



NFSP

National Federation of SubPostmasters



Annual Review 2006

Working towards a better future

President's Introduction



What a tumultuous year this has been for all of us! We have run the gamut of emotions from outrage through frustration to pride in our battles with both the Government and Post Office Limited.

The year started with the announcement of the Government's plan to withdraw the Post Office Card Account in 2010, less than a year after the last order book was cashed. The Federation was outraged by this action and went into campaign mode on behalf of our members and our customers. The fight was taken to the heart of Government but we felt frustrated by the obvious lack of joined up Government Departments. MP's of all political parties signed Early Day Motion 1531, customers across the land signed our petition, all calling on the Government to think again about the POCA. Throughout the summer the Federation gained phenomenal support from customers, politicians, and the media. With the Social Network Payment due to end in March 2008 this became a battle for the very future of the Post Office network. Our campaign peaked on 18 October 2006 with the Rally and Lobby of Parliament. That was a day to be proud of! The Post Office network stole the day in both the media and in Westminster.

The Government has now responded to the demands we made with a consultation document outlining funding for the network going forward, a successor to the POCA, access criteria for the network, and a compensation package for subpostmasters who have to leave the network. All that effort is bearing fruit and the influence of the Federation can clearly be seen.

Whilst all this was happening, subpostmasters faced a cut in remuneration in order to stay competitive in the bill payment market, the loss of the TV Licence contract, and the introduction of Pricing in Proportion. This year has been a mix of disappointments as well as successes, but I believe no member can be anything but proud of the achievements of their Federation.

As we look to 2007 we have commitments from Government, and a new business plan from Post Office Limited aimed at returning the business to profit by 2011. We have an outline for the future, and the Federation needs to work closely with Government and Post Office Limited to deliver that future - a future in which our members run viable vibrant businesses.

Sally Reeves

General Secretary's Statement



This great organisation of ours has probably had one of its most challenging years ever. When looking back to where we were last year, it is obvious that, although in the scale of membership organisations we may be small, we have proved beyond doubt that our standing is extremely high.

We faced up to the challenges of 2006 just as our members would have wanted us to. We were brave in our demands and resolute in the way we worked for them. I am sure that when history is written, 2006 will prove to be a very important year for subpostmasters, and a year to be proud of for the Federation.

We know all of us are facing change, and I ask that everyone recognises that. We need to embrace the future with a positive view. We represent and work in a network that is loved by all who use it, and many who don't.

As we look towards the challenges of 2007, let us learn from the past, but not live in it, and most of all, be there for each other. It is healthy for there to be differences in any organisation. I would urge all members to be active in their Federation, air their differences, resolve them, and work together for the common good. I am sure we will be successful in our recovery if we do.

This is a time for us all to unite under the banner of the Federation, and to recognise the difficult decisions we sometimes have to make.

I would like to thank all members for their support and encouragement, and urge those who are not members to seriously consider why they are not.

The Federation is fighting on behalf of all subpostmasters, indeed the whole network and those who use it. Please remember whatever you do, united we are stronger.

We know there are some difficult years ahead fighting the challenges, and the way to success is not to fight each other.

Colin Baker

Subpostmaster's Pay



This year has seen one of the longest series of negotiations for an increase in subpostmasters' pay for some years.

During the lengthy period of negotiation, which did not end until November we were beleaguered with the emerging news of the serious financial situation of Post Office Limited and the activities of the competition. Against this backdrop, securing an increase for subpostmasters proved to be extremely difficult - nevertheless, a successful outcome was achieved.

At its regular meetings over the year, the Executive Council debated the progress made in the negotiations, but could not accept that the results of the negotiations had produced an acceptable offer.

At a Special Executive Council meeting held on 10 November 2006, the Executive Council fully debated the latest and final offer from Post Office Limited. It remains the Executive Council's firmly held view that the proposed increase fell well short of the expectations they had for members, and well short of the remuneration level appropriate for the responsibility they undertake in the work they do and their financial investment.

It is of particular concern that subpostmasters are facing substantially rising costs with either static or falling remuneration, leaving them with reduced income and profits less than previous years. However, the Executive Council had to recognise the difficult financial background against which these negotiations were held and in acknowledging that, the offer resulted in an increase of 2.9%, a percentage increase that applied to others in the Royal Mail Group. The Executive Council was able to agree the package and members were advised of the terms of the package through Branch Secretaries' Circulars and the December edition of *The Subpostmaster*.

The bulk of the remuneration increase was focused on Sales Tier Payments in line with the aim to enhance sales rewards. We sought to ensure that, where products could sustain greater increases, they have been provided, and whilst the increase is nationally equivalent to 2.9%, an office's individual business mix will determine its final increase along with their sales performance.



