



Annual Review 2007

The National Federation of SubPostmasters

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About us

The National Federation of SubPostmasters supports subpostmasters across the UK.

We are an independent membership organisation and modern trade union, with a commercial trading company to support the retail businesses of our members. We are the only organisation recognised by Post Office Ltd to represent subpostmasters.

We are committed to sustaining a robust and vibrant post office network. We seek to achieve this by influencing policy makers and working closely with all organisations with an interest in the post office network.

www.nfsp.org.uk

Looking back, looking forwards



David Milner National President

Change has once again dominated the world of the subpostmaster and the National Federation of SubPostmasters.

2007 has been a frustrating year for subpostmasters. The lack of information about the shape of the network has left subpostmasters worried and uncertain about their future. I understand the need to ensure consultation is properly carried out but it should be remembered that subpostmasters are human and in some cases are suffering intolerable stress in their private and business lives. I believe some individuals in the Government, the Civil Service and Post Office Limited (POL) are sympathetic to this affect of Network Change, however, more must be done to ensure that the needs and concerns of subpostmasters are taken account of.

The year began with the Government's public consultation on its proposals for the future size and shape of the network. This resulted in the delayed announcement on 19 May 2007 of the closure of 2,500 Post Offices, of which 500 will re-open as outreach post offices. The Network Change programme began in earnest in August, with the first public consultation taking place in early October and subpostmasters receiving the first closure notices in December.

The NFSP was itself the subject of change. Annual Conference in May 2007 saw the retirement of seven Executive Officers and the General Secretary, Colin Baker. George Thomson, General Secretary elect and seven new

Executive Officers were welcomed onto the Executive Council and immediately became involved with negotiating with POL and the Government to ensure the success of POL's tender for the replacement of the Post Office Card Account (POCA).

Floods and postal strikes have not affected the resolve of subpostmasters to continue to provide a professional service to the communities they serve. Is it any wonder that subpostmasters, despite uncertainty about the future, natural disasters and the realities of POL's financial position, are so cherished by the public?

POL has continued to build new business with further new products and a new advertising campaign. More profitable business is required and the Government needs to take the lead in this. The financial and emotional cost of Network Change will be wasted if POL do not win the tender to provide the successor to the POCA (POCA 2). This should be the beginning of more Government work.

Horizon Online can provide a platform for public access to central and local Government and a Postbank can provide the platform to enlarge our personal banking services. A willingness to put words into action is required!



George Thomson General Secretary

Our organisation weathered another difficult year in 2007 as we confronted the many challenges facing subpostmasters and the post office network.

Post Office Limited's Network Change programme is a necessary step in trying to stabilise the size and shape of the British post office network. The closure of up to 2,500 offices is a deeply regrettable but absolutely essential step to help get the network back into sustainability and viability. It is our belief that it is better to have up to 2,500 planned, structured and compensated closures, than for the post offices to be allowed to 'wither on the vine'.

The NFSP has worked hard with the objective of ensuring that subpostmasters leaving under the Network Change programme are doing so with their dignity and investment intact. Having achieved a compensation package for up to 2,500 subpostmasters leaving the network, we must now focus all our attention and efforts on making sure that those remaining in the network have a future.

That can only be achieved by attracting significant new and profitable work to the post office network. Our priorities for 2008 will be to achieve that, through POL retaining the contract for the successor to the POCA; for this to be a stepping stone towards the creation of a Postbank; and for all levels of the Government to 'think Post Office first'.

Many post offices and local shops are finding it increasingly difficult to deal with the reduction in trade brought about by the ever increasing dominance of the large supermarkets and need a level playing field to compete. We believe that the Government must look at a range of measures, including

full business rates relief, and consider the place, if any, for supermarkets in the local convenience sector.

I have spoken to thousands of subpostmasters all over the UK since my election as General Secretary in May 2007. What always shines through is subpostmasters' openness, honesty and sheer commitment to the Post Office and to the communities they serve. You are without question an integral part of the social and economic backbone of the UK.

Members are the absolute lifeblood of any organisation and we must never forget that fact. The recruitment of new members is at the very heart of maintaining our strength and while we have enjoyed some real success in recruiting new members in the second half of 2007, there is more work to be done on this front.

I would like to thank all our members, whether new or long-standing, for the tremendous support they have shown the NFSP. It is more essential than ever in such difficult times, that all subpostmasters should work together within the NFSP to provide a strong, united voice to defend our interests and speak up for our needs.

Your Federation is committed to strong, local post offices anchoring strong, local shops in strong, local communities. We need your continued help to achieve our aims, but I know that together we can do it.

The future of the network

The NFSP was instrumental in the successful campaign to persuade the Government to introduce a successor product to the POCA.

The tender document was published in December 2007, with submissions required by the 31 March 2008. Post Office Ltd (POL) is one of several companies expected to bid for the contract.

