



Six Steps to a Sustainable Post Office Network

A Report by the National Federation
of SubPostmasters



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Foreword from the General Secretary



After many years of contraction and decline in the UK's post office network, the country faces a stark choice. We

can continue down the path of further closures, loss of work, and general indifference, or we can change things by being bold and decisive. We should not countenance another post office closure programme, which would rip the heart out of even more communities. We can proudly proclaim that the presence of a post office in a village, town or city, forms part of the social and economic glue - holding both communities and retailing together. As a nation, we must understand the importance of local businesses to local people, allowing them to access products and services within their own community, offering focal points for social and face-to-face interaction.

Our network of 12,000 post offices is a unique national asset, and a crucial part of the nation's infrastructure. They not only provide goods and services, but can be utilised by government at all levels to reach communities at all levels. In these difficult times if, for example, the banks ceased to function for a period of time, post offices could be utilised to ensure that the 22 million benefit and allowance claimants were still able to receive their payments.

Government at all levels - local, devolved and central - needs to step up to the mark and make a definite

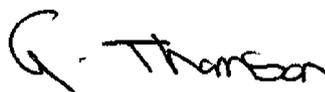
decision to pass as much work as possible through this great network. The work must be at a realistic price so it is profitable to both Post Office Ltd and subpostmasters.

We have heard comforting words regarding potential new work for the post office network. The time has now come when the words need to cease and when the actions need to take place.

We must start on this new course by fully utilising this exemplary model of public/private partnership between government and subpostmasters as self-employed business people by putting more government business through the network.

The time is right to create a new, trusted, British Postbank backed by the government, with no hidden toxic assets - a bank that will be present in 12,000 local communities offering products, encouraging saving, and bringing banking back to its local roots for both individuals and small/medium enterprises.

It is time to be bold. It is time to be decisive. It is time to once again give the country a Post Office it can be proud of.



George Thomson

Executive Summary

The UK's post office network is a national asset, a key part of the social and economic glue which binds local communities and economies together across the UK.

The network offers a currently massively underused capacity for the provision of government, banking, mail and other services in a trusted, accessible, face-to-face environment. The NFSP believes that the post office network is a vital resource which should be utilised to the full, rather than regarded as a problem to be addressed.

Guarantees of more work are required to maintain a network of 12,000 Post Office outlets, with the network's high levels of trust and unrivalled geographical reach used to provide new and innovative services for the public. The NFSP believes that government must think '*Post Office first*' when developing new and renewing existing contracts for government services.

The NFSP's six step plan outlined below serves as an action plan to achieve a sustainable post office network.

Step 1: Central government services

Despite the huge reduction in recent years of central government services at post offices, the network remains the natural home for citizens to access the full range of UK government services. Ministers must make greater use of this opportunity.

Key recommendations

- Ministers should maintain and increase the number of central government services available at the Post Office.
- The government should introduce a face-to-face service at the Post Office for all aspects of government information, transactions and services.
- Clear and equal prominence must be given to the Post Office as an option for accessing government services.
- A joined-up, long-term approach across government to the provision of services through the Post Office is essential.

Step 2: Devolved and local government

Local authorities and devolved government have a critical role to play in supporting the post office network – by ensuring the provision of council services through local post offices and providing a strategic framework to achieve this.

Key recommendations

- Local authorities must ensure the provision of council services through local post offices.
- Central co-ordination of this service is required.
- Local authority ownership is not a viable model for post offices.
- Devolved government must show leadership by providing rates relief and grant funding for post offices, and by enabling councils to play their full role.

Step 3: Banking and financial services

The post office network's geographical reach and high levels of trust present an enormous opportunity to increase banking provision for communities and small businesses throughout the UK.

Key recommendations

- The Post Office card account (POCA) remains vital for the post office network and its functionality should be increased.
- The government must urgently commit to the establishment of a Postbank at the Post Office.
- Full access to all UK high street bank accounts should be available at post offices.
- Financial services are important but as yet do not provide significant income for subpostmasters.
- A comprehensive range of bill payment services is essential to the network's income.

Step 4: Mail

Mail services are of vital importance to post offices. The post office network is the natural home for all mail needs, and should remain so in a rapidly changing market.

Key recommendations

- Post offices must remain the hub for all social and small business mail needs.
- Opportunities for post offices to offer new mail services and to work with other mail operators must be explored but are unlikely to provide significant new income.
- Protection is required for 900 mailwork post offices threatened by potential Royal Mail sorting and delivery office closures.

Step 5: Network size and support

It is essential that there are no further post office closures. To achieve this, as well as new work for post offices, commitments on future funding and other support are required.

