

## **Facing the Future**

NFSP General Secretary George Thomson looks at the challenges and opportunities ahead for our network

There can be no doubt at all that we are at an absolutely critical point in the history of our post office network. Twenty years ago when I first ran a post office there were over 20,500 post offices, but today only around 11,500 remain.

Changes in the way pensions and benefits are paid, as well as changes in technology and shopping habits have all led to fewer people coming in through the post office door. In turn, this has led to reduced income for many subpostmasters, leaving them struggling to make a living from their post offices. The market value of post offices has dropped, and post offices are becoming harder to sell.

This is a situation which cannot continue - it is unsustainable. Subpostmasters need to know their businesses have futures and are worth investing in. Customers need to know their post offices will stay open and continue to provide them with the services they require.

The government is acutely aware of the problems facing our network; and the NFSP is right at the forefront of discussions and negotiations over plans for the future. The strong reputation and extensive contacts we have built up with parliamentarians means the NFSP can, and does, get to the very heart of decision-making within government.

We have reached a point where changes to our network, alongside those needed to support a thriving high street environment, could turn the situation around. The right moves now should secure a thriving post office network for decades to come. But the alternatives are bleak and threaten a further withering and ultimate collapse of the nation's post offices amidst the decimation of many neighbourhood shopping centres.

### **Where we are now**

In November 2010 the government announced it would provide £1.34bn to restructure the post office network. The NFSP played a key part in securing these substantial funds at a time of unprecedented cuts in almost other area of public spending. The money will enable essential changes to take place in the network, including the setting up of Post Office Locals, Main Post Offices and compensation for subpostmasters leaving the industry. The funds give subpostmasters choices about their future and a chance to reconfigure the network to meet modern needs, but without NFSP intervention they would never have been provided.

Members will be all too well aware that one of the other big changes facing the post office network is the separation of Post Office Ltd (POL) from Royal Mail Group. POL will not be sold, but the government hopes to privatise Royal

Mail. Subpostmasters have been concerned that these changes and the inevitable re-drawing of the relationship between the two companies could be damaging to the post office network. We are extremely reliant on mails business, as income from Royal Mail transactions brings in around one third of subpostmasters' pay and one third of POL income.

It became clear to the NFSP that a minimum 10 year Inter-Business Agreement (IBA) between the POL and Royal Mail was needed, in order to guarantee POL continues to act as Royal Mail's exclusive retail outlet well into the future. Following extensive representations by the NFSP, we are delighted that a 10 year deal looks set to be agreed. This is a significant achievement as originally both Royal Mail and the government said the best case scenario would only be a five year contract.

Plans to mutualise the Post Office are another massive win for subpostmasters. The NFSP has been lobbying for several years for this change in ownership, which should give subpostmasters a far bigger say in how POL and the network is run. Mutualising the Post Office is now a key government policy and the process is well underway. Organisations and companies affected by Post Office mutualisation are currently being consulted about details of the proposal. However, the NFSP has made extremely clear to government that mutualisation can only happen once POL is in good financial health.

### **Challenges going forward**

The government has a vital role to play in helping the Post Office back on a secure footing – it needs to ensure that as many government services as possible are offered through the post office. In last autumn's policy paper on the Post Office, the government indicated that it is signed up to this principle and said that post offices should become a 'front office for government', offering citizens face-to-face access to government services. The announcement has been followed by a number of trial post office services including National Insurance number applications, signing on for Jobseekers Allowance and document checking for people applying for a state pension.

The 'front office' proposition is extremely welcome and the NFSP has long called on all levels of government in the UK to make better use of the network to allow citizens to interact with the state. However, it is clear that the NFSP needs to keep up pressure on all parts of government to ensure that these pilots are indeed the pledged "first steps towards a new generation of government services". For this reason, the NFSP has now launched a government services campaign.

Banking and financial services is the other major area with the potential to bring considerably more income and customers into post offices. The NFSP supports the idea of a state-backed Postbank, but both Labour and the coalition government say have it would cost £2bn to set up and that this is too expensive. We still believe a Postbank would be in the best interests of the network, and will campaign on this in the medium term.

The Post Office card account (POCA) contract runs out in 2015, but the account remains an important service for our customers, and brings income and footfall for subpostmasters. The NFSP will be pushing for a Post Office-based solution to the continuation of the POCA. We will also be pressing those banks not already signed up to offer current account access at post offices.

Although POL is set to separate from Royal Mail, it is vital that the new Royal Mail sees post offices as its front shop on the high street. We also need to ensure POL continues to have a close working relationship with Royal Mail beyond the initial 10 years of the IBA.

Post offices must grow their mails services to reflect developments in the market. It is vital that post offices continue to do more work like Local Collect, contracting with other mail providers. So, for instance, if Yodel cannot deliver a parcel to a customer's home, the customer should be able to collect it from their local post office.

The government currently pays £180m a year to POL, which is used to support POL infrastructure and support those post offices that are not commercially viable. It is vital that this network subsidy continues, and at a realistic level. The NFSP would like to see it ring-fenced and used transparently to continue to keep open smaller offices and those based in deprived areas. The NFSP will continue to lobby at all levels of government to ensure ministers and decision makers are aware of this need.

### **Big picture**

Plans for the front office for government, the 10 year IBA and mutualisation are all potentially good news for subpostmasters, post offices and the public. But these proposals will come to nothing unless the government turns the government service pilots into a fully-fledged service; Post Office banking is massively expanded; and the government financial support for the network continues.

The NFSP is also becoming increasingly involved in looking at the fundamental changes in Britain's high streets. Dramatic changes in shopping habits and retail developments have badly impacted on high streets which have seen customer visits plummet. It is becoming ever clearer that the issues affecting our post offices cannot be seen in isolation from the problems facing our high streets and neighbourhood shopping centres. Over the coming year the NFSP will be stepping up its work in this area and putting increasing pressure on the government to deal with the problems facing the high street.

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