The NFSP will work intensively over the coming months to ensure that the successor product is won by POL. We know that subpostmasters are heavily dependent on POCA transactions for direct income and footfall, and fear that unless the contract is won, the rationale behind the Network Change programme and the money spent to deliver a sustainable network for the future will immediately be undermined.

Our campaigning efforts led to the Government's decision in May 2007 to invest £1.7 billion in the post office network, including an extension to 2011 of the Social Network Payment and the acknowledgement that further funding was likely to be required thereafter.

Network Change

A major part of the Government's decision was for POL to implement the Network Change programme, which will see the compulsory closure of up to 2,500 post offices by the end of 2008, with 500 new outreach services opened. January 2008 will see the first of these closures.

Key for the Federation is our success in winning 28 months' compensation for subpostmasters leaving the network.

The closures are deeply regrettable, but an absolutely essential step in helping to get the network back to a sustainable and viable situation. The NFSP believes that it is better to have up to 2,500 planned, structured, and compensated closures, than the risk of many subpostmasters operating unviable businesses leading to unplanned closures and gaps in the network.

The frustrations experienced by subpostmasters under Network Change are completely understandable, but we

urge subpostmasters to remain as patient as they can in these very difficult circumstances.

The Federation has worked closely with central Government to ensure that the issues leading to the need for the Network Change programme are fully understood by MPs and local councillors. They have to understand that, though the closure decisions are difficult, they are absolutely necessary for the future viability and sustainability of the network.

An Exceptions Fund with at least £1 million has been created to help subpostmasters leaving under the Network Change programme. This fund is specifically designed to assist with excessive exit costs. We will be working with POL to ensure that where a subpostmaster has been caused hardship as a result of compulsory closure, additional funding may be available to meet exceptional expense connected with them leaving the business. Decisions on claims will be made by a Board of Trustees that will be made up of representatives of POL and the Federation. Although welcoming the creation of this fund, the Federation has concerns that it may be insufficient to cover the cost of all claims. We will be monitoring the success of this scheme and assessing claims made on an ongoing basis.

Any subpostmaster whose office is being closed under the Network Change programme can contact the NFSP, and we can offer information on the purchase of another Post Office, or on how to obtain relief or temporary work.

Core and outreach

We are working closely with POL on the Core and Outreach contract for the 500 outreach offices that are an intrinsic part of the Network Change programme. Although the NFSP and POL have done much work to reach an agreement, as at 31 December the Federation is still some way from an acceptable agreement that we can recommend to subpostmasters. However we continue to work towards that end.

Sustainable network

Beyond achieving an acceptable package for up to 2,500 subpostmasters leaving the network, the NFSP must now focus all its attention and efforts into ensuring that those remaining have a brighter future. We have to work with all stakeholders to attract significant new work to the Post Office network, to maintain and grow the businesses of over 11,000 offices remaining after Network Change.

The financial services products are producing income for POL but are currently insufficient on their own to maintain subpostmasters' income at a viable level. Many subpostmasters still need help from POL in the promotion of this group of products.

Post Office Card Account

The Federation continues to campaign vigorously to ensure the Post Office Card Account is available until 2010 with no further customer migration, and that its successor will be accessible at Post Office counters nationally and with the same customer eligibility as the current POCA.

Invitations to tender for the successor Card Account service were sent to several interested parties in late November 2007. The Government has confirmed that it intends to announce the winner of the tender for the successor to the POCA (POCA 2) in summer 2008. The UK Government states that it is obliged under EU competition law to tender for the contract, rather than simply award it to the Post Office. The tender document was published in December 2007, with submissions required by the 31 March 2008. POL is one of several companies expected to bid for the contract. The Federation will be campaigning vigorously to support POL in their tender bid.

Research shows that cash withdrawals from the current POCA amount to around £27 billion per year with around £2 billion of this spent in local post offices, shops and village stores. This is important in helping sustain valuable services within local communities, especially for those who find it difficult to travel, the elderly and infirm. The Federation believes that it would be an act of absolute folly if the Government, having invested hundreds of millions of pounds

in an attempt to create a viable and sustainable network of Post Offices, should then have that same investment placed in jeopardy by one of its own departments (the Department for Work & Pensions) not awarding the successor Card Account contract to Post Office Ltd.

The NFSP believes that winning the contract for the successor to the POCA service is an essential step to POL becoming a Postbank.

Postbank

The NFSP believes that the network risks going from crisis to crisis unless there is a major policy shift and the Government agrees to make POL a Postbank.

The creation of a Postbank, with a full range of banking products, is key to the stabilisation of the network, attracting a new group of customers. The Federation will campaign vigorously to persuade the Government to support the proposition.

