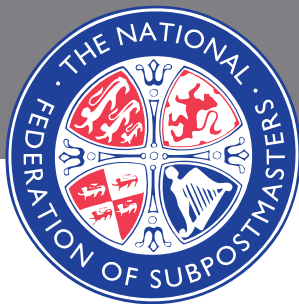




Annual Review 2010



About us

The National Federation of SubPostmasters
supports subpostmasters
across the UK.

We are an **independent membership organisation**, 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.

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Foreword from the National President

Your post office provides an invaluable resource to your local community. The NFSP will continue to work to ensure that the post office network, and your investment in it, survives and thrives in the future.

Stephen Harper National President



These are interesting and challenging times. We have witnessed several years of post office closures; and we now have a new government. It is a government which, I hope, appears to truly recognise the importance of the post office network – although we await evidence that its actions will match its good intentions.

Major changes to the post office network are now firmly back on the agenda. It is now proposed to separate Post Office Ltd (POL) from Royal Mail. Some members have voiced concern that any loss of vital mails business will result in their business

investment becoming unsustainable. It is therefore vital that we have a long-term Inter-Business Agreement (IBA) between POL and Royal Mail. Your Federation believes a 10-year IBA would provide a better foundation for POL's success in the future and will continue to strongly endorse this position.

In the Postal Services Bill there is provision for the mutualisation of POL, something the Executive Council has been working on for some time. This may only be possible if there is a full funding package to modernise the network, guarantees to support the network by the provision of new government work and no loss of existing work. Negotiations are ongoing and I can assure you that strenuous efforts are being made on your behalf to support the sustainability of the post office network.

Your post office provides an invaluable resource to your local community. We are therefore pleased that the government has continued to recognise this fact through its renewed funding of the network.

I believe our most important task for the incoming year is to promote the sustainability and profitability of your business investment. Your Federation continues to make robust representations to ensure the Post Office as an entity, and your investment, survives and thrives in the future.

Foreword from the General Secretary

Government must ensure that substantial volumes of new government work are delivered through a stand alone, independent Post Office Ltd if the network is to become viable and sustainable.

George Thomson General Secretary



Now that the government intends to fully privatise Royal Mail Group and create a new, independent Post Office Ltd (POL), we have a once in a lifetime opportunity to turn around decades of closures and decline.

The interests of subpostmasters must be listened to and that is why, after two years of hard work and many meetings, we are pleased that the government has agreed in principle with the NFSP's aspiration to mutualise the new POL, with subpostmasters and POL staff having a share in the ownership of the company.

Never again should the interests of subpostmasters and management become so misaligned that, at a

time of significant remuneration reductions for many subpostmasters, record bonuses were paid out to management. This is not just morally questionable; it is the opposite of the government's ethos of 'we are all in this together' and is simply wrong.

We should also rightly be proud that, at a time of unprecedented government budget cutbacks of £81bn a year that this Federation persuaded the coalition government to invest £1.34bn of taxpayers' money into the post office network over the next four years. It is a significant indication that this government seems to be serious about creating a viable, sustainable new POL.

This investment should allow the modernisation and restructuring of the network to create a long-term future. However, it is crucial that significant volumes of new work, in particular new government work (local and central), is delivered through our network, in addition to post offices remaining the shop front for Royal Mail products.

However, the majority of this investment does not become available until April 2012, meaning we have a challenging period until the renewal and restructuring of our network can commence. In the meantime, we must all work together to help subpostmasters get through until the investment and restructuring starts.

Working for the network's future

A funding package of £1.34bn and a commitment to make post offices the front office for government indicates a vote of confidence from the coalition government and a strong desire to turn around the fortunes of our network.

There can be little doubt that the coalition government's decision to invest £1.34bn over the next four years into our network is a tremendous vote of confidence in its future. To secure this level of funding at a time of unprecedented government budget cutbacks is testimony to the hard work and perseverance of NFSP representatives.

