



Business, Energy and Industrial Strategy Committee Post Office Network Inquiry

Written evidence submitted by the National Federation of SubPostmasters (NFSP)

1. The National Federation of SubPostmasters (NFSP) is a professional trade association representing independent business people who act as agents for Post Office Ltd (PO). Our 8,000 members own and operate around 9,300 sub post offices. Privately-owned post offices comprise 98% of the national post office network and are, collectively, a major employer nationally.
2. The NFSP exists to support subpostmasters to maximise profit from their post office and retail business. We are a member-focused organisation.
3. This inquiry touches on many issues the NFSP has raised with government and PO. We believe the post office network has been taken beyond a tipping point and so the time is right for a comprehensive government inquiry.

Summary of the NFSP response

- The NFSP has major concerns about the resilience of the network (Q2) and the sustainability of the current framework for subpostmasters (Q3).
- Government and PO must listen to the concerns of its subpostmaster network which are presented in this submission through the results of the NFSP's Member Survey (conducted in January and February 2019). This telephone survey, with 1000 participants, is a robust and representative snapshot of the independent sub post office network.
- Subpostmasters have major concerns about their income, their operating costs and the viability of their businesses. As a result, as many as 22% plan to close or downsize in the coming year – which would be catastrophic for the UK public.
- Remuneration rates should be increased to give subpostmasters a fighting chance of making a decent living and help prevent a mass exodus.
- PO, government and the NFSP should work together to increase the range of banking and government services available at post offices in order to drive footfall and give the public better access to face-to-face services.
- A change in attitude is required among industry stakeholders to recognise and reward the work that subpostmasters do. Without subpostmasters, there would be no post office network.
- Continuation of government subsidy is vital to the survival of the post office network.

For further information, please contact Peter Hall, NFSP Head of Policy and Research at peter.hall@nfsp.org.uk or on 01273 452 324

Q1 - Is the post office network currently delivering services to the necessary standard across the UK?

4. In recent years, headline figures have given the impression of a stable network that is (virtually) meeting its government access criteria. However, under the surface, branch closure levels are high – in spite of PO's major branch-opening programme (the NNL Programme – A.K.A 'whitespace').
5. There is also an increasing reliance on outreach services. Section 2 of the briefing paper '[Post Office Numbers](#)' shows how over the last decade, outreach numbers have doubled while the number of 'bricks and mortar' offices has decreased.
6. Subpostmasters work hard to provide a high-quality service but the support they receive from PO has been lacking. Better pay, support and training for subpostmasters will improve subpostmaster retention, reduce loss of service, and maintain/raise service standards.
7. We will provide further detail on the challenges subpostmasters face regarding levels of pay in response to Q2 and Q3.
8. In terms of support and training for subpostmasters, the NFSP believes PO must improve the following:
 - For incoming subpostmasters, apply greater scrutiny to applicants' business plans, provide greater transparency about income prospects, and build a relationship between the agent and PO;
 - Initial training should cover operational concerns such as the Horizon system, back office processes and cash management in more detail;
 - Improved and more accessible training materials and user guides should be provided to all subpostmasters;
 - On-going support should also focus on operational elements, rather than sales techniques.
 - More holistic support should be provided for subpostmasters which equips them to provide better support to the communities they serve. The NFSP currently provides subpostmasters with support on a range of operational issues such as retail, mails segregation, and HR/employment issues; and we are expanding our offer to cover mental health awareness and support, dementia awareness and the identification/prevention of scams. PO should explore how it can provide more holistic support to the network and its customers.
9. We would support the introduction of access criteria by product/service type – to ensure all people across the UK have appropriate access to the full range of services available through the network.
10. The accuracy and level of detail on PO's Branch Finder website also requires improvement.

Q2 - What concerns do you have, if any, about the long-term resilience of the post office network across the UK?