It is essential that subpostmasters feel confident about their future prospects if they are to invest in their businesses and that Post Offices are perceived as a sound business proposition if new entrants are to be attracted into the network. The creation of a Postbank would give a clear indication of the future direction of POL and go a long way to helping subpostmasters regain confidence for the future and end the uncertainty of the past. There is much work to be done but the Federation will campaign for the introduction of a highly valued and trusted Postbank service based on the integrity of our brand.

Crown office network

The decision to move a large number of Crown offices into WH Smith franchises attracted considerable controversy. There was some concern among subpostmasters that these relocations could have a negative impact on neighbouring Sub Post Offices especially where the WH Smith store was nearer to an existing Sub Post Office. The Federation is pleased that following our representations that POL has agreed to look at individual cases where neighbouring Sub Post Offices have been adversely affected. While it is essential that this section of the network does not continue



to lose money, we understand that a strong, economically viable Crown office network can help add value to the Post Office brand.

However, in view of the increased investment proposed for Crown offices, it is essential that we do not let a two-tier network develop. We have therefore published a paper advancing the business case for grant funding to be made available to those Sub Post Offices remaining in the network, and our discussions with the Government and POL on this subject continue.

Retail environment

Most subpostmasters recognise the importance of retail sales in assisting to keep their business viable - indeed nearly 90% of post offices have a retail offering of some kind.

Yet pressure is also being brought to bear on post offices and local shops by the seemingly endless march of the large supermarkets. We believe that a level playing field must be created in order to help local post offices and shops compete with the major supermarket chains. Retailing in today's competitive environment is an exact science and subpostmasters need to be match fit to compete in the market place. That will mean many subpostmasters having to acquire new skills in merchandising, marketing, stock control, shop layout and design, in order to enhance the profitability of their businesses overall.

The NFSP will be campaigning for sustainable, local post offices, anchoring sustainable, local shops, in sustainable, local communities.

Review of postal services

The NFSP welcomes the Government's decision of 17 December 2007 to review the impact of liberalisation of UK postal services and trends in future market development and its likely impact on Royal Mail, alternative carriers and, most importantly, consumers.

We believe that a positive outcome for Royal Mail Group from the review (i.e. which gives more protection and emphasis to the Universal Service Obligation) will provide more stability, and indeed could help industrial relations within the Group, and therefore prevent further damaging industrial disputes.

The recent Communication Workers Union strike had a detrimental impact on the network with many subpostmasters reporting substantially reduced business levels across their Post Office counters in addition to reduced sales in their private businesses. Additionally many POL management staff found themselves manning counters throughout the Crown office network leaving many subpostmasters unsupported.

Working with Post Office Ltd

The NFSP believes that subpostmasters, as the customer interface for the business, should be viewed as partners with Post Office Ltd.

Over the course of the year we have sought to foster this partnership by continuing to develop good working relations with POL. That relationship allows us to build on common aims and aspirations, while at the same time airing our differences in a constructive and productive manner, reaching mutually acceptable solutions where possible and defining areas where agreement is not tenable.

The current economic and commercial environment in which we are operating, with POL losses reported as running at £4 million a week, make it inevitable that at times we will be involved in negotiating difficult and challenging issues with POL.

Pay

Following very complex and intense negotiations, the Executive Council was finally able to reach agreement with POL in August last year, on subpostmasters' remuneration to take effect from 1 October 2007. This agreement, which saw £11.128 million of new money injected into subpostmasters' pay, was a significant achievement for the NFSP within the context of the economic realities of the business, and equated to a 2.5% headline increase. The detail of the agreement was complex and involved re-balancing various transaction payments with some increasing and others decreasing. Additionally, for offices on the Commercial Pay System some income was diverted from the Core Tier Payment (CTP) to Transaction Related Payments (TRPs). The agreement is summarised as follows:

- Alliance and Leicester business banking was retained but at the cost of a re-negotiated contract with lower remuneration. However the NFSP reluctantly took the view that it was better to lose some of the value than lose the contract altogether.
- The bill payment market was, and is, subject to strong competitive pressures, and although POL sought an immediate reduction, the NFSP fought hard to ensure that transaction rates will remain unchanged until 31 March 2008. However from 1 April 2008 this rate will reduce.
- Mails remuneration, which accounts for over one third of subpostmasters' pay, saw the most significant changes with some remuneration being transferred from core payments into transaction payments. A further re-balancing of transaction rates for mails products moved emphasis from postage sales to the acceptance of mails items and, at the same time encouraged the use of postage labels, ensuring that subpostmasters are rewarded in line with customers' changing mailing habits, adding value for Royal Mail and recognising current technology driven trends.
- A transition payment was negotiated to offset any negative effect of re-balancing that might be experienced by specific offices as a result of their mix of products and current transaction behaviour.
- Postage rate increases will now flow through to remuneration, instead of downward adjustments being made.
- Special delivery payments saw a significant increase.
- As an added value service for POL's client, Royal Mail, the NFSP agreed to the additional segregation of 1st and 2nd class packets where offices had the physical capacity to undertake this. A sum of £600,000 was set aside from the 2008/2009 pay budget to reward qualifying offices and will be paid at 31 March 2008 (i.e. with April 2008 pay). POL has also agreed to discuss the ongoing implications of packet segregation as part of the 2008/9 pay negotiations.