Most of these trends have had a significant detrimental impact on both Post Office transaction volumes and retail sales. It is becoming harder to continue to provide a post office service to our local communities. In response to these changes we have fought rearguard actions with government over the last decade to:

- keep work (Post Office card account – POCA – twice; and green giros, as our successful campaign on POCA also saw us winning a delay of at least three years in green giros being put out to tender);
- win compensation for closures in a contracting network, twice (with Network Reinvention and Network Change when a total of 5,000 offices closed); and
- try to persuade government to see the post office network as a national asset and to channel new work through that network.

It is fair to say that, until recently, governments were not delivering on new work.

However, these changes in society mean that the post office network as it is presently structured is no longer viable. Thousands of subpostmasters are struggling to earn a living from their business and, in some cases, are giving up the fight to retain a post office to benefit their local community.



...the government's decision to invest £1.34bn over the next four years into our network is a tremendous vote of confidence in its future."

Changes in society

Over the last 20 years there have been enormous changes in the way that UK citizens access services: massive movement away from carrying and using cash and towards ACT (automatic credit transfer) and DD (direct debit); far less shopping on local High Streets as people shop more at supermarkets and out of town retail parks; and lastly, the explosion of internet shopping and home delivery of goods and groceries.



Governments were however able to say that these issues were not caused by them but by changes in society and, to some extent, that was correct (apart from the scrapping of the Horizon benefit cards to replace benefit books). The decision to remove Post Office Ltd (POL) from Royal Mail Group is a move that is both bold and not without risk. The government must therefore use its best endeavours to utilise a network which it has decided by policy and law to remove from Royal Mail Group. The government is totally responsible for creating a new, independent POL and it must take a strategic role in ensuring it has a viable, secure future.

Privatisation and separation

There can be little doubt that the forthcoming privatisation of Royal Mail Group and the planned creation of an independent, stand alone, new POL are the biggest changes to the Group since BT was demerged and privatised in 1981-82. Over the last two years, NFSP representatives have been engaged in discussions at hundreds of meetings with government, civil servants and Royal Mail Group regarding the circumstances needed to ensure an independent POL would have a viable, long-term future where the

previous decades of decline and closures could be put behind us, and a better future created.

The NFSP supports the creation of a world class new Royal Mail Group (Royal Mail Letters, Parcelforce and General Logistics Systems), headquartered and owned within the UK, and the creation of a modernised, best on High Street, new POL, and that is why we supported the government's Postal Services Bill.

Modernisation and restructuring

When the funding package from government starts to gain real momentum from April 2012, it will provide significant funds to modernise our post offices which have, in most cases, suffered from many years of under-investment in their physical appearance. The funding package will also allow the establishment of over 2,000 Post Office Local (or Post Office Essentials), which will provide Post Office services in conjunction with a retail business, predominantly convenience stores and newsagents. This model is currently being trialled and the NFSP continues to work with POL to ensure that this model is fit for purpose. The NFSP will ensure that subpostmasters' investment in their post office is acknowledged when these changes start to happen.



Finally, on the restructuring, it is essential that the Crown offices are brought into profit. The network can no longer afford to cross-subsidise them to the tune of the £60-70m per year that they currently lose.

All these actions taken together should go a long way towards creating a POL network of around 12,000 outlets which are modern, fit for purpose, and have a long-term, viable future.

Mutualisation and alignment of goals

Over the last two-three years in particular, it became apparent to the NFSP that the interests of staff, management and subpostmasters were becoming more misaligned than ever. This came to a head when, at a time of remuneration reductions for thousands of subpostmasters, POL paid record bonuses to hundreds of managers. This was highly morally questionable and simply wrong.

The NFSP believed that as subpostmasters provided 97% of all post office outlets, it was correct and proper that agents had a much greater say in the running and direction of the company. After scores of meetings with politicians, government ministers, civil

servants, Royal Mail Group, POL and our specialist advisers, we are extremely pleased that the coalition government has agreed in principle that the new, independent POL will become a mutually owned company with subpostmasters having a far greater say. However, the company must be worth mutualising and that is why it is so important that new government work delivers significant new income to help create a viable, profitable, independent new POL.