The agreement contained:

- A portfolio of new product rates (Sales Tier Payments). Remuneration rates will increase on average by 4.2% from 1 April 2006 (excluding bill payment and National Lottery).
- Maintenance of current rates for National Lottery, as there was no scope to increase this.
- Certain product rates based on a percentage of the value of the transaction are expected to grow in line with RPI, therefore no adjustment to these rates was required.
- All product rates were adjusted to one decimal place (with the exception of ad-valorem product payments).
- Maintenance of the differential between postage products - the tariff changes resulted in remuneration increases through higher postage sales revenue. In adhering to a long standing agreement rates were adjusted to take account of these increases in revenue and then the annual rise was applied. However, in applying the rise, we have sought to focus increases on the products that improve alignment of remuneration rates with revenue received (eg significant increases in Special Delivery and a focus on maintaining first class rates rather than second class rates).
- A 2.9% increase in Assigned Office Payments for Small Offices, Community/Restricted Opening rates, Minimum Payment rates, and Annually Revised Offices effective from 1 April 2006.
- A 2.9% increase to all other allowances (eg holiday substitution, sickness, scheduled excess attendance, etc.) from 1 April 2006.

The package included further elements we required:

- One-off lump sum for recognition of on-line postage acceptance work totalling £250,000 to be distributed to all subpostmasters linked to volumes of other postage stamp sales (wage type 985). The £250,000 sum to be consolidated into mails acceptance rates for 2007.

Mails Baseline and Online Postage ...

Much time was spent negotiating a change from the frozen mails baseline. It included new product payments for mails acceptance, based on volumes for accepted postal items processed through Horizon via Smartpost. We also addressed the issue of postings where the subpostmaster collected no revenue.

- Post Office Limited agreed to maintain the existing mails baseline until 31 January 2007 and migrate to a new system from 1 February 2007.
- The second class postage was held at 6.4p per £1 sales, and the mails baseline updated by 4.07% until 31 January 2007. From 1 February 2007 the new rate of 5.1p per £1 sales commences for second class stamp sales and the new mails acceptance rates were introduced.
- The rates subsume any postings that are handed across the counter without going through Horizon (eg non-receipted items).
- With Post Office Limited we reviewed the way offices would be affected by the migration and found that the majority of subpostmasters would be better off as a result of the change. Offices that receive less than their current annual mails baseline through the three new mails acceptance products payments will receive a balancing payment. This payment will top up their annual sum to the equivalent of the 2006 mails baseline (including the 4.07% increase). This arrangement will remain in place for two years with regular reviews until the end of December 2008 to ensure the network adjusts successfully to the change.
- MSPO's will be discussed further, but in the meantime Post Office Limited agreed to create mark time payments for those MSPO offices that still have a shortfall after the migration to Horizon based payments.
- With Post Office Limited we will now jointly track the performance of the new mails acceptance products and we will agree actions to ensure original mails baseline levels are maintained by year end. The aim would be that no subpostmaster will get less than their 2006 mails baseline.

In addition:

- We negotiated an increase in remuneration for Postal Orders based on the review of the new automated product. The payment was increased to 20p per order sold. On top of this a 15% increase was applied, bringing the new rate to 23p per order sold. This is an overall increase on the original interim rate of 70.3%. Our views concerning payment for encashment were also taken on board and the rates have been raised to similar levels to other banking transactions.

Core Tier Payment Effect ...

- The majority of funding was weighted towards product rates and the core tier scale remains the same.
- The automatic April 2006 review of the Core Tier Payments saw subpostmasters' total net pay increases of £2.7 million per annum.
- We have also calculated the net effect of this year's change on the Core Tier Payment review in 2007. If everything remains constant, the net effect of the product rate changes will result in an automatic increase in the Core Tier Payment of £1.81 million per annum in 2007.

Small Office Review ...

- We also agreed to raise the qualification for the Commercial remuneration system from the AOP system to £21,500 per annum for the 1 April 2007 Core Tier payment review. This adjustment took into account the effect of this year's increases and is aimed at protecting those smaller offices with less potential to increase sales.

Additional Payments above the 2.9% Offer ...

- When the interim rates for POFS Instant Saver were introduced, we agreed with Post Office Limited that we would review the £5,000 cap on average account balance payments once the product had become established. We agreed to raise the point at which payments commence from the current above £1,000 to above £2,500 and at the same time raise the cap to £10,000. With average balances currently running at £8,500 this would mean, on average, an increase on balances attracting payments of £2,000 (£2.40 per annum per account.)

- We have also agreed that a one-off payment will be made for the introduction of Pricing in Proportion (PIP) totalling £750,000 to be distributed to all agency branches and calculated on a pro-rata basis linked to volumes of other postage stamp sales.

Given the current financial position of Post Office Limited the offer was the best we could possibly achieve, particularly when the finances of Post Office Limited are in such decline, with further losses due to be announced this year.

We will continue to represent the interests of subpostmasters and will continue our negotiations to improve subpostmasters' pay across all aspects of the work.

Mailwork ...

Having submitted a separate claim for Mailwork subpostmasters, the Executive Council was pleased to agree and announce a pay increase of 2.9%, which extends to all elements of current mailwork pay and allowances.

We now need to agree a robust process which checks on the number of postmen supervised at mailwork offices.

The Federation has been consulted on this survey, what records are being gathered and how they will be maintained in future. It is intended to agree an approach that produces accurate and agreed numbers of postmen supervised by each mailwork office

We have agreed a moratorium on any changes to numbers of postmen being paid for until the situation is resolved to both our satisfactions.

We continue to have a full dialogue on mailwork issues and are pleased to have secured an equitable deal again this year.

It is however extremely regrettable that considerable confusion was caused by the manner in which the details of the pay settlement was communicated, by the need to adjust payment for the sale of postage stamps and the comparison of traffic periods left many subpostmasters unable to calculate their pay and arrears.