The impact on individual offices over the year will, as in any round of negotiations, depend on the traffic mix at each office but the NFSP is confident that the majority of subpostmasters will benefit from the new arrangements. Both the NFSP and POL recognise that the changes in remuneration for mails products are significant and POL has committed to track remuneration and share the outcomes.

The NFSP believes that the new payment mechanisms need time to bed down and the impact of changing behaviour patterns be fully understood over the coming year. We therefore believe that it is not the time to contemplate further radical change in the immediate future but that an opportunity exists to continue working with POL to examine how the agency network can add value for Royal Mail, and how subpostmasters can be adequately rewarded for the work they undertake to achieve this.

Mailwork

In addition to the services provided by POL on behalf of Royal Mail through the national post office network, some 945 offices additionally provide local sorting office facilities and are contracted by POL to do so.

Mailwork offices are remunerated separately for this additional role and all Mailwork remuneration rates were increased by the equivalent of 2.5% with effect from 1 April 2007 (although negotiations were not concluded until August), worth £200,000.

The NFSP's Mailwork Sub-Committee has continued to make representations on behalf of this group of members and remain concerned over the impact of changes to Royal Mail working practices on Mailwork offices generally. We continue to monitor this.

The NFSP believes that as we move towards a re-shaped network we need a clear definition of the strategy for Mailwork offices. We hope that through our ongoing working relationship with the Mails Product Management team, we might achieve a clearer understanding of that long-term strategy and the implications that emerge from it.

Products

As POL works through its five year plan – 2007 was tagged 'Forward:four2eleven' – the business continues to concentrate efforts within four 'Product Pillars'.

● Mails

As previously stated, the NFSP believes that the mails market is the lynchpin of the network, contributing one third of subpostmasters' pay. We therefore welcome the initiatives being undertaken by Royal Mail and Parcelforce to examine products and procedures, with a view to making these more customer friendly and recognising the changing mails market in which we operate. It is crucial that subpostmasters, through the NFSP, inform these discussions.



We recognise that bulk mailers such as e-bay customers and local businesses appreciate the benefits of a local post office service and that solutions can be found, utilising internet technology, to speed up counter processes for these valued customers, at the same time adding value for Royal Mail through streamlined administration.

● **Government services**

The NFSP has long held that the post office network is ideally placed to act as a one-stop shop for a variety of government and local government services. Therefore our response in March 2007 to the then DTI consultation document on the future of the Post Office, welcomed that part of the DTI's proposals aimed at questioning what services and products local authorities and devolved administrations might transact through the post office network in the future. Equally we indicated disappointment that there were no plans to review central government services, particularly in light of reducing income from benefits and allowances, loss of the BBC television licencing service, and the heavy DVLA promotion of internet and call centre licence renewals. Whilst we acknowledge the aims of customer choice, it is important that this is offered on a level playing field and that the Post Office option should be given equal prominence in all promotional material. It is encouraging to hear that POL is likely to be successful in retaining passport check and send work, and have secured the DVLA contract for across the counter work for a further period. As we enter 2008 we were pleased to be told that POL had been successful in the tender for the Environment Agency Rod Licence contract.

The NFSP has encouraged POL to be pro-active in establishing local government propositions and has been involved in assessing potential initiatives. Currently, subpostmasters are participating in the following trials: Community Canvas, which allows consultation via internet kiosks and Public Messenger, involving communication through posters and leaflets. Initial feedback from the local authorities involved in these trials has been extremely positive.

Going forward, our focus to ensure that the remaining network has a future must include encouraging government at all levels to 'think Post Office first'. When local authorities,

National Assemblies and Governments have work to award, we need to ensure that they always remain aware of the post office network as a trusted service provider and focal point of so many of our communities.

● **Financial services**

2007 saw POL launch a number of new financial services products to augment its current portfolio: Van Insurance, Travel Money Card, Over 50's Life Cover, simplified Life Assurance and Exclusive Saver have been introduced over the year, as have mortgages (although mortgages are not transacted across our counters and do not impact on sub offices). Pet Insurance is planned for launch early in 2008. While we support this approach to expand into new areas for the business, we have real concerns about how much additional revenue can be derived in practice in this already crowded market. Feedback from subpostmasters would indicate that, generally speaking, these products do not contribute a great deal to their overall profitability.

ATM roll-out over the year resulted in a total of 1075 by December, but the pace of deployment has slowed to accommodate the Network Change programme.