11. In order to avoid repetition, we are going to focus our response to Q2 on the wider industry culture that has led to the detriment currently experienced by subpostmasters (covered in our response to Q3).
12. The viability of sub post offices and the morale of subpostmasters has been eroded to the extent that the network's resilience is extremely limited. We believe a tipping point has been passed and the consequences of this are now being realised (see Q3).
13. To reference every factor that led to this situation would generate a prohibitively long response. Instead we will consider a key finding from the NFSP's Member Survey – that subpostmasters feel disenfranchised from and marginalised by the main industry stakeholders: PO and its owner the UK Government, and Royal Mail. Within this, there are three main points.
14. The first point is how subpostmasters are treated by industry stakeholders.
15. The NFSP sees subpostmasters as dedicated and experienced customer-facing agents of the government-owned PO; who play a vital role in communities across the UK. However, they are not treated as such by other industry stakeholders. Instead, subpostmasters have been relegated to the bottom of the food chain and we point to the following as evidence of this:
 - PO's 'North Star' strategy to achieve £100m profit has treated subpostmasters as a cost element to be reduced. We believe this strategy has been implemented too quickly and too much at the expense of the network.
 - PO's response to high levels of branch closure has been to **replace** branches (via the NNL Programme) rather than **repair** the network to prevent further closure. We believe PO's primary response should be to tackle the reasons why branches are closing. Prevention is the best cure, so to speak.
 - PO recently announced increases in banking deposit remuneration rates from October 2019. The NFSP welcomes this as a step in the right direction, but the rates still represent a fraction of what banks charge their business customers. Banks charge up to £10 for a £1,000 deposit – but subpostmasters only receive around 50p¹ for receiving and processing a £1,000 deposit; and they must shoulder the financial burden of any shortages or counterfeits. Parties further up the food chain (banks and PO) are making good money from banking deposits – but subpostmasters are not. See Q4 for more information.
16. The culture around the way subpostmasters are treated needs to change. As business-owners, subpostmasters have invested in the post office network – and this investment should be recognised and respected. PO and government should take action to improve subpostmaster pay and conditions and, in doing so, improve the resilience and sustainability of the network.
17. The second point is around the role of government and the availability of government services at post offices.
18. Post offices used to be the 'front office of government'. In 2004/5, revenue to the network from government services was as high as £576m, this fell to £167m in 2009/10, prompting the commitment from the coalition government (in the 2010 BIS paper '[Securing the post office in the digital age](#)') for the network to "become a genuine Front Office for Government at both the national and local level."

¹ This will increase to £1.22 for Main model offices and £1.07 for Local model offices from October 2019

19. This never came to fruition. Revenue from government services fell further over time and was as low as £99m in 2017/18 (a sixth of the equivalent revenue from 04/05).
20. No discernible plan has been developed to replace this formerly significant source of income. PO has grown its financial and telecoms services revenue – but much of this is transacted online, benefitting PO not the network.
21. The NFSP wishes to work with PO and government to increase the range of government services available at post offices. (See Q5).
22. Another recent development is the withdrawal/decline of the Post Office card account (POca). During 2018/19, the DWP encouraged POca users to switch to using a bank account. As a result, subpostmasters were (collectively) paid £3.2m less in 2018/19 than in 2017/18 for POca transactions. The NFSP regularly speaks to subpostmasters who are frustrated and disappointed by this. This is particularly the case in urban and deprived areas, where POca use was/is more prevalent. A replacement for POca must be developed.
23. Currently, government provides a subsidy to help cover the operating costs of the network. This subsidy is scheduled to end in 2021. The network is not self-sustaining and has limited resilience; therefore subsidy must continue beyond 2021. This is particularly important for helping to maintain the 3,000 'Community' status offices that typically serve rural areas and are 'the last shop in the village'.
24. The actions of consecutive governments have weakened the network through cost-cutting exercises and the drive to be 'digital by default'. The current government must recognise that ending the subsidy payment would constitute a 'doubling down' and exacerbate the problems experienced by a network that is already struggling to survive.
25. The third point is the relationship between PO and Royal Mail.
26. Half of all remuneration paid to the sub post office network in 2018/19 was for selling Royal Mail/Parcelforce products and services (£174m of £350m total pay). Royal Mail are key to the long-term viability of the post office network. It is therefore a source of severe frustration to subpostmasters that Royal Mail solicits customers to use their services directly – circumventing the post office network. PO have promised to look into this issue, and the NFSP encourages government to do the same.
27. The current agreement between PO and Royal Mail ends in January 2022, and a renewal is being renegotiated. Considering the financial positions of Royal Mail (share price at its lowest since floating), and PO (rapidly seeking £100m profit), we fear these negotiations will not consider the interests of subpostmasters. This would be counter-productive as subpostmasters are the primary salesforce for PO and Royal Mail.
28. The NFSP urges government to ensure the new agreement between PO and Royal Mail benefits all parties – including subpostmasters.
29. We also recommend that government considers new regulations for the UK parcel delivery market. [Research by Citizens Advice](#) shows that new parcel delivery operators have low service standards and can drive down costs accordingly. Comprehensive regulation of the market will have a positive effect for Royal Mail and in turn for PO and the post office network and consumers.