Emerging Network Strategy



Following a year of sustained campaigning by the NFSP, parliamentarians and many other organisations, the Government published its proposals for the future of the Post Office network on 14 December 2006 in a statement to the House of Commons by the Secretary of State for Trade and Industry, Rt. Hon. Alistair Darling MP.

He presented what he called "an investment of up to £1.7 billion, subject to European state aid approval, over five years to support the Post Office network and enable the Post Office to modernise and restructure the network to place it on a more stable footing."

The proposals included the retention of the Post Office card account until 2010, with no further customer migration; a new account to follow from 2010, available nationally with the same customer eligibility as for the card account now. Although it will be subject to competitive tendering, Post Office Limited is "in a strong position" to bid for the new account.

As part of the package of measures announced the Government will continue the annual payment of around £150 million for the rural network until at least 2011, with an expectation that a continuing subsidy will be needed after this.

New access criteria will be set to preserve a national network and ensure that rural communities and customers in deprived urban areas will continue to have reasonable access to Post Office services.

Around 2,500 rural and urban post offices are expected to close and 500 innovative outlets for small, remote communities will be set up - including mobile post offices, and services in village halls, community centres and pubs. A compensation framework is proposed for those subpostmasters leaving the network.

The Government will provide support to enable the Post Office to expand financial services for customers, including a roll out of up to 4,000 free-to-use ATM's across the network. It will also investigate what role local authorities and Devolved Administrations might play in influencing how Post Office services are best delivered in the future.

Post Office Limited plan to develop new market and business opportunities for the network among internet companies and other mail operators.

The proposals will be subject to a 12 week national consultation, to which the NFSP will submit a full response. This will be followed by Post Office Limited developing its restructuring plans within the new access criteria, involving local consultations on an expected 2,500 closures, with a mix of urban and rural offices.

In order to rise to these challenges, at a Branch Secretaries' Seminar in January 2007, Post Office Limited set out its emerging strategy, which it advises will see the business focus on four key areas or "pillars" of products and services:

Mails ...

Building on its traditional products and its position as the retail arm of Royal Mail, the Post Office aims to be the place to go for all mail needs, providing advice and expertise as well as a full range of products. For example, it is looking at how to provide customers greater convenience for picking up packets and is working with eBay and mail order houses to provide additional high-convenience mails products,.

Financial Services ...

Post Office Limited also aims to build on its position in financial services as the fastest growing entrant in Car Insurance, selling on average 1,000 policies a day; £1.2 billion invested to date in the Instant Saver Account; expand its range of banking, personal finance, travel (for which it is the market leader in foreign exchange provision) and bill payment products; introduce 4,000 new PayStation electronic terminals; and offer 4,000 free-to-use ATM's across the network.

Telephony ...

Post Office Limited is building a business in the telephony area with its HomePhone proposition and is now the number two player in the UK for mobile top-ups. The business is looking to launch further products in this area such as a broadband offer.

Government Services ...

Post Offices will continue to provide a broad range of Government-related services, simply and conveniently and will seek to work in partnership with a range of Government departments to look for opportunities to deliver services on their behalf via post office channels.

Post Office limited will also review the means by which Post Office services will be offered. In its strategy document Forward:five2eleven, Post Office Limited sets out the following proposals for its four key delivery channels.

Crown Offices ...

Crown Offices will remain a key part of the network, offering customers a full range of products and services across the four product pillars. As flagship offices, Crown Offices will be used to introduce and test new services and delivery methods.

Post Office Limited will undertake a major refurbishment programme to create the right environment for talking to customers and selling products. There will be a revitalised retail offer built on core stationery and products aimed at small and medium sized businesses.

Post Office Limited advise that it will return the Crown network to profit by 2011.

Commercial Offices ...

The commercial agent network will be made up of the largest 2,700 post offices and multiple partner branches, which deliver a substantial portion of Post Office Limited's current income, with potential for this to grow further.

Post Office Limited will adopt a partnership approach in managing the subpostmasters in these Post Offices, to help them to develop their businesses and therefore increase the income they generate for the Post Office and the subpostmaster. Business Development Managers will roll out new business development models to improve sales capability, and provide support needed through helplines, office visits and quality management information.

Post Office Limited will engage in negotiations with the Federation to make changes to the way it pays subpostmasters, to make sure it offers the right incentives to grow their Post Office businesses and that high performance is recognised. The principle of the new approach is based on moving Post Office Limited's relationship with agents from "tell" to "support and empower".

Community Offices ...

Post Office Limited's aim is to meet service obligations in the most cost efficient manner, to provide core products and services to customers, and to point them to direct channels or other office types as appropriate.

As with the commercial office network, Business Development Managers will work with those subpostmasters keen to develop their business in a partnership approach.

The Government's recent announcement features proposals on the future size and shape of the network, including plans for 500 outlets for small, remote communities, using one or more of the four Outreach models trialled over the last year:

- **Hosted**
A full service offered by the subpostmaster (or a fully trained employee) of a nearby post office at a "host" site such as a shop, village hall or church.
- **Partner**
A basic service with access to cash, bill payments, stamps, weighing and leaving parcels being provided by another retailer alongside their main business such as a petrol station or pub overseen by the core subpostmaster who would provide the site with the products required.
- **Home Service**
A limited service offered via telephone or on-line ordering, with the subpostmaster arranging delivery in person to the customer's home or to a local delivery point.
- **Mobile**
A full service is offered by a mobile post office visiting a number of locations at set times on a regular basis, again being operated out of the "core" sub post office.

