

The future of the post office network

By National Federation of SubPostmasters General Secretary George Thomson

As a result of plans outlined by the government last November, a huge reorganisation of the post office network will soon be underway. While the network will remain at its current size, the operating models within the network will change.

You are shortly due to receive a joint letter from myself and Post Office Ltd's (POL) Kevin Gilliland outlining some of the changes ahead. Further communications will follow as plans are developed over the course of this year.

As part of the restructuring, 2,000 Post Office Locals will be created, as well as 4,000 Main post offices. In addition, the government has said that "the Crown network is currently loss making, and this is not acceptable. Post Office Ltd is committed to eradicating these losses over the next four years."

Investment

This restructuring will take place on the back of the biggest investment in the Post Office's history. This funding will maintain the Social Network Payment (the government's subsidy to POL for running otherwise loss-making post offices due to their social value) for the next four years; it will see major investments made across the network; and will help to tackle the Crown network's ongoing losses.

I must emphasise how big a commitment the £1.34bn funding from the government is, and how great an achievement it is for your Federation to have won this investment, at a time of unprecedented cuts in public spending resulting in the reduction of key public services and large-scale job losses.

This achievement follows other notable concessions which we have won in recent months. The government's commitment to look at ways to transform POL into a mutual company is the realisation of a long-held NFSP ambition to ensure subpostmasters have a far greater say in how POL is run, and would not have happened without the NFSP. Neither would the commitment to deliver more government work through post offices, and to transform our network in to 'the front office for government'.

In a difficult environment, your Federation has continued to work hard to deliver the best possible outcome for all of its members.

Post Office Local

A key element of the restructuring programme will be the introduction of the Post Office Local model. Locals will be housed within an existing retail outlet, with Post Office transactions taking place across the retail counter rather than through a separate, traditional fortress screen. Through its integration with an

existing retail business, the new model will allow longer opening hours for customers than traditional post offices.

Negotiations on the roll-out of Post Office Local are still ongoing between the NFSP, POL and the government. To facilitate this, as well as to address other key themes such as new government work and mutualisation, we have established a Joint Strategic Board between the NFSP and POL, with equal representation from both parties. However, while the work continues, we already secured a number of significant concessions to benefit subpostmasters.

Firstly, we have insisted, and it has been accepted, that any subpostmaster leaving the business to allow the conversion to a Post Office Local as part of the network restructuring will receive financial support to acknowledge their substantial investment in their business and the network. While the precise formula for calculating the level of payment is still under negotiation, winning the agreement in principle is a key first step.

Secondly, the government and POL had intended for Post Office Local to be rolled-out from 2014. We have convinced them that the changes should start earlier, from 2012. This is in recognition of the difficulties many subpostmasters are facing and the fact that some may not make it through to 2014 and a payment to acknowledge their investment, instead of facing bankruptcy and having to leave with nothing.

Thirdly, we have persuaded POL to carry out a preference exercise among subpostmasters on conversion to Post Office Local. POL didn't want this to happen, but we have insisted that members' wishes should be one of the main factors taken into account in the forthcoming network restructuring programme. Individual subpostmasters' preferences will be balanced with the company's coverage requirements in determining which post offices are to be converted to the Local model.

Furthermore, we could find that the preference exercise reveals that more than 2,000 subpostmasters wish to leave the network with recognition of their investment. In the event of this, it could well be that the NFSP will be pushing POL and the government for more than 3,000 Post Office Locals to be created.

Necessary

Many of you will be concerned about what the future holds, and feel reluctant to participate in a further round of changes to our network. This is completely understandable - recent years have been difficult for many subpostmasters. However, this is precisely why these changes are necessary, and why there isn't an alternative to the changes that are ahead.

Post offices are attracting fewer customers, and are operating in an ever more competitive market, resulting in ever smaller margins. Salaries are falling year on year. The huge changes in working and shopping patterns, and the revolutions in technology which have resulted in widespread use of the

internet and mobile phones, are here to stay. We have to adapt to recognise this reality.

The split from Royal Mail proposed within the Postal Services Bill presents potential challenges (which we are working to overcome by continuing to lobby for a ten-year Inter-Business Agreement before the companies are separated), but life within Royal Mail Group has not been good for subpostmasters or for the network over the course of the last decade. Change is undoubtedly required, and if we don't act, the network will change anyway – post offices will be forced to close. It is better that we have a planned, funded programme to sustain the network at its present levels than to have thousands of subpostmasters forced to leave because they can no longer afford to run a post office, leaving with nothing and replaced by nothing to provide a service to the community.

Neither post offices, nor individual subpostmasters, have an automatic right to public money. We have fought, and will need to continue to fight, to prove our worth and our value against the myriad other competing priorities for government spending.

Before the restructuring gets underway, there remains more work to be done and more details to be finalised. This will then result in more information being given to subpostmasters on the way forward.

But whether the end result of this process is that individual subpostmasters remain within the network, or leave with their investment recognised, I can hand on heart say that your Federation has worked hard, and will continue to do so, to achieve the best possible results for its members; and that I am certain that we – subpostmasters and the national network of post offices - are on the road to a better, brighter future.

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