Government work

Without doubt the key to a successful future for a new, independent POL is for the coalition government to deliver on its pledge to make us the "front office of government". This would see subpostmasters do much more work for government, including checking forms, verifying identity and right of entitlement, assisted applications and much more. We believe that the post office network can offer both central and local government services better, provide more localised contact with citizens and also save significant sums of money for their departments as value-added services.

It is important that in addition to these potential new value-added services, that the government continues to use our network for the high volume, relatively fast transactions such as POCA, green giros, and car tax, which bring in the customer numbers and associated retail footfall that make the standard post office/shop model work. New work that is more time consuming



must be in addition to volume work – not replace it, or the model will not work.

As social mail posting volumes drop over the coming years due to the use of text messaging and internet, the role of government in using the network becomes absolutely critical. If the work is not delivered, it becomes more broken promises.

If the government does not deliver on its pledge of new work, it will mean that a newly created, independent POL would very quickly become insolvent and have no future. If it becomes apparent before the privatisation and separation of Royal Mail Group and POL in April 2012 that the government has not kept its word, we believe the privatisation and separation should be postponed until it does. Let's be clear – a stand alone, independent POL without significant volumes of new government work will not be a viable company.

Mail market

It is crystal clear that Royal Mail Letters, as the universal mail service provider in the UK, will always dominate the social mails market and the small

business market. That is why Royal Mail Group and POL must conclude a 10-year deal to continue to allow POL to be the front shop for Royal Mail Group mails products. Nearly £350m a year is paid to POL from Royal Mail Letters for work we do on its behalf over our counters. It is essential that post offices remain the shop front on the High Street for Royal Mail Group.

In recognition of the fact that we will be the only country in the world to split its retail arm (POL) from its delivery arm (Royal Mail Letters), it is imperative that a new Inter-Business Agreement is agreed that ensures Royal Mail Letters continues to use our network as its shop front.

This relationship between the two companies is so important it can never be broken, as it would weaken them both. We must never underestimate the fact that subpostmasters give Royal Mail Group a network of 12,000 local Post Office outlets, trained staff with mails specialisations including Horizon expertise, mails integrity, Pricing in Proportion expertise, mails segregation, and a vast knowledge of mails products that is not easily replicated.

"We must never underestimate the fact that subpostmasters give Royal Mail Group a network of 12,000 local Post Office outlets..."

Big Society – help on the journey

We believe that post offices can be at the heart of David Cameron's 'Big Society' vision, delivering services at a local level in an environment where people of all ages and social groups interact and meet. We also believe that the mutualisation of the Post Office could be used as a blueprint for mutualising many government departments. However, the NFSP, government, Royal Mail Group and POL must work together to help subpostmasters get through the difficult year ahead to ensure we are all ready for the bold journey the network is about to embark on.

Working with Post Office Ltd

Moving forward to establish a separate mutualised company will mean a radical change in the current relationship between the NFSP and Post Office Ltd.



Over the last year, financial pressures on subpostmasters have not abated. Income and custom has dropped for many while costs and overheads continue to rise.

For several of the products and services which our post offices transact, developments in technology have led to the greater possibility of automated transactions which in turn allows other competitors to enter the market place. This in turn has pushed down

remuneration rates. As economic hardship tightens the outcome for some has sadly been no option but to relinquish their office and/or face bankruptcy.

As we move into the new era all parties must recognise that a post office service (in any format) is only sustainable if those delivering it have a real stake in the strategic direction of the business and consequently, receive fair and adequate returns on their considerable investment in it.

Pay

It became clear in early 2010 that Post Office Ltd (POL) was intent not only on resisting any uplift in subpostmasters' pay generally, but also in reducing certain transaction payments – business banking and rod licensing – that formed part of variable pay.