These proposals are subject to public consultation, following the results of which Post Office Limited will develop a restructuring programme informed by local consultation.

- **Telephone and Internet**

Post Office Limited will increase its focus on direct channels to satisfy customers' changing requirements for accessing Post Office products and services.

Its intention is to increase the income generated from direct channels to 20% by 2011, by developing the infrastructure and offering a core range of products and services that complement and work together with the branch network, which they stress is genuine growth and not predatory to the business undertaken in Post Offices.



The Federation welcomes the publication of the Government's proposals, following months of campaigning by subpostmasters. We also welcome the fact that Post Office Limited has an emerging strategy. We regard both as important first steps in developing the sustainable, viable future for the network that subpostmasters and their customers require.

However we remain very concerned about some aspects of the proposals, in particular the lack of detail on the new products and services which are to be developed.

Until we see some tangible evidence that these measures produce real income growth, many subpostmasters will remain unconvinced of the viability and stability of the network that the proposals are designed to deliver.

Campaigning



2006 began with the shock announcement in January from the Government that the Post Office card account would be withdrawn by 2010. The news was totally unexpected by MPs, subpostmasters and customers alike, although the Government claimed it was always the intention that the card account would only run until 2010. Worse still, the Department for Work and Pensions (DWP) began a pilot scheme to migrate tens of thousands of existing and potential card account customers into having their pensions and benefits paid into bank accounts.

The Federation took immediate action, writing to the Prime Minister and Secretaries of State. This was followed up with meetings with Government officials in February, dialogue which continued throughout the year. A continued dialogue was also maintained with the Devolved Administrations to ensure that the concern we had reached every part of the United Kingdom

By the spring we had launched a national petition urging the Government to reverse its decision to end support for the card account. Every subpostmaster was sent a supply of petition forms and asked to encourage their customers to sign them. The response was phenomenal and by the time we delivered it to 10 Downing Street on 18 October it had an incredible four million signatures, billed by the media as the UK's "largest ever petition".

The presentation of the petition formed part of a major day of activity which attracted enormous media interest. Thousands of NFSP members and supporters rallied at Westminster Central Hall to hear speeches from MPs and campaign organisations, and culminated in lobbying their MPs on subpostmasters' key concerns for the future of the network. As part of the days activities the National President, Chairman of the Negotiating Committee and the General Secretary met the Prime Minister, Tony Blair and leaders of the two main opposition parties, David Cameron and Menzies Campbell.

The rally and lobby of Parliament on the 18 October represented the highlight of a year of sustained campaigning on the card account and on other issues affecting the viability of the network, in which the Federation worked closely with a wide range of pressure groups and parliamentarians.

In particular, we supported the work of the All Party Parliamentary Group for Sub Post Offices and the Early Day Motion (EDM 1531) on the card account tabled by the Group's Chairman Kate Hoey MP, which drew huge support from MPs of all parties, attracting 397 signatures. The Federation provided advice

and briefings to MPs for the many parliamentary debates on the Post Office network which took place throughout the year. We were also called to submit both written and verbal evidence to inquiries by the House of Commons Trade & Industry and Treasury Select Committees.

The withdrawal of other Government services from the post office network was a further strand in the Federation's campaigning work in 2006. The DVLA began to promote internet access to motor vehicle tax discs, whilst failing to mention that the Post Office continues to provide the service. The Passport Service pursued plans for a new network of high street outlets; and most alarmingly of all, in April the BBC decided not to renew its contract with Post Office Ltd to offer over-the-counter sales of TV licences. This has been widely condemned as resulting from a lack of joined-up thinking within Government.

The year saw extensive criticism of the banking industry for not meeting the needs of people on low incomes. The Federation joined with many other groups in highlighting the fact that only a limited number of banks have signed up to enable their customers to access current accounts at post offices. We continue to argue that all the major banks should offer a comprehensive service for their current, basic and business account holders at post office counters.

The Federation commissioned a third phase of research into subpostmaster income, carried out by Ipsos MORI. Detailed interviews with nearly 1,000 subpostmasters provided hard evidence of the precarious state of many subpostmasters' finances, a reliance on the card account and a lack of income from Post Office financial services. Our research is widely respected within the industry and has been used extensively by campaigning agencies, think tanks and parliamentarians.

The role of post offices in supporting local shops and businesses also received considerable attention over the year. This issue was the subject of Westminster debates; a detailed inquiry by the All Party Group for Small Shops; and a number of reports from agencies including the Federation of Small Businesses, the New Economics Foundation and the Commission for Rural Communities. NFSP made key contributions to these discussions which highlighted the significant impact of post office closures on local economies in both rural and urban areas.





The year of Federation campaigning culminated in a major Government announcement in December on its proposals for the future of the Post Office network. These proposals offered much of what the Federation's campaigning had called for in order to deliver a viable, sustainable future for the network and for subpostmasters, including retention of the card account until 2010 with no further customer migration; a new account with increased functionality launched in 2010, with Post Office Ltd "in a strong position" to bid for it; a continuation of Government support for commercially unviable rural post offices, with the £150m a year Social Network Payment to run until 2011; and a compensation framework for those subpostmasters required to leave the network.