The NFSP believe that the 'Universal Bank' opportunities envisaged by the Government's Performance and Innovation Unit report in 2000 have never been fully realised and will not be realised while three major banking groups – HSBC, Halifax Bank of Scotland and Royal Bank of Scotland Group, do not provide access to their current accounts at post offices. We therefore deem it to be absolutely essential that POL is successful in its current bid for the successor product to the Post Office Card Account (POCA 2), and that the operation and development of POCA 2 should be the stepping stone to POL becoming a Postbank.

● **Telephony**

2007 saw the conclusion of an Ofcom investigation, which determined that POL had breached the sales and marketing Code of Practice in relation to Homephone. The NFSP was concerned that despite its representations on the matter, over-zealous pressure from sales-oriented managers had led to this investigation and we were pleased to learn that changes had been made to procedures and

practices that addressed the issues raised. The Homephone product was re-launched later in the year with a further broadband package becoming part of the offer. Again, while we welcome the introduction of this new business in principle, we are aware that in practice this is already a crowded market with a number of long established and significant players. We were encouraged to hear of the initial success of the broadband launch and will be interested to appraise the contribution, overall, of this product to subpostmasters' pay.

Systems and support

Over the year the Operations Directorate has faced a number of challenges, striving to ensure that the 'right things are in the right place at the right time', and that services and support are provided in a cost efficient way to the business. While this will inevitably lead to tensions on occasion, the NFSP continually stresses the need for full engagement with subpostmasters on the rationale behind decisions, so that business needs are fully understood, as is the impact of those business decisions on the people at the 'coal face'.

● **Horizon**

Work has continued on Horizon Online over 2007 and the system should be ready for trial by summer 2008. A preliminary first phase saw new counter printers issued to all offices. It is the intention that mobile Horizon terminals be replaced with a newer, more reliable model, currently in development, which will be used in new outreach sites from early 2008. Existing mobile terminals are due for replacement as part of Horizon Online from spring 2009. The NFSP has made strong representations that subpostmasters should be able to respond to customer demand in a combined Post Office and retail environment and that therefore Horizon should include a retail icon.

It is heartening that POL report that 2007 saw the highest ever levels of office on-line service availability and that work on fault resolution processes with both Fujitsu and BT seems to have paid off. Subpostmasters reporting on-line availability problems should now be given regular updates, and complex intermittent faults are being resolved more quickly in many cases. The availability of the temporary mobile solution (GSM) also reduces time

off-line. In the latter half of 2007, the average number of branches off-line each day and unable to trade had reduced to single figures.

● **Stock supply**

At the conclusion of 2006 we reported on problems following the transition of the secure stock supply from Hemel Hempstead to the Swindon Distribution Centre and the efforts of the NFSP in securing a high level enquiry. It is, therefore, pleasing to note that figures for October 2007 reveal 99.8% of value stock was delivered on time and in full, with a figure of 99.2% for transactional stock. The level of complaints has also fallen quite dramatically.

October 2007 saw the start of the rollout of automated stock ordering, the aim being to simplify the supply of stock to offices, whilst reducing costs in the process. To date 4,500 offices can now order their stock via the Horizon system and the trial is intended to draw out any teething problems with the system and process. A number have been identified through subpostmasters' feedback illustrating that this initiative did not run as smoothly as hoped for in the initial stages. Issues are in the process of being addressed and the patience and perseverance of subpostmasters is recognised in moving this development forward. The project will be rolled out to all offices in the coming months.

Again, looking forwards, it is the intention to expand on work currently being undertaken involving a small trial to print stock in branches.

● **Cash supply chain**

Throughout the year the NFSP has been involved in discussions with the Cash Services team regarding the need to reduce the cost of POL's cash supply, while at the same time maintaining standards of service to branches. To ensure that cash supplies meet ongoing needs and that inbuilt flexibility allows responses to higher or unusual demands in a controlled cash supply environment presents a challenge and, at times, will be finely balanced.

POL's main challenge for the coming year will be to work with the NFSP to ensure the overnight cash holdings are kept to an operational minimum.

- **Network Business Support Centre**

Last year we reported that, as a consequence of the NFSP continually raising subpostmasters' concerns, POL had recognised the need to review all contact centre operations. The NBSC is run by Royal Mail Sales and Customer Service on behalf of POL. Last year they took 850,000 calls at a cost to the business of £2.8 million. POL sought improvements that would improve the quality of service overall, with more emphasis on 'getting it right first time' and additionally contribute to the cost reductions needed to deliver their five year plan.

Changes were implemented on 26 November, delivering the following outcomes:

- Robbery and burglary calls will, as always, be given first priority and are now dealt with by a dedicated 'out of hours team' experienced in that area.
- Time critical calls are answered by an advisor and given priority.
- Some types of calls are given the option to speak to an advisor or receive a callback.
- All other callers are asked to leave a message in a voice mailbox and given an estimated callback time (within 24 hours). An advisor subsequently calls back with the correct answer.