While POL had acceded to the NFSP's position that there be no further movement from fixed to variable pay, POL was not prepared to abandon the annual Core Tier Payment review, automatically recalculated on April 1, based on the previous year's sales performance. Of course the impact of recessionary market conditions during that preceding period meant that the majority additionally saw a fall or no increase in Core Tier Payments.

“*The NFSP has always maintained that new government work is crucial to revitalise and sustain the network and reverse the decline in income from traditional government work.*”

Whilst understanding the challenges faced by the business, the NFSP was acutely aware of the drop in total remuneration over the previous year and the devastating impact of this on subpostmasters, their families and businesses. We were also aware of the record profit declared by POL in the financial year 2009–2010, the 2% increase paid to postmen and women, and not least the substantial millions paid in bonuses to POL management.

Our position was that the proposed reductions were unacceptable, that we did not agree a reduction in business banking rates and we believed that subpostmasters should receive a pay increase matching that paid to postmen and women.

After a period of increasingly difficult discussion and a final appeal to POL's Chairman, the business was not dissuaded from its intended course. The NFSP made it clear that we were unable to reach agreement and

POL imposed the pay cuts (but delayed actual implementation of them until September), leading to a breakdown in talks.

As we approached the NFSP Conference in May, the General Secretary had written to the new POL Managing Director formally requesting that POL join the NFSP in talks at ACAS; a request that was turned down.

At Conference, subpostmasters' frustration and vehement dissatisfaction was clear, resulting in an historic and unprecedented vote that a ballot of the membership be authorised on specific industrial action.

POL quickly resumed talks and working together both parties recognised the significant economic difficulties facing subpostmasters. As a result the following payments were agreed:

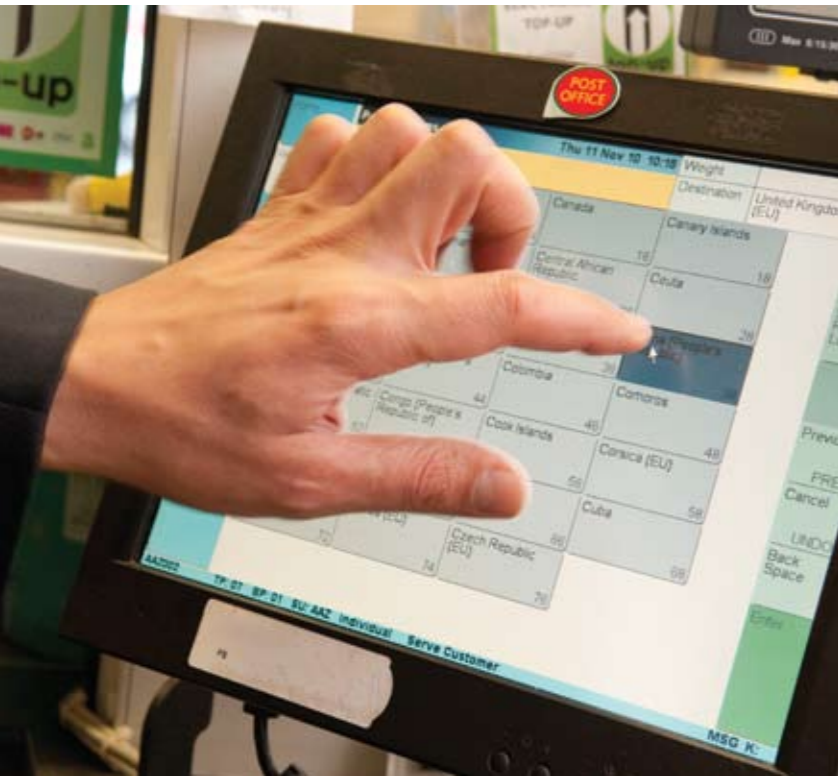
- Payments equal to £1m (broadly the equivalent to the reduction in business banking rates) provided to smooth the overall impact on remuneration as a result of market rate changes to POL client contracts.
- An additional £600,000 made available as an ex-gratia, one-off recognition payment to branches that had participated in the initial Horizon Online trials.
- Further, that a fund be created (up to £1m) to assist subpostmasters in serious cases of genuine hardship and unforeseen circumstances.

