

Post modernising

NFSP General Secretary George Thomson cautiously welcomes the Postal Services Bill, but warns that this is one overhaul the government cannot afford to get wrong...

Ministers are correct when they describe the Post Office and Royal Mail as 'two proud institutions' that are 'cornerstones of British life'. However, these businesses are facing huge challenges and are set to undergo radical change.

The companies tend to be interchangeable in many people's minds, so let us clarify their respective purposes: Royal Mail collects, sorts and delivers our mail, and provides the vital 'one price goes anywhere' universal postal service; post offices offer the public 12,000 access points across the UK to send and collect letters and parcels, as well as providing a wide range of financial, government and other services.

Currently, both are run as separate companies within Royal Mail Group, their long shared history and mutual interests reflected in strong ties and binding contracts between the two businesses.

The government plans to remove Post Office Ltd (POL) from Royal Mail Group, with POL set to become a totally separate, mutual company, while Royal Mail is to be privatised. These proposals, set out in the Postal Services Bill, cleared the House of Commons at the end of 2010 and are currently being debated in the House of Lords.

The National Federation of SubPostmasters (NFSP) believes that the government's proposals are bold, and not without risk. We have backed the plans because we acknowledge that change is urgently required if both companies are to survive and prosper. However, we have made clear that further action by ministers is required for change to succeed.

The withdrawal of key government services, changes in consumer behaviour and development of new technologies have all combined in recent years to create a crisis for our post offices.

Two closure programmes over the last decade have seen the national network contract from more than 20,000 post offices to the current 12,000 outlets.

Subpostmasters continue to see their pay fall and operating costs rise, leaving many struggling to keep their business open for the benefit of their local community. Furthermore, over 80% of post offices are run alongside a retail business, therefore any threat to post offices also jeopardises local retail provision.

Despite this, post offices still make up the UK's largest retail network, bigger than all of the banks and building societies combined. As a vital resource for small businesses and a key driver for cash and local spending in Britain's high streets, it was no surprise that a recent study found that the network contributes up to £10bn 'net value' for the UK.

Equally, the social value of our post offices is of huge importance – subpostmasters often provide extensive support to vulnerable customers, while post offices act as the heart of urban and rural communities alike.

Post offices are a unique national asset, and the NFSP believes it is time for the government to make far better use of them.

Renewed government funding for the network until 2015 is welcome, and demonstrates ministers' commitment to our post offices.

However, by actively choosing to remove POL from Royal Mail Group and make it a stand-alone company – a move without international precedent – ministers must understand that blaming changes in society for the Post Office's woes will no longer wash. The government has to get this right.

Key to giving our post offices a sustainable future is to secure the long-term Inter Business Agreement (IBA) between POL and Royal Mail. Currently, mail transactions account for over one-third of POL's and subpostmasters' income, while mails business generates more than half of all post office visits. As a separate company, Royal Mail may seek to renegotiate contracts, or look for new retail partners. Therefore, to safeguard this income – and ensure that customers can continue to access Royal Mail services at local post offices – ministers must facilitate a minimum 10 year IBA between the two companies before they separate.

Equally important is new government work at post offices. The NFSP applauds the government's ambition to transform the network into 'the front office for government'. We believe that post offices are ideally placed to provide trusted, local access to the full range of central and local government information, verification and payments. This would also boost post office incomes, and help the government to save money by reducing back office functions. New government work at post offices has



Post offices offer the public 12,000 access points across the UK to send and collect letters and parcels, but the total number of outlets has fallen from 20,000 over the last decade

been promised before, and has failed to materialise. It is imperative that ministers act on their promises by delivering new contracts to the Post Office and safeguarding existing ones.

Government plans to mutualise the post office, and to give subpostmasters, staff and customers more say in how the Post Office is run, are welcome. However, without action on the IBA and new government work, POL will remain loss making, unable to operate as an independent company outside of Royal Mail Group – and all talk of mutualisation will be doomed to failure.

If the government cannot deliver, we believe that the proposed separation and sale of Royal Mail must be delayed until ministers are able to put these safeguards in place. Without them, many thousands of post offices could struggle to survive.

The equally substantial challenges facing Royal Mail include falling mail volumes, crippling overregulation, growing competition and a £10bn pension deficit.

Plans to overhaul Royal Mail's regulation, and transfer responsibility from Postcomm to Ofcom are to be welcomed, as is the proposal for the government to assume the pensions deficit.

However, the lack of detail on plans to privatise Royal Mail is of great concern. There has been considerable talk of a buyout by a foreign mail company, such as Germany's Deutsche Post or the Dutch TNT.

Royal Mail is a strategic business, central to the UK's economic and social wellbeing. We believe it is essential

that when it is privatised, its shares are offered for sale to the British public and that it is owned, run and headquartered in the UK. We also believe that the workforce should own at least 20% of the business and have a seat on the new company's board.

This is not the attitude of a little Britisher. Instead, it stems from the belief that for Royal Mail's new owners, deliveries in Berlin should not be more important than those in Birmingham; nor should investment in Amsterdam take priority over investment in Aberdeen. Royal Mail's tax profits should be driven back into supporting the very communities it serves, by funding schools and hospitals here in the UK, rather than being funnelled offshore.

The NFSP wants to see a world-class, British-run Royal Mail, owned and headquartered within the UK; and a vibrant, best-on-the-high-street post office network continuing to deliver vital services to the public and businesses throughout the country.

However, this can only be achieved if ministers take determined action to tackle the many challenges facing both businesses and allow them to retain their place at the heart of British social and economic life for decades to come. If they fail, there will be no way back.



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