

Time to talk

NFSP General Secretary George Thomson talks to the Post Office minister about some of the pressing issues facing subpostmasters and the network

George Thomson (GT): What would you say has been your greatest achievement in the job so far? And the toughest challenge?

Edward Davey (ED): I am immensely proud of making a commitment to no closure programmes of post offices under this government. This was made possible by securing £1.34 billion of funding in the toughest Spending Review in decades. It means that we can make a very substantial investment in modernising the Post Office and help build a sustainable and secure future, taking on board many of the recommendations you and the Federation put forward.

But I recognise that this is only half the challenge. The next three years will be critically important, and I will continue to work closely with the NFSP and Post Office Ltd (POL) to maximise the benefits and opportunities for subpostmasters under the network transformation programme.

GT: We now have a 10-year Inter-Business Agreement between POL and Royal Mail, which is vital. But what other steps are you taking to make sure this unprecedented separation of a mails business and its retail arm succeeds for both parties, and isn't an experiment doomed to failure?

ED: First it is important to realise the significance of this agreement for which you campaigned unrelentingly on behalf of your members.

Last year the Chairman and Chief Executive of Royal Mail gave an assurance to parliament that, prior to separation, the longest legally permissible agreement would be put in place between the two companies. That commitment is now being delivered. But we all know that a long agreement is not an end in itself, and the Post Office must work hard to keep existing customers and to bring new people through the network's doors. This will be achieved through government investment in the network, meeting the changing needs of customers, and through POL competing successfully for new business from government and other sectors.

And it is important to remember, the Post Office is much more than a shop front for Royal Mail. Post offices offer over 170 services and a separate POL will be able to focus with new clarity and freedom on what is best for its customers, the network and subpostmasters.

GT: The NFSP and you as a Liberal Democrat minister are keen to see the Post Office transformed into a mutual company, with subpostmasters having a much greater say in how the company is run. We agree the company has to be profitable before it's mutualised. Do

you agree that if required, ongoing government subsidy payments should be one the ways in which profitability is achieved?

ED: I firmly believe that a mutualised Post Office could better suit the unique social and economic role that sub post offices fulfil than the current arrangement ever can. I am grateful for the Federation's insights and support which have helped to develop the government's thinking on how mutual ownership could serve those that run the Post Office, its branches and its customers. The government's public consultation on proposals for a Mutual Post Office has now closed, and we will be publishing a response this spring.

But I have always said that the Post Office is much more than a purely commercial entity. Post offices are at the heart of their communities right across the country, not least in those where a shop on its own cannot be sustained. Ensuring that these communities continue to have access to the vital services available at post offices is essential, and these post offices will continue to be supported by government subsidy.

GT: The promise of turning post offices into the 'front office of government', with a wide range of government services available across our counters, is very welcome. Your personal commitment to this is clear; but what are you doing to make the promise a reality across government? Many subpostmasters understandably feel they've heard this all before from previous ministers, and need concrete, permanent transactions to offer their customers which generate income.

ED: I believe that there is a great opportunity for more face-to-face government transactions to be delivered through the post office network. I think the Post Office can win this work because people place unparalleled trust in their local subpostmaster, while at the same time the transformation of the network will introduce changes – such as longer opening hours – which continue to put the customer first. This is why I support the Post Office's ambition to become a 'front office for government' and why I welcome your support for the innovative entrepreneurial approach embraced by the Local and Main models.

Since taking office I have been working with ministerial colleagues to put forward the 'front office' concept, placing it in the context of the transformation of the network. Change won't come overnight, but government has been running some pilots with POL, and there has been success in securing new kinds of services – for example ID checks for taxi drivers and a variety of 'front office' transactions for Westminster Council went live last November. Last month it was announced that the Post Office was successful in winning a nationwide UK Borders Agency contract. This is a good start, but I am clear that more is required, and am confident that POL will meet this challenge.

GT: Why have NS&I been allowed by the government to withdraw most of their services from post offices?

ED: I fully appreciate the concerns of subpostmasters about the recent NS&I decision, but I am pleased that Premium Bonds, which account for 75% of all NS&I sales there, are still available to buy and redeem at any post office.

And I believe that the NS&I decision to restrict their other products to other channels has a clear upside in presenting the Post Office with an opportunity to develop its own range of competitive savings and investments accounts. In 2010 I committed to supporting the expansion of accessible financial services products at the Post Office, and there is good progress being made. The Post Office remains the number one for foreign exchange, Post Office mortgages and savings bonds have been prominent in the best buy tables, and a Junior ISA was recently launched. With the introduction of RBS (including Natwest), around 80% of people can now access their current accounts at the Post Office and I hope this will reach 100% in the future.

GT: The ongoing heavy financial losses incurred by the Crown offices are totally unjustifiable. How certain are you that POL will actually meet its target of making the Crowns cost-neutral by 2015? And do you agree that it cannot be sustainable for the central costs of running POL, including the Crown network, to remain greater than the amount paid in remuneration to the entire sub post office network?

ED: I have been clear that the Post Office must eradicate Crown losses by 2015, and this is non-negotiable. I have confidence in Paula Vennells and Alice Perkins achieving this key financial task. Plans are also in place to reduce further POL's central costs. A key reason why I believe that mutualisation is a sensible route forward for the Post Office is the scope that it offers for the best distribution of costs and revenues. Over 50,000 people work in directly providing Post Office services to the public, including around 8,000 individual business men and women. A mutualised post office could potentially offer all these people a real stake and a say in how the business is run.

GT: One of the Post Office's greatest strengths is its presence in 11,800 locations across the UK. But this means we are uniquely exposed to trends on the high street – and our high streets and local shopping centres have been in decline for 20 years. Real action is required to tackle this, but what is the government prepared to do?

ED: High streets are important hubs of social interaction and providers of employment and local commerce. Any decline has a direct impact on local communities. We remain concerned that the recession has had a considerable impact on high streets, with the number of vacant properties increasing, particularly outside of London and the South East. The issues facing high streets are varied, complex and often interrelated. There are passionate views on all sides, with different - sometimes contradictory - interests at play.

The Prime Minister announced last May that Mary Portas had accepted an invitation from No.10 to undertake an Independent Review of the High Streets in England. Mary Portas worked hard over preparing her Report, which was delivered to the Prime Minister and became available publicly on 13 December. The government will consider the recommendations and respond.

This interview was first published in *The Subpostmaster*, January 2012