Remuneration remains a serious concern as we recognise that the current pay model is not achieving a viable return for the majority. It is our view that some means must be found to enhance subpostmasters' pay in real terms and prevent further deterioration over this coming year, in advance of the restructuring funds available from 2012 onwards. If this does not happen further closures are indeed inevitable as businesses fail. We want to work with POL to prevent this.

Mailwork

Some 900 offices throughout the country additionally provide local sorting office facilities on behalf of Royal Mail through the national post office network and are contracted by POL to do so.

Once again mailwork offices saw no uplift in pay during 2010 and the NFSP has continued to press



contributing at least one third of subpostmasters' pay. It contributes not only to transactional pay but to a significant element of fixed pay. It is therefore crucial for the survival of the network that our retail partnership be strengthened, particularly given the separation of the two businesses proposed in the Postal Services Bill. The NFSP is encouraged by the public statements made by both the Managing Director of POL and the Chief Executive of Royal Mail, indicating that both see a long-term commercial agreement as being in their best interests. The government too has clearly acknowledged that position in its policy paper. We wish to see these reassuring statements translated in a clear 10-year IBA between the two companies.

■ Government services

The NFSP has always maintained that new government work is crucial to revitalise and sustain the network and reverse the decline in income from traditional government work. Our national asset of 12,000 outlets provides real opportunity for the network to be the front office of local and national government. We therefore welcome the government's commitment to a variety of trials, for example, using the network to provide assistance with applications, ID verification, and processing 'payout' schemes.

However, subpostmasters have heard similar promises over recent years and understandably many remain cynical. They keenly await some tangible evidence that this time government will deliver and that any new work will provide fair profit margins and income streams. Additionally we need to retain existing, high-volume work in order to ensure sufficient, regular income.

■ Financial services

Having campaigned for the creation of a government backed Postbank, the NFSP is deeply disappointed that government has rejected this course, opting instead for strengthening POL's relationship with the Bank of Ireland. We recognise that as a consequence of the bank setting up a UK arm, all deposits in Post Office savings accounts are protected by the UK Financial Services Compensation Scheme. However, we believe that customers may still feel uneasy given the current uncertain economic conditions in Ireland.

for further financial recognition of the costs incurred by mailwork subpostmasters. However, it is likely that this service will be subject to review in light of the provisions of the Postal Services Bill. Royal Mail privatisation, the efficiency imperatives within Royal Mail as a business and the ongoing determination of the Inter-Business Agreement (IBA) between POL and Royal Mail, will all influence the final outcome on sorting office facilities and requirements. However, we believe mailwork sub post offices retain a strategic, long-term role within Royal Mail Group, particularly in remote areas.

Products and services

A constant theme of previous Annual Reviews has been the need for new and profitable work to be introduced into the network and we make no apology for continuing to reinforce that point. Further, it is crucially important that we retain and develop our unique expertise as the retail arm of Royal Mail.

■ Mails

Revenue from Royal Mail postal services is by far the biggest slice of income for subpostmasters and POL,



It remained the case that the majority of subpostmasters derived limited income from the range of Post Office Financial Services.

It was welcome news that Royal Bank of Scotland had joined the ranks of Post Office partner banks, leaving only HSBC and Santander as the major high street banks that do not provide customer access to current accounts at post offices. The NFSP maintains that all high street banks should allow access at the Post Office and provide a clear, uncomplicated message to customers that this is the case.

Horizon

We were pleased to see the final stages of the Horizon Online rollout completed at the end of September 2010. The initial trial period had proven problematic for subpostmasters and at our insistence the programme was halted on a number of occasions between January and early June to allow technical issues to be addressed. These technical problems had resulted in system downtime, impacting on both customer service and subpostmaster remuneration. Subsequently the

NFSP achieved agreement that an additional £600,000 would be made available to branches that had participated in the initial Horizon Online trials.