In parallel, we have emphasised the need for the quality of the responses to improve with enhanced training and call monitoring, alongside the development of a new knowledge base. POL has reported that so far, the changes have worked well and stress that in nearly all cases the understanding and professionalism of subpostmasters has ensured that this has been managed with minimal disruption or frustration.

- **Security**

The NFSP has continued to meet with the security team responsible for proactively managing the business response to both external crime and internal fraud and which is targeted with minimising incidents and attacks. A further restructuring of the team took place in June, establishing five strands covering crime risk, commercial security, fraud, asset security and physical crime.

This year has seen a far greater focus on maximising management information flows to detect fraud and by developing new ways of analysing data, suspicious or fraudulent activity can be more readily identified.

January 2007 saw the launch of 'Grapevine', an intelligence gathering initiative co-ordinating reports of suspicious activity. Over the latter half of the year, Asset Security has been heavily involved in providing support to the Network Change programme, particularly the Core and Outreach element where the NFSP have emphasised the need to ensure suitable security solutions for the different formats. In a similar vein, the team have also provided security support to the supply chain in the replacement project for new CIT cross-pavement cash boxes.

We are pleased to learn that robberies reduced by some 13% over 2007 and again, less than half were successful. Burglaries too, reduced by 23% with a success rate of just 27%. On the down side, despite the decrease in incidents the rate of firearms carried remained constant and sadly injuries showed a slight increase. The trauma that all incidents generate is of course immeasurable in terms of impact on those directly affected and protecting people must remain the primary objective.

Message from Adam Crozier

Chief Executive, Royal Mail Group



I was very pleased when the Federation asked me to pen some words for the annual review as it gives me the opportunity to pay tribute to the commitment and dedication of our subpostmasters. The hugely important service you give to your customers in communities across the whole country is very much appreciated.

The last 12 months have been tough – and we all know that there are also some difficult times ahead - but one thing that remains central to our plans is the continuing crucial role for Post Office branches to play in supporting the Royal Mail letters business. The reach of the Post Office network coupled with the knowledge that you and your staff have about mail products and services represents a unique strength for Royal Mail. We compete in an open and intensely competitive market where one in five letters are now posted with rival companies and electronic communications using broadband internet services are also winning increasing market share. Your role, however, is crucial - receiving mail and parcels, advising customers on the best service to use and underpinning the personal service which is a hallmark of Royal Mail. We want to see Post Office branches continuing to be the retailing partner of choice for the letters business with opportunities for you to boost your income by ensuring customers get the products and services that best meet their needs.

The Network Change programme got underway last year and, of course, it remains a challenging time for people in many branches. Change is never easy. But we will get through this programme and our guiding principle as we implement the Government's policy and funding decisions

remains - we are determined to do all we can to create the best possible Post Office network that's as readily accessible as possible so that we continue to meet the needs of our customers.

I feel very positive about the future of the Post Office and I share the view of Alan Cook, the Managing Director of POL, that we can create a sustainable network that continues to play a vital part in daily life for many millions of customers while succeeding in a tough, competitive commercial environment.

We are having increasing success with new products and services. One in 50 car insurance policies now being sold bears the Post Office brand, we've taken more than £2 billion in deposits to our Instant Saver accounts, foreign currency sales continue to grow and we retain our position as the UK's number one provider, and 1,000 people a day are signing up for the Post Office's HomePhone or Broadband service. The first sale of a home bought with a Post Office mortgage has just been completed – another sign of how we are pushing the boundaries of our business. Overall, we now have more than one million customers for our Financial Services products - and the business is bringing in much-needed new income for the whole of the Post Office and helping us support you and the branch network.

The challenges remain but I want you to know that we will continue to do all we can to support you. Your hard work is playing a key role, not just on the journey to viability by the Post Office network, but also in the future of Royal Mail.

Membership

Without question, the closure of up to 2,500 post offices by the end of 2008 under the Network Change programme presents significant challenges for the NFSP's membership.

Within this difficult environment, following their election in May the General Secretary and Executive Council announced their intention to make membership one of the NFSP's top priorities.

The NFSP understands it must reposition itself and refocus its efforts to ensure it can face the challenges ahead, and that we continue to not only survive but thrive into the future. As a result, many new initiatives have been developed this year, with more to follow in 2008.

Supporting member recruitment

Our main focus has been to better enable members to lead our recruitment and retention work. The importance of ongoing recruitment cannot be overstated and we know that the most effective recruitment mechanism is through direct contact from a local fellow subpostmaster. Equally, the best testimony to the benefits of NFSP membership is made by members themselves, and with this in mind, we have worked this year to support members in their recruitment efforts.