Key recommendations

- There must be no further post office closures.
- Maintaining a network of 12,000 Post Office outlets can only be achieved by new volumes of work for post offices.
- The UK government must urgently commit to renew its funding of the network.
- Central, devolved and local government should provide grants and rates relief to increase the viability of post offices and their retail businesses.

Step 6: Local retail

Subpostmasters are also independent retailers. Action to support local high streets and small shops will help post offices too.

Key recommendations

- Efforts must be increased to improve the viability of independent local retailers, as post offices and their retail outlets are inter-dependent; and post offices help sustain other local shops.
- The growth in crime against retail businesses must be tackled, while changes must be made in planning law to better support local high streets and town centres.

Introduction

The UK's post office network is a national asset. Serving 24 million customers a week and bigger than the major bank and building society networks combined, the network of post offices is a key part of the social and economic glue which binds local communities and economies together across the UK.

Post offices offer vital services for local businesses, and help provide a focal point for communities. They are also a valuable provider of neighbourhood retail – around 80% of post offices have a shop attached. The presence of a post office also often helps to keep local shops and businesses going, with people frequently spending cash locally to the place they access it. Post offices act as the heart of sustainable communities across the country.

An essential part of our critical national infrastructure, the post office network offers a currently massively underused capacity for the provision of government, banking, mail and other services in a trusted, accessible, face-to-face environment. The NFSP

believes that the post office network is a vital national resource which should be utilised to the full, rather than regarded as a problem to be addressed.

There is now a national network of 12,000 outlets - 11,500 post offices and 500 outreach services. This represents a critical mass below which the network must not fall. To achieve this will require a greater commitment to the post office network from all levels of government in the UK and an end to the uncertainty surrounding the network's future. Subpostmasters' income remains low and confidence in the network's future is shaky. To survive and thrive in the years ahead, the post office network requires guarantees of more work, with the network's high levels of trust and unrivalled geographical reach being used to develop new and innovative services for the public. In turn, this will provide the certainty, income and customer visits required to deliver a genuinely sustainable future.

The six steps contained within this report serve as an action plan to achieve a sustainable post office network. Foremost among these actions is for all levels of government in the UK to urgently look at long-term means to put more work through the post office network. The NFSP believes that government must think '*Post Office first*' when developing new and renewing existing contracts for government services; while successful and profitable overseas post office networks provide clear signposts for the UK to follow, particularly on banking at post offices.

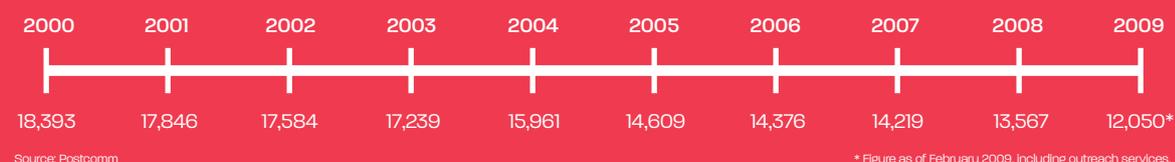
Post offices remain a hugely loved, integral part of the UK's social and economic fabric. The NFSP believes that we have a clear choice: policy makers and elected representatives can choose to take no further action, and allow the further and probably terminal decline of the post office network; or they can embrace the six steps contained within this report to ensure that the nation's post offices enjoy a vibrant, profitable and sustainable future, continuing to enrich the diverse communities they serve.



The post office network's decade

June 2000	Cabinet Office's Performance and innovation Unit publishes 'Counter Revolution' report, including plans for a Universal Bank and a one-stop shop for government information and transactions at the Post Office.	Oct 2006	NFSP rally and lobby of parliament, presentation to 10 Downing Street of 4 million petition signatures against POCA withdrawal.
Nov 2002	Start of the Urban Reinvention programme, which saw the closure of 2,400 urban post offices by March 2005.	Dec 2006	Government announces there will be a successor to POCA.
Dec 2002	Government commits to £450 million Social Network Payment over three years to support the rural post office network.	May 2007	Government confirms plans to close 2,500 post offices and announces £1.7 billion funding programme, including extension of £150 million a year Network Subsidy Scheme from 2008 to 2011.
April 2003	Start of electronic payment of state pension and benefits directly into accounts, and introduction of Post Office card account (POCA).	June 2007	Network Change programme commences, with the closure of 2,500 post offices and creation of 500 new outreach services over next 18 months.
Sept 2004	Extension of Social Network Payment from 2006 to 2008 announced.	Dec 2007	POCA2 tender process launched.
Jan 2006	Government announces POCA contract will not be renewed.	Nov 2008	Government cancels tender process and awards POCA2 to the Post Office.
Jan 2006	Introduction of full competition in UK postal services.	Dec 2008	Hooper Report on the future of UK postal services.
July 2006	Loss of BBC TV Licence contract.	Dec 2008	Launch of House of Commons Business & Enterprise Committee inquiry on future services for post offices.