"...some means must be found to enhance subpostmasters' pay in real terms and prevent further deterioration over this coming year, in advance of the restructuring funds available from 2012 onwards."

Working with POL we agreed to the rollout recommencing in early June – initially in the Crown network only, to enable subpostmasters to regain confidence that problems were indeed resolved.

We anticipate further system development and streamlining now that the system has bedded in.

Working to influence

A new coalition government, a new Postal Services Bill and a new government strategy for the post office network dominated much of the NFSP's work.



As ever, our achievements in influencing opinion formers and those in power are rooted in the respect in which our members are held, and the high standards of service they provide.

Election and parliament

Ahead of May's general election, the General Secretary wrote to all parliamentary candidates setting out the policies the NFSP believed necessary to secure a viable future for the network. Meanwhile NFSP members were provided with lobbying packs to allow them to contact their parliamentary candidates to discuss the issues affecting their post offices.

These actions ensured that the future of our post offices was at the centre of debate in many constituencies in the run up to polling day; and crucially, that the NFSP and our views were well known to the record number of new MPs entering parliament following the election.

The NFSP did not lose any time in establishing contact with the new parliament, issuing briefing papers and meeting scores of newly elected and re-elected MPs. We attended the three main parties' conferences, building new contacts and further developing existing relationships.

We were also happy to continue to provide support and advice to the All Party Parliamentary Group (APPG) for post offices during the year. The APPG, made up of MPs and peers from all parties with an interest in

The NFSP's voice has been at the very fore of discussions on the network and its future during 2010, as we have continued to successfully engage with politicians and the media.

We have consistently represented the views, interests and concerns of subpostmasters, their customers and the post office network across a range of issues. Most significantly, our work in influencing the decision makers has won several major concessions from the government in the form of substantial funding for the network, mutualisation for Post Office Ltd (POL) and pledges of new government work at post offices.

post offices, has been a highly effective and important ally in parliament for the NFSP in recent years.

Following the election and the appointment of new officers, the new APPG has made a very strong start in continuing this work, with its meetings increasingly well-attended.

Consultations and inquiries

We have provided written and oral evidence to Richard Hooper's revised report on the future of UK postal services; the parliamentary committee scrutinising the Postal Services Bill; the National Lottery Commission's investigation of Camelot's application to provide bill payment services; and on postal services in Scotland.

Our parliamentary briefings have won considerable praise and are regularly quoted from by MPs during debates and questions in parliament. All of this work contributes to the view that the NFSP is the leading authority on all Post Office-related matters.

Our work in influencing government and parliament has been boosted by our successful engagement with the media. Throughout the year, we have retained a high profile in the national press on the opportunities and challenges presented by the new government's plans. We have also pro-actively secured stories ranging from threats to subpostmasters' remuneration and retaining the benefits cheque contract at the Post Office, to the need to radically overhaul postal regulation.

Our aim is for this crucial aspect of our work to develop further in the year ahead.

Devolved and local government

While post offices remain a reserved issue for the UK government at Westminster, there is much which devolved and local government can do to support post offices. This year, our ongoing efforts to engage with the devolved administrations in Scotland, Wales and Northern Ireland yielded strong results.

Forty-nine Scottish subpostmasters were awarded grants of up to £25,000 to diversify their business from a £1m fund from the Scottish government. The funding, announced in January, was directly attributable to the NFSP's meeting in the Scottish parliament two months previously. The NFSP was also asked to have significant



input into the deliberations on the criteria for the fund. Subpostmasters in Wales continued to benefit from the Welsh assembly government's £4.5m Post Office Diversification Fund; while their colleagues in Northern Ireland were awarded automatic business rates relief for the first time from April, a benefit already enjoyed by post offices in Wales and Scotland.

