached then TPC will continue as an independent society and, if the members vote in its favour at the SGM, will implement the revised strategy.

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Q15	Whose idea was this, TPC or Midcounties?	A	<p>The approach originated from Midcounties who in their Chief Executive’s own words: “has been a long-term supporter and admirer of the Phone Co-op. It’s passion to prove to the world that the co-operative business model can thrive in a world that is dominated by large plc’s has been a beacon for Co-operators for many years.</p> <p>The Phone Co-op has stayed true to its Co-operative values and been an inspiration to many other fledgling Co-op entrepreneurs.</p> <p>When Midcounties were considering creating Co-op Energy there is no doubt that this seemed more plausible as a result of the Phone Co-op’s success in proving that a values-based business can thrive in an aggressive commercial world.”</p> <p>Midcounties would undoubtedly have had the option of launching their own telecommunications offering. However, TPC’s existing structure, systems and skills offer a readymade route to market that would save them time, effort and money. Our discussions to this point have made this Transfer of Engagements the preferred option.</p>
Q16	Will TPC members be eligible to stand as directors in MC’s 2018 elections?	A	<p>Yes, subject to any conflict of interest issues and eligibility criteria found in the Midcounties Rule Book, TPC members will be eligible.</p>
Q17	The Heads of Terms references a two-year time span for a number of the articles. What are the timescales around this Transfer of Engagements?	A	<p>The Special General Meeting on April 28th is the meeting where the members will vote on the associated Transfer motion. If the required majority is met a second meeting will be held in May for the ratifying, final vote. If the required majority is met at the second meeting the Transfer of Engagements is confirmed and we estimate the transfer process will take somewhere in the region of 3 months to complete, but this will be formalised after the second meeting. The two years referenced in the Heads of Terms would start from the date that the statutory paperwork is filed with the Financial Conduct Authority and is designed to allow for a proper period of integration and operation before we assess how to best shape the future requirements of the Telecommunications business. Assuming the successful execution of our business strategy TPC will be considerably bigger by that stage and may need some changes to structure in order to enable the next stage of growth.</p>