Our campaigning work for early 2007 is already set, as the Government plans are subject to a 12-week national consultation, ending in March, to which the Federation will submit a full response. We shall continue to work with Government Ministers and officials, the All Party Parliamentary Group on Sub Post Offices, as well as parliamentarians of all parties. Outside Westminster, our close collaboration with Postcomm and Postwatch, as well as the many campaigning groups and charities with which we have continued to build alliances, will be crucial.

The Federation believes that these latest proposals go some way to reducing the uncertainty and difficulties experienced by the network. However, our campaigning work is very far from over as we will maintain pressure on the Government and Royal Mail Group to further develop these commitments and to make sure that the post office network is given the best possible chance to succeed.

Systems and Support

Yet again 2006 has been a year of major change as Post Office Limited have endeavoured to make the cost and efficiency savings necessary to address the current financial situation. The new 'Operations Directorate' established by the Organisational Design Review now combines all central operational functions. It is clear from a number of significant issues that came to the fore over the year that this Directorate has much to do to ensure that the changes assist subpostmasters in delivering for the business and the customer, not impede them. The Federation has made it clear that we need to be closely involved in all aspects of operational change, and that we need to be listened to.

Stock Supply ...

The transition of the secure stock supply from Hemel Hempstead to the Swindon Distribution Centre was a graphic illustration of why the Federation needs to be listened to. From the time the initial decision was made in early 2006, until the start of migration in August, the Federation was vocal regarding the risks inherent in this move and the need for robust management of the transition to minimise the opportunity for disruption. Despite the assurances we sought and indeed were given by Post Office Limited, the resultant chaos in processing secure stock orders indicated a variety of failings in a number of areas. The Federation was instrumental in assisting numerous subpostmasters that urgently needed certain stock items. Difficulties were compounded due to the late distribution of MVL discs; the underestimating of the demand for new stamps following Pricing in Proportion; and insufficient stocks of some electricity tokens and travel scheme cards at a time when demand could have reasonably been anticipated.

The Federation pushed for the high level enquiry which was conducted identifying failings and providing lessons for the future. While the situation is much improved we have emphasised that there is still much work to do to reduce error within the stock supply chain, which is still at an unacceptable level.

We will be working with the Post Office Limited in the coming year to ensure that clear communications are issued to subpostmasters to assist the process, and monitor changes being introduced that will enable offices to order certain items via Horizon.



Horizon Systems and Hardware ...



During 2006 work has continued on upgrading the Horizon system, while at the same time looking to the future and the 'next generation' Horizon. Federation representatives have participated in a number of workshops over the year with the aim of identifying and prioritising problem areas. Where possible, the 'problem areas' identified within the workshop groups will be incorporated into the current Horizon system, but where this is not an option and a longer term solution is needed issues will be resolved in the new 'next generation' design where it is cost effective to do so. While looking different, the new application (now called Horizon online) will be supporting the same products and deliver the same financial outcomes as the existing system. The revised contract with Fujitsu Services will deliver substantial and necessary cost reductions for Post Office Limited. However, it is recognised that a balance must be achieved between cost and performance and it is crucial that subpostmasters, the NFSP and Post Office Limited continue to be part of the development process to ensure that the system is user and customer friendly. It is hoped that the new system will be ready to be trialled by summer 2008.

Recognising that the Horizon hardware is getting older and breaking down more frequently, the Federation has continued to engage with Post Office Limited on the need to replace items that, as the business develops, are no longer fit for purpose. While we are told that the ability to replace hardware is severely restricted by Post Office Limited's current financial position, we are pleased to note that our representations on the quality of printers have finally been recognised and that, from March 2007, a programme rolling out new Epson Inkjet counter printers will be implemented.

Online Service Availability...

Members will be aware of the high priority that the Federation has given to this issue as we recognise that any downtime has an effect on trading both in the Post Office and ancillary business. We have continued to work with Post Office Limited and Fujitsu services seeking to improve online service availability and trying to ensure that fault resolution processes are fine-tuned to minimise downtime as far as possible.

Over 7,000 offices have now been given permanent ISDN back-up and additionally a number of Global System for Mobile units (GSM) units are available where normal service cannot be restored within 48 hours.

The Federation continually monitors progress and while we are aware that on occasion the process 'falls over', we note that the average number of offices off-line everyday is diminishing. We recognise that intermittent faults are an issue needing further focus and attention, as these seem both difficult and time consuming to rectify. We are working with Post Office Limited to help it recognise patterns and build up knowledge that can lead to prompt identification and resolution.

The Federation has been involved in a new initiative, 'Sense and Respond', helping Post Office Limited and Fujitsu to identify priorities for improvements in key service areas. Communication with offices experiencing on-line failure is one such priority that we will continue to work on. Where subpostmasters experience difficulties in resolving on-line issues through the normal helpline channels, the Federation continues to assist by ensuring that such cases are escalated.

Cash Supplies ...



2006 saw the third review of operations at each of the 28 Cash In Transit depots that provide cash funding/de-funding to the national network. All revisions have been implemented and the Federation has monitored the impact, dealing with individual difficulties where these are raised.