Unfortunately these initiatives were not mirrored in England, where local authorities have largely failed to match their stated support for post offices with actions to achieve this.

The NFSP has nonetheless continued to encourage cash-strapped local authorities to look at ways to save money, improve service for customers and support local post offices by putting more council services through the network.

There are some small signs of movement. In January, the Local Government Association (LGA) staged a conference for councils to hear about POL's offer to local authorities. Sheffield City Council is taking part in a government pilot to provide more of its transactions and services through post offices; while Essex County Council is offering match-funded grants of up to £5,000 to rural post offices.

The NFSP will continue to press the LGA to provide a strong lead for councils on supporting their local post offices.

Working for the future of the NFSP

The NFSP continues to update its structures and the benefits offered to members, in order to best serve the interests of subpostmasters.



NFSP structure

There was considerable focus over the year on changing the NFSP's structure and its service to members to reflect current and forthcoming changes to the network. By continuing to meet this challenge, we maintain our ability to represent members to the best possible extent.

The ongoing programme of restructuring the NFSP's branches and regions was completed; while the process of transferring funds from branches to regions was also finalised, supported by a comprehensive programme of Regional Treasurer training.

At the start of the year, a Rules Revision Conference debated and approved changes to the NFSP's rules.

The triennial elections to the NFSP Executive Council (EC) took place at the start of the year, while the EC reduced from 16 to 13 Executive Officers.

Membership

Membership recruitment and retention remained a priority during 2010, to ensure that as many subpostmasters as possible enjoy the benefits and protection which NFSP membership offers. As a result, membership density remained at its previous high level.

New opportunities for membership recruitment and the development of the NFSP's role are also emerging, with the prospect of a mutualised Post Office Ltd and the planned rollout of the Post Office Local model. These themes will be the subject of further work in the year ahead.

All members were informed of the new tax and VAT insurance cover, designed to help subpostmasters in the event of an enquiry into their personal or business tax affairs. The product proved to be instantly popular, with several claims logged by members within a few weeks of its launch.

The existing public liability and malicious attack/assault insurance products were also heavily promoted, alongside the wider range of benefits such as the holiday relief service.

Initial work began on exploring the possibility of establishing a credit union for NFSP members, which will be further progressed this year.

All existing and potential member benefits will remain under ongoing review in the year ahead and improvements made wherever there is scope to do so.

Communications

During the year, good use of the NFSP's communications channels was made to keep members informed of important developments within the industry; and *The Subpostmaster* underwent a refresh.

Following research among members the previous year, and having been in its existing format for nearly three years, some pages within *The Subpostmaster* were updated and other new pages were introduced, ensuring the magazine remains fresh and relevant to members. During the year, a members' editor was elected to respond to members' letters.

The Subpostmaster continues to be very well read, providing key information to its readership through well-researched articles. Of particular note are the Practical Advice pages, providing essential help and advice to members, with topics over the year covering grants, rates relief, money saving measures and various HR-related subjects.

While *The Subpostmaster* remains the primary vehicle for communicating with members, 2010 saw an increase in direct communication with members.

We have written to members to inform them swiftly on a number of issues including pay, Camelot, personal injury claims, as well as three letters detailing the NFSP's position on the Postal Services Bill as it progressed through parliament.

Membership of the forum continues to grow, with over 800 members signed up by the end of 2010. A new moderator was appointed in 2010. Frequently cited as an invaluable tool, the forum enables members to communicate with other subpostmasters across the country, sharing views and offering advice. Many members use the forum as the first port of call to ask for information, whether operational or general, and receive responses almost instantly.

The NFSP website remains a well-used resource, with more people than ever before accessing it. Both the forum and the website were extensively used during the Horizon Online rollout to quickly update members on the latest developments. Members involved in the early stages of the rollout also used the forum to share and identify issues and helpful tips relating to the new system upgrade.

We will continue to use the forum and the website, alongside other communications channels, to keep members fully informed.