Q3 - Is the current framework for sub post offices sustainable for subpostmasters and the communities they serve?

30. The current framework is not sustainable for subpostmasters and their communities.
31. This is evidenced by high rates of sub post office closure. At any point in time, around 1,000 branches are listed as closed by PO. Data collated by the NFSP shows that roughly two-thirds of closure are due to the resignation of the subpostmaster.
32. An amount of churn is to be expected – but this level of closure is unhealthy.
33. Subpostmasters are resigning in high numbers because it is increasingly difficult to make a decent living. While the overall number of offices has remained broadly consistent, the amount PO pays the network annually has dropped by 18% since 2013 (before inflation). Meanwhile, costs are increasing - such as business rates and employee wages.
34. The NFSP Member Survey showed that:
- 61% of subpostmasters are taking home less now than in the past;
 - 76% earn less than the National Minimum Wage per hour for working in their post office;
 - 19% of subpostmasters (or their spouse or partner) have taken on work elsewhere in the last year just to make ends meet;
 - Many struggle to take time off (one third did not take a single day off in 2018) because they cannot afford to employ other staff and are forced to work longer hours themselves;
 - The post office is commonly a smaller income generator than other elements of subpostmasters' businesses (e.g. retail).
35. As a result, as many as 22% of subpostmasters plan on closing/downsizing/handing-on their post office in the coming 12 months (much higher than the 13% of small businesses planning to do so in the [FSB's 2018 Q4 Small Business Index](#)). This could be a closure of the business overall or the elimination of the post office element and its replacement with a more profitable concession.
36. To quantify this in absolute terms: 22% of the independent network is around 2,500 post offices.
37. The closure of 2,500 post offices in a year would be a catastrophic loss to communities across the UK – leaving many without access to postal and banking services, depriving people of a vital social hub (the BEIS report '[The social value of the post office network](#)' estimates that the social value of the network could be as high as £9.7b), and hurting the local economy.

Q4 - Does the increasing role post offices play in providing basic banking services provide them with an opportunity or a threat?

38. Both an opportunity and a threat.
39. An increase in banking transactions presents a massive opportunity to increase footfall and income. However, remuneration rates must be fair and appropriate for subpostmasters to effectively cater for the demand created as banks close.
40. In 2018 the NFSP carried out observational research over three days in busy Main model offices. We timed individual business banking transactions, compared these timings with the amounts deposited and calculated hourly payment rates. We established that subpostmasters are currently paid around £2 per hour for business banking deposits.
41. This does not come close to covering costs. From October 2019, rates will (roughly) be trebled – but even this is unlikely to cover costs. We welcome the increase, but it is a first step in the right direction only.
42. Besides subpostmaster remuneration, the following issues also need to be tackled:
- The risk and financial burden to subpostmasters of forgeries – it is unfair that subpostmasters are liable for these. A forged £20 note effectively means a subpostmaster has worked for free for 10+ hours;
 - Security – a greater volume of cash on-site means greater risk;
 - Many offices (particularly Local models) lack the capacity to hold large volumes of cash and are concerned about the impact banking transactions can have on customer queues.
43. Enhancing the existing 'banking framework', which provides 135m customer transactions a year, is the network's best opportunity for success. We do not believe that alternative proposals – such as the development of a 'post bank' - would generate the same level of footfall and income to the network. Any move to replace the banking framework would be detrimental to the network.
44. The range of 'everyday' banking services available at post offices should be increased. For example, printing statements and setting up direct debits and standing orders.
45. Public and business awareness of the availability of banking services at post offices also needs to be increased. Citizens Advice [research](#) shows that more than two-fifths of people lack awareness. PO must work with government on a national strategy to increase awareness and equip subpostmasters with the tools and resources to promote services in their local area.
46. A long-term view also needs to be taken because use of cash is in decline. While banking may present a footfall and income opportunity in the short/medium-term, it is not a 'silver bullet' in the long term and other income streams must be developed.