In September, the NFSP held a recruitment seminar in Birmingham, attended by Membership Officers from all of the NFSP's 10 regions. The seminar reviewed all aspects of recruitment and membership, and explored the most effective approaches to recruitment based on members' own experiences. Following the seminar, a recruitment toolkit based on the seminar's conclusions has been issued to all regional Membership Officers, allowing them to draw upon best practice in recruitment and to report on their region's recruitment initiatives and successes on a quarterly basis.

Initiatives earlier this year involved Executive Officers in the Wales/Cymru and Midland Regions in a telephone recruitment trial which brought in over 50 new members and the continuation of the £25 incentive scheme, whereby members

or their branches receive £25 upon recruiting a new member. A successful Branch Secretaries Seminar was held at Hinckley Island in January, and plans are now underway to further develop Branch Secretaries' training in 2008 which will help support the vital work of our branch network.

All of these initiatives remain under constant review, with new ideas and advice on good practice actively sought.

As at September 2007, audited NFSP membership stood at 9,039, against a potential membership of 12,278. It must always be remembered that every member represents a physical presence in a community and are the means to reaching 24 million Post Office customers a week and significant millions more over their retail counters.

There has been a small dip in the percentage of members over the previous 12 months, slightly reduced from 73.73% to 73.62%. While these figures will change significantly once the Network Change programme is completed, they nonetheless underscore the need for all members to bear in mind that every contact with a non-member must be viewed as an opportunity to sell the benefits of membership and encourage them to join the NFSP.

To aid recruitment efforts, all branch and regional officials involved in recruitment are encouraged to check their monthly member reports for accuracy and feed information on any inaccuracies back into NFSP Headquarters, to establish a fully up-to-date database. We are grateful for the work now being done on this by many Branch Secretaries and Membership Officers, which supports the integrity of the database, and would encourage all branches to help us by doing likewise.

While members focus on recruiting individual members, NFSP Headquarters has also reviewed its approach to seeking to recruit companies. This has already yielded good



results, with almost 500 offices from companies including Martin McColl, Smile, Lothian & Borders Co-op and Somerfield joining the NFSP in late 2007. We will continue to engage with other companies who are currently not members, with the aim to continue to increase the proportion of our membership in this part of the network.

Member benefits

Whether for individual members or companies, we know that critical to our success in sustaining and increasing our membership base will be our membership offer – the benefits which NFSP membership brings.

Alongside the NFSP Business Helpline, which provides employment and some legal and tax advice, members can now also benefit from the introduction of a dedicated face-to-face counselling service through the Benevolent Fund.

These benefits come in addition to the regular updates on news and information affecting subpostmasters through the NFSP website and the Journal, with editions of the latter being sent to all non-members in March and August last year.

Just as important is how we communicate those benefits to both members and non-members, and work is underway to review our recruitment materials and how we best present and define the value which membership brings.

We know that as Network Change draws to a close, we will be facing a very different post office landscape in a year's time. However that landscape looks, membership will remain at the heart of our strength and effectiveness in serving the best interests of our members. We must therefore retain our unique voice on behalf of all of our members - in our traditional role as the only body recognised by Post Office Ltd to represent subpostmasters, and also our growing role in supporting and advising subpostmasters on their retail business.

Benevolent Fund

The Benevolent Fund is an independent charity funded mainly by investment income and donations from members. Although it is not a subscribed benefit of membership, it provides a vital role in assisting those eligible in times of personal need.



Retail support

The 2007 Annual Conference confirmed the importance that retail businesses now have in members' list of business priorities.

The majority of members have seen a decrease in the profitability of their Post Office's but now all should look to their retail side to improve their overall turnover, and therefore profit.

The Commercial Department is working hard to introduce new opportunities for members covering a wide range of trading areas. There are now numerous commercial opportunities available covering new products to try; services to offer to your customers; a range of services and products to help your office run more efficiently; financial services and deals to save on your costs.

We know that some key brand owners are prepared to offer better deals as long as agreed Recommended Selling Prices are committed to. They are also happy to offer better deals if products are taken on and stocked to an agreed timetable and similarly better deals if coupons or leaflets are distributed. There are many opportunities available to us and we hope that by mid 2008 full details will be made available to interested members.

There are some very interesting launches in the pipe line. It is especially pleasing that a number of these have been initiated by members making contact with the Commercial Department having already successfully trialed the product in their stores and felt that those opportunities would appeal to a wider NFSP audience.

We naturally encourage any member who is doing something successfully in his store that may be of interest to other members to make contact with the Commercial Department at NFSP Headquarters.



The Subpostmaster Exhibition 2007 was once again held in conjunction with the National Federation of Retail Newsagent's CTN World at Birmingham's National Exhibition Centre. In terms of number of exhibitors and number of visitors the exhibition was a great success. The 2008 Exhibition will take place in London's Olympia and the date is being brought forward in the calendar to the 6 and 7 September.

We are working to launch a group of members who are happy to conform to some pre agreed disciplines to improve their retail businesses. We have also been in dialogue with Post Office Ltd regarding the possibility of jointly providing independent retail advisors to help subpostmasters understand and implement best retailing practices and consequently maximise their retail income.