We are currently engaged with Post Office Limited to ensure that there is a full understanding of issues around cash supplies, cash management and planning and that the imperative to reduce surplus cash held in the network does not leave subpostmasters at risk of cash-outs. Yet again, difficulties experienced with advance planning of winter fuel payments illustrated the need for clear, accurate information from Post Office clients and for the business to be able to respond to the network's needs in special circumstances.

NBSC ...

Over the year the Federation has continued to raise subpostmasters' concerns with Post Office Limited over the operation of the National Business Support Centre. Consequently Post Office Limited has recognised the need to review all contact centre operations, including the NBSC. We have emphasised the need to foster improved communication skills including empathy with the caller, understanding the nature of the issue, courtesy and politeness. The Federation recognises that this is a two-way process and all callers are reminded of the need to be polite and respectful to call centre staff, despite the frustrations that inevitably arise when trying to deal with difficult and complex problems.

Security ...

The Federation has maintained its relationship with the Security Team at Post Office Limited which following the internal organisational review now brings together six functions: National Investigations, Investigations Policy and Standards, National Security Operations, Cash Security Policy, Network and Equipment Policy, Crime Risk.

While burglaries have remained static over the year, regrettably robberies have increased by 7%, albeit less than half were successful. All, however, were exceedingly traumatic for the subpostmasters and staff involved and we are pleased to be able to report that the use of firearms is down by 13% and injuries down by 35%.

This year the Security Operational Team has worked even more closely in conjunction with the police looking at specific initiatives such as the recent Christmas crime reduction activity. Hot spot areas are identified and taskforce vehicles deployed to gather intelligence, provide deterrence and offer post-incident support.

A new initiative, "Grapevine Intelligence", will provide timely information sharing between offices, CIT crew, security teams and the police to ensure a co-ordinated and appropriate response to criminal activity in an area.

Following an earlier year's major fraud where criminals forged Inland Revenue Cashcheques, 2006 saw the emergence of a further major fraud on Inland Revenue Cashcheques.

The earlier fraud consisted of forged Cashcheques being put into the network by criminals where the detail, including the watermark, had been printed on the cheque. The later fraud, which was on a considerable scale, consisted of legitimate Cashcheques that had been intercepted and altered.

This fraud was far more difficult to spot, as the cheques bore authentic watermarks, and a large number were passed back to the subpostmasters to make good the amounts involved even though a significant majority were impossible to spot in the normal course of a subpostmaster's work.

After intervention by the Federation a working group consisting of two representatives from the Federation and two from Post Office Limited, has been set up to adjudicate on the liability incurred by subpostmasters for encashing fraudulently altered cheques.





Whilst this work continues, a moratorium has been put in place to avoid calls on subpostmasters to make good amounts. A further group is working on measures that can be put in place to improve the security features of Cashcheques, including the feasibility of providing all offices with UV lights to assist with the identification of fraudulently altered Cashcheques at the time of their acceptance.

Overall our work continues with the Security Team to provide maximum protection for those who serve their communities in post offices across the country.

Message from Alan Cook Managing Director, Post Office Limited



"I would like to thank Federation members for all your hard work during 2006. You and your assistants are for many customers the 'face of the Post Office' and the fact that we remain the most trusted brand in the UK is a testimony to the customer service you provide in your branches, day in, day out.

We have faced some significant challenges during 2006, in particular, falling customers numbers linked to the decline of our traditional business. This was compounded in the summer by the news from the Department of Work and Pensions to end the Post Office® Card Account in 2010. Since then however, the Government have announced their intention to launch a new card account for benefits customers. They have also indicated that the Post Office® will be well placed to win this business and we will of course vigorously pursue this opportunity.

The Government's December announcement on the future funding of the Post Office®, and its plans for our network, followed months of uncertainty. We must now await the outcomes of the consultation process before we start planning in earnest for the future shape of our network. I am determined to keep you as well informed as possible during this time and we will try to take into account subpostmaster's views and preferences whenever we can.

Creating a sustainable network of branches is a key part of our five year strategy - Forward:five2eleven - and the Government's proposed funding package and its intentions regarding the network, represent a big step forward to achieving these aims. Clearly Royal Mail will be continuing to discuss with our shareholder, the Government, the overall investment case for the Group as a whole and we will keep you up to date with what's happening.

I am pleased that during 2006, on average subpostmaster remuneration has grown by over 6%, but acknowledge that this growth has not been universal. We will continue to work with the NFSP to ensure that we can reward you fairly for the key role you play in the Post Office®. We are however losing four million pounds a week this year, and it's therefore vital that subpostmaster remuneration reflects subpostmasters' contributions to achieving our plans.

As part of our Forward:five2eleven plans, we will be defining our brand and customer proposition, to make it easier for customers to understand what products and services are provided in Post Office® branches.



We want to work with our direct employees and agents to continue to develop the customer experience, so that we become the supplier of choice for mail services, financial services, telephony and Government services. I am keen that we continue to build closer relationships with subpostmasters and work together to grow our businesses for our mutual benefit. You will play a key part in our future by driving sales in branches, helping to generate the income we need to return to profit, and re-establishing the Post Office® as an essential part of people's lives.