Q5 - What new services, if any, could the post office provide to customers?

47. The post office network has a unique geographical spread thanks to the government access criteria. It is a trusted brand and still seen as the 'front office of government' by the public (even if government has not seen it as such for several years).
48. This makes the network uniquely able to provide government services. The NFSP believes that – in spite of the drive to be 'digital by default' – there is a demand for face-to-face provision and this type of interaction is beneficial for vulnerable people and communities in general.
49. We wish to work with government departments that touch upon the post office network (including BEIS, DWP, DfT, MHCLG, Defra, Home Office) and devolved administrations to bring vital government services back into the network. This will benefit the public and subpostmasters.
50. An appropriate replacement for POca must be developed. POca benefits individuals who might otherwise struggle to open a high street bank account – for example if they have a poor credit history, lack formal identification or are without a permanent address.
51. Government policy is to work towards the cessation of POca and all POca users are being encouraged by DWP to use a bank, building society or credit union account instead. With the introduction of Universal Credit, benefit payments can only be made electronically - so as POca is withdrawn, disadvantaged and vulnerable people may be unable to receive benefit payments and their circumstances will be made even more challenging.
52. If the cessation of POca cannot be halted, we urge government to work with PO to develop financial products to cater for individuals in need. This would help prevent damage to the social mobility and livelihoods of the most disadvantaged and vulnerable people in society.
53. As outlined, the range of banking services available at post offices should be increased so customers can perform a greater number of 'everyday' banking transactions, promoting effective financial inclusion in communities across the UK as the high street banks close. We would support an exploration of the possibility of offering local credit unions at post offices.
54. Also, the network relies too heavily on older customers and younger customers must be brought in. The NFSP is keen to work with PO, Royal Mail and government to develop new products and services to bring younger people into their local post office and help future-proof the network.

Q6 - Do you have confidence that franchises can maintain and improve current service levels in the Crown post offices they take over?

55. The franchise / private ownership model works – and has done for many years. 98% of the network is privately owned and offers a good service to the public (and would function even more effectively with improved pay and support).
56. NFSP members (the vast majority of the post office network) are independent business owners. They are experienced and dedicated professionals who uphold high service standards.
57. Independent research conducted by Citizens Advice (referenced in [The Post Office](#)) shows that service standards are broadly comparable in Crowns and ex-Crown offices. The House of Commons library states “some aspects of the service in former Crown post offices are a bit better than that in current Crown post offices, some aspects of the service are a bit worse and many aspects are similar”.

Q7 - What contingencies should the government have in place in case franchises fail?

58. Crown offices are a failed model themselves as they are not financially viable.
59. Rather than talking about contingencies, government should be looking to safeguard the longevity of all independently-owned post offices by ensuring:
- PO's 'North Star' strategy is not detrimental to the network.
 - Remuneration rates are fair and appropriate and make all post offices financially viable in the long-term.
 - Footfall is increased by developing the range of government services available.
 - Industry stakeholders (PO, Royal Mail, NFSP) are supported to develop new products and services to appeal to younger generations.
 - PO provides effective support to help the network operate efficiently and effectively.

Q8 - Should the government seek to ensure that staff terms and conditions are preserved when a franchise takes over a Crown post office?

60. The NFSP agrees with this in principle. Our understanding is that under TUPE regulations, staff transferring from a Crown office to a franchise will already have their terms and conditions protected.