Communications and public affairs

After the NFSP's unprecedented campaigning efforts in 2006, last year saw us continue to push the Government to deliver meaningful proposals for the future of the network.

As well as holding lengthy dialogue with ministers and officials, we submitted a comprehensive response to the Government's public consultation on its proposals for the future of the network. This informed the Government's long-awaited final decision on its plans for the network published in May, leading to the implementation of the Network Change programme, and saw the then Secretary of State for Trade and Industry Alistair Darling MP address the NFSP Conference on the Government's plans.

As a result of the appointment of Gordon Brown as Prime Minister last summer, we have prioritised building relationships with the new occupants of 10 Downing Street, as well as with new Ministerial appointments at the new Department for Business, Enterprise and Regulatory Reform (the successor to the DTI) and other key government departments.

Our successful work with the All Party Parliamentary Group for Post Offices has continued, and we have regularly provided written briefings for parliamentarians ahead of post office-themed debates, while building positive relationships with MPs from all the main parties. Throughout our parliamentary work, including with the devolved administrations, we have stressed the need for the Network Change programme to help provide a sustainable future for post offices, in the face of often strong opposition to closures from parliamentarians, the media and community groups.

We have also maintained good relationships with the influential parliamentary Select Committees, submitting written and oral evidence to inquiries on the future of the network to the then Trade and Industry Committee and the London Assembly.



We have also continued to work closely with the regulator Postcomm and the consumer watchdog Postwatch, and look forward to working with Postwatch's successor body Consumer Voice upon its introduction at the end of 2008. Our work with the Postwatch Counters Advisory Group and with other organisations which campaign on Post Office issues remain important relationships which we will seek to build upon throughout the course of the year ahead.

2008 will see further parliamentary debate and inquiries on the Network Change programme, the future of the liberalised postal market and the ownership and structure of Royal Mail Group. On all of these critical subjects, the NFSP will remain in high-level dialogue with all decision makers to ensure that subpostmasters' and the network's best interests are heard.

We will continue to campaign hard to ensure that the contract for the successor for the Post Office Card Account is retained by the Post Office; and for this to be used as a building block for the establishment of a Postbank at the Post Office, to bring the UK Post Office in line with its equivalents in Germany, France and most of Europe. This will emerge as a major theme for our work throughout the year.

We will also encourage the Government to join up its objectives on the growing issues of sustainable communities and global warming by making fuller use of the post office network to help deliver both local and global sustainability. The Federation continued to work in conjunction with Post Office Ltd (POL) to ensure that local authorities across the UK build upon the many local initiatives where subpostmasters have secured contracts to provide payment and information facilities for a range of local authority products and services; and to advance POL's new local authorities services.

NFSP representatives have appeared regularly throughout the year in local, regional and national newspapers, on the airwaves and on our television screens, as the media's appetite for post office-related stories remains high.

Meanwhile, our own communications channels continue to develop:

- The NFSP website will incorporate a members' forum during the first half of 2008. This will allow subpostmasters to directly share ideas and experiences with one another. In addition, work will take place to freshen up the appearance and content of the website to ensure that more members are able to make full use of this resource.
- Branch Secretaries Circulars, the regular updates on Post Office and NFSP business for branches, will continue to be issued in paper format and uploaded onto the website; but will also be issued by e-mail to all Branch Secretaries who have the facility.
- *The Subpostmaster* underwent substantial changes at the start of this year, moving to a new A4 magazine format with our new publishers, William Reed Business Media Ltd.

This change in format fulfils a long-held ambition of the Executive Council. Changes have also been informed by the hundreds of responses received to the questionnaire published in the September 2007 edition which sought members' views on how the journal could be improved to continue to meet their needs. While feedback was overwhelmingly positive, areas highlighted for attention included the desire for more stories about subpostmasters and more information on Post Office operational matters – both of which will be reflected in the new format.

In addition, in order to make the journal as informative as possible, we urge all members to continue to get in touch with us with their letters and any suggestions for stories.

But while significant changes have occurred, we are also mindful to retain all the many aspects of the journal which are valued by members. We are aware too that *The Subpostmaster* is still widely read in Government and wider postal sector circles, and that as well as informing our members, it remains our shop window to opinion formers, policy makers and the wider world.

NFSP Headquarters

Phone: 01273 452 324

Email: admin@nfsp.org.uk

Commercial Department

Phone: 01273 465 564

Email: commercial@nfsp.org.uk

Benevolent Fund

Phone: 01273 452 324

Email: jean.davis@nfsp.org.uk

Post: National Federation of SubPostmasters,
Evelyn House, 22 Windlesham Gardens,
Shoreham-by-Sea, West Sussex, BN43 5AZ

Website: www.nfsp.org.uk