Benevolent Fund

The NFSP's Benevolent Fund is an independent registered charity funded by donations from members, events and investment income. Whilst it is not a subscribed benefit of membership, it provides a vital role in assisting current and former subpostmasters and their families in times of need.

New initiatives last year saw three members walk the equivalent of a marathon a day for three days in the run-up to Conference to raise money for the Fund; while members could sponsor them using a dedicated fundraising website, as well as by conventional methods. These innovations generated additional income and much publicity for the Fund and its work.

Concerted efforts have been undertaken to increase regular donations to the Fund. At the same time, with trading conditions becoming harder for ever more members, we have also strongly promoted the Fund's ability to assist working subpostmasters.

Working for local retail

The NFSP continues to support members to make the most of their retail business and overcome the highly challenging economic climate.

Trading conditions remain extremely difficult both for our members and for their suppliers. The effects of the economic downturn have been felt by most businesses operating within the retail sector, including subpostmasters. With operating costs rising and margins being squeezed, many retailers have been forced to sacrifice profit in order to retain footfall and turnover.

The importance of post offices in relation to other neighbourhood retailing should not be underestimated. Following the last closure programme, it has become even clearer how the closure of a local post office affects the other shops in the area. In many instances the local post office is the main destination shop within communities. It drives footfall, generates spending power and local high streets and other retailers benefit as a result.

However, subpostmasters have an advantage over other local retailers in the range of their offer, and the footfall which this brings into their premises. If we are to use this to its full advantage and assist our members to increase profits, it is more important than ever that subpostmasters receive all available retail support and advice. This includes the help offered by the NFSP's trading company, which continues to deliver discounted goods and services that are of real commercial value to our members and their customers alike.

Given the government's statement on the future of our network and in particular the ambition to offer some post office services outside traditional core opening hours, we will be looking more closely at our relationships within the convenience retail sector. We will be attempting to provide a stronger convenience offer to members and achieve relationships that help those who wish to do so, to move into this arena. We will look closely at the market place and seek to partner with suppliers and symbol groups that offer the best overall service and support to our members.

“The importance of post offices in relation to other neighbourhood retailing should not be underestimated.”

As we move forward, the trading company will need to ensure it offers a valuable service to all members regardless of the model that member operates. We will remain committed to providing the best business partners offering mutually beneficial goods and services to our entire membership base.

Message from Moya Greene

It is with great pleasure and with enormous pride in your commitment to serving your customers that I send you my very best wishes for 2011.

Moya Greene Royal Mail Group



involve changes in the structure of the Group. We are proud of our relationship with the Post Office and I want to ensure that it is strong in the future. The £1.3bn financial funding made available by Edward Davey, the Minister for Postal Affairs, will be instrumental to that objective.

One third of Post Office revenues relate to postal products. So I fully understand how important this relationship is to you and your business. I want to assure you that Royal Mail is committed to securing as long an agreement with the Post Office as the Group is allowed to do. A strong relationship with the post office network that makes full use of your unrivalled reach in the communities you serve, as well as utilising the knowledge and skills of subpostmasters, is an essential part of the future of Royal Mail.

I'm very pleased that the Post Office is playing an active part in the Group's vital modernisation programme, including the development of different business models, such as Post Office Local.

We all operate in a tough business environment. That is why new and more flexible operating models are so important.

I know Paula Vennells, the Post Office Managing Director, and her colleagues are very focused on creating a stable, sustainable network. That is certainly what I am working to achieve as well.

You play a crucial role in this great company known collectively as Royal Mail Group. Customers rightly hold you in high esteem. You play a central role in community life throughout the entire country.

I was very pleased to visit the NFSP's headquarters last summer almost immediately after I joined the Group. It was important that I made early contact with your leadership and I'm impressed at the way George Thomson and his colleagues ably and vigorously play such an active part in the dialogue about the future of the Group.

This will be a momentous year for us all. As you will know, the Postal Services Bill before parliament does



The National Federation of SubPostmasters

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