Finally, I would like to express my thanks to Colin Baker for all of his efforts to promote the interests of subpostmasters. In my relatively short time with the Post Office® I have come to admire the way he pleasantly, but firmly, represents your interests both with Post Office Ltd and also at the highest levels of Government. I look forward to working with the new General Secretary to create a successful future for both our organisations.”

Membership and Recruitment



The percentage membership figures for 2006 have shown a slight increase over the year. Figures a year ago showed the percentage of members to non-members as 72.16% - the latest figures issued show a percentage membership of 73.35%. However, as per the statement "lies, damned lies and statistics", the truth is not in the figures.

A year ago the potential membership that could be achieved was 12,789 compared with the current figures of 12,536 - this is a loss of 253 offices from the network. The actual membership last year was 9,229 and this year 9,195 - a reduction of 34 members. The statement on Thursday, 14 December with the announcement of a reduction of 2,500 post offices provides further challenges with our membership in the long term. However the short term situation with public consultations and discussions taking place as to the criteria of who goes or stays, and the winning of compensation for those who leave, will undoubtedly act as an aid in recruitment.

During 2006 the February and August editions of *The Subpostmaster* were sent to all subpostmasters with articles that were written to encourage the recruitment of members. In those editions it was highlighted as to how the National Federation of Subpostmasters was actively working for the members on a one to one basis when help was required by an individual member. It was also stressed in those editions the full benefits that were available to all members.

The £25 recruitment fee that has been paid to the members' branches that recruit non-members has been operating over the year though fewer than 100 payments have been claimed. We are aware that some people who have been recruiting have not claimed their fee, allowing it to be used for Federation work to continue instead. The Executive Council is grateful to all who have made great efforts to recruit non-members, and trust that the benefits of membership are more apparent to them than before.

The six month free offer ended on the 31 December 2006, however new schemes are being worked on to try and drive the membership back up again in the near future. This will include working with all Regions on a recruitment drive using a call centre to contact non-members.

The Publicity & Development Committee made membership their number one priority over 2006 and will continue to do so in 2007.

September 2006 Membership percentage (Branch League Table)

1	Edinburgh	93.59	47	Scottish Northern	74.31
2	Southend on Sea and SE Essex	90.28	48	Gwent	74.17
3	Leicester	89.50	49	Swansea and District	73.71
4	Jersey	87.50	50	Thamesway	73.42
5	Nottingham	86.40	51	London West	73.08
6	Walsall and Wolverhampton	85.88	52	Warrington	72.73
7	Manchester North West	85.42	53	Preston	72.64
8	Blackpool and Flyde	85.37	54	Birmingham	72.56
9	East Kent	84.71	55	Brighton	72.26
10	Ipswich and District	84.55	56	Cambridge	71.52
11	Coventry and District	83.33	57	Guernsey	71.43
12	Mid Glamorgan	82.68	58	Isle of Man	71.43
13	Huddersfield and District	82.35	59	Mid Yorkshire	71.11
14	Bournemouth	82.28	60	Wey Valley	70.91
15	Dudley and District	81.94	61	Dundee and District	70.49
16	Doncaster	81.52	62	Northumberland and Tyneside	70.09
17	London East	81.50	63	Ayrshire	69.75
18	Bedford	80.61	64	East Lancs	69.70
19	London North	80.45	65	Heart of England	69.14
20	Hastings	80.00	66	Leeds and Wakefield	69.09
21	Lincoln and Grimsby	79.86	67	York	69.09
22	Bradford Amalgamated	79.75	68	Manchester South East	69.07
23	Derby	79.75	69	London South West	68.97
24	Hull	79.00	70	Chiltern	68.87
25	Liverpool	78.95	71	Aberdeen	68.80
26	Middlesbrough and Cleveland	78.45	72	Northampton and District	68.70
27	Cumbria	78.36	73	Colchester and Chelmsford	68.15
28	Manchester North East	78.26	74	Wessex	67.58
29	South of Scotland	78.17	75	Shropshire	67.18
30	Manchester Central and S West	78.02	76	South West Kent	67.09
31	North Staffs and S Cheshire	77.62	77	Southampton and District	66.67
32	Swindon	77.42	78	Isle of Wight	65.96
33	Kings Lynn and N Norfolk	77.39	79	Central Wales	65.75
34	Northern Ireland	77.39	80	Gloucester	65.22
35	Cardiff and District	77.23	81	Taunton	65.16
36	Norwich	76.80	82	Exeter	64.74
37	North West Kent	76.25	83	West Wales	64.52
38	Peterborough and Boston	76.00	84	Lancaster	64.17
39	Durham No 2	75.63	85	North East Wales	63.69
40	London South East	75.26	86	Gwynedd	62.99
41	Worcestershire	75.23	87	Reading and Kennett	62.22
42	Eastbourne	75.00	88	Bicester and Oxford	60.57
43	Lands End and Mid Cornwall	74.84	89	Plymouth, North and East Cornwall	59.59
44	North Yorkshire and S W Durham	74.65	90	Bristol and District	59.31
45	Glasgow and District	74.60	91	Torbay	56.99
46	Sheffield Amalgamated	74.53	92	Solent	50.56

Communications



The ability to effectively impart and exchange information and ideas to our members has improved over the year 2006.

Our journal, *The Subpostmaster*, has been very effective in raising the profile of subpostmasters nationally, and many more Members of Parliament are receiving copies of our monthly publication in their post. We know that a number of Government Departments read every word that we publish, and we are very aware that our journal has been quoted in answer to Parliamentary questions and has been quoted back to us on at least two occasions - once from one of the letters published in the letters page. It is also interesting to note that we are quoted extensively by the media during our campaigns.

It is essential that the improvements to this publication continue and that it is used wherever possible to inform not only our members but also the opinion formers within the community.

The Federation web site has become a major communication vehicle over 2006. Improvements put into place allow us to place details on to the site as events take place. The classic example of this were the details of the statement made by the Secretary of State for Trade and Industry on the 14 December 2006 which was on the site within minutes of it being completed.

The site is now split into members and non-members areas and access to the member's site is only obtained using a security password. Users are able to access other areas and sites of interest via hyperlinks. To assess how effective and how well used the site was, a 'hit' counter was installed on the 27 February 2006 and by the end of the year a total of 42,000 hits had been made.

The Federation has been working hard to ensure the site is constantly monitored and improved. The Federation is at present consulting with the provider of the web site for further enhancements that will be made over the coming year.

As the world changes it becomes more and more essential that the Federation has the ability to inform as quickly as possible. The most cost effective way to impart information is to have a living web site.

Visit www.nfsp.org.uk and get connected.

Commercial Report

The Commercial Department continues to work hard to bring new business opportunities to the attention of members. These opportunities are becoming more important as Post Office counter transactions alone cannot sustain members' profits. It has become a priority for all members to make their retail side work harder for them.

During the past 12 months we have introduced some exciting new business partners who are either helping members make more money or to become more efficient.

One of the major new partners this year was Bunches. Several thousand members are now offering flowers by post to their customers. The business generated is increasing each and every week. Bunches pride themselves on only providing the best quality products and sensible pricing levels, and it is this policy that means that customers come back time and time again.

We have successfully trialled the placement of various leaflets - these trials are being rolled out nationally during 2007 and include Acorn Stair Lifts and The Personal Injury Helpline. Acorn Stair Lifts naturally appeal to our 'older' customers and to date several members have earned substantial commissions as their customers have gone ahead with a stair lift installation. The Personal Injury Helpline offer compensation legal services and never charge their customers for the service - members receive payments for enquiries regardless of whether that enquiry becomes a 'claim'.

Some of our business opportunities provide a community service to customers rather than generating great profits. An example of this is the Missing Pets Bureau - members give out tags to their pet owning customers to place on their pets collar. Once registered with the Bureau, they are assured that, if lost, it is very likely that they will be reunited with their pet - and very quickly.

Some of our long-standing business partners have proved to be successful whenever taken on by members. An excellent example is Bags Direct. Having said that, it is disappointing that more members have not given our business partners a go. It can be frustrating knowing that we have a host of really good opportunities available and they are not being taken up by many members.

Our key business insurance partner, Zurich, continues to insure more and more members. Their Post Office policy gives custom written cover.





You always get what you pay for when it comes to insurance, but with a 15% automatic discount for members, Zurich cover offers one of the best rates available.

Through articles written in *The Subpostmaster*, the Commercial Department has tried to demonstrate to members how important it is to run an efficient retail business and we have homed in on the importance of 'change'. Too many Post Offices today look exactly as they did many years ago. Good retailers are constantly changing not only the look of their stores, but more importantly, their customer offering. It is here that we can really assist. Many of our business opportunities require little, or no, investment with the business partner placing products and services in the member's office at no financial risk or cost to that member.

The Subpostmaster Exhibition has gone from strength to strength. This year at the exhibition CTN World ran theirs alongside ours. Almost 200 exhibitors were showing their products and services. It was well worth visiting 'your' exhibition and most members take something positive away with them. This then assists them in running a better business. Make a note in your diary and endeavour to make it to Birmingham on 20 and 21 October 2007.

The Commercial Department has a large database of business partners - not all of them have been published/launched to members. Should members need any assistance in running their retail business, either with the introduction of a new product or service then the Commercial Department can provide appropriate contacts who can offer help.

In Conclusion

With the events of 2006 now behind us and the challenges of 2007 known, the Federation can start to work on the future of the network.

- We will have the Post Office Card Account (POCA) until 2010 and beyond.
- There will be a Social Network Payment (SNP) until 2011 and beyond if necessary.
- There will be a compensation package for those who will leave the network.

This is an excellent start, but it is only a start.

However the challenges ahead are to create and promote a suite of products and services to build on the Post Office Card Account and other successful products in the network. We look to Post Office Limited to develop those new products, and for Federation involvement in making them attractive to customers.

We look to Government, both national and local, to support the network not only with POCA and the SNP, but with new and improved products and services and to look at what they can deliver into the network - not take things out of it.

We also look to subpostmasters everywhere to remember the need to meet their customers' requirements, to be aware of and rise to the competition, and to acknowledge that with the rapidly evolving technology, customers have more choice.

If we all recognise our role and face up to our challenges, we will win through. The Federation will be here for its members to help steer through this next difficult period. The Federation would encourage any non-members to seriously consider where they would be without the Federation, and how they will manage without us as we work towards a better future.

Notes



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