Total number of post offices



Step 1: Central government services

Despite the huge reduction in recent years of central government services at post offices, the network remains the natural home for citizens to access the full range of UK government services. Ministers must make greater use of this opportunity.

Key recommendations

- Ministers should maintain and increase the number of central government services available at the Post Office.
- The government should introduce a face-to-face service at the Post Office for all aspects of government information, transactions and services.
- Clear and equal prominence must be given to the Post Office as an option for accessing government services.
- A joined-up, long-term approach across government to the provision of services through the Post Office is essential.

- driving licence applications and checking
- issuing of vehicle licensing and statutory off road notification
- fishing and game licence applications
- passport application and checking
- European Health Insurance Cards

Not only are those government services available at post offices extensively used, but also they are highly effective. For example, 77% of customers use post offices to access government forms, while passport applications processed using the Post Office 'check and send' service see error rates fifteen times less than for applications returned directly by post.

New government services at post offices

While these current services should be maintained, there remains enormous scope for the UK government to identify further opportunities for the provision of new and existing government services through the post office network. This would serve both to increase post offices' income, and to increase citizens' access to government information and services.

Such services could include:

- post offices could house Jobcentre Plus IT terminals.
- POL could take over running the administration of the Department for Work and Pensions' (DWP) Social Fund.
- ID cards and biometric passport and identity processing. If these are introduced nationally, they should be available through post offices.
- a scheme similar to that pioneered by the Irish government, where benefits claimants were obliged to sign on at post offices to help prevent benefit fraud.

Current government services at post offices

The NFSP believes that the post office network is the natural outlet for government services in local communities across the UK. However, the level of central government services available through post offices has reduced significantly in recent years. In 2007/08, government-related services represented 26% of Post Office Ltd (POL)'s revenue, a sharp decline from the 43% in 2003/04. This has meant a sizeable reduction in income for individual post offices, which in turn has led to post office closures.

Central government services currently provided by post offices include:

- access to state pensions, benefits and tax credits through the Post Office card account (POCA) and the Exceptions Service (Green Giros)

- using POL to extend the government's role in overcoming fuel poverty by providing access to utilities at affordable rates.
- the BBC TV licence contract should be re-instated to the Post Office.

The NFSP believes that the government must use the network far more effectively, and actively encourage its departments and agencies to make their services available through post offices. Ministers must think *'Post Office first'* when considering new contracts or renewing existing contracts for government services.

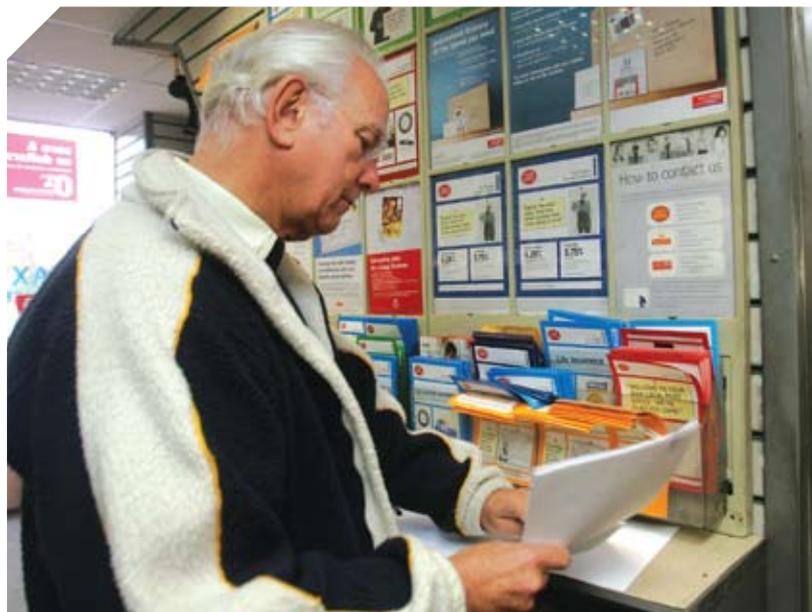
Face-to-face access to government services

In addition to formal transactions, Post Office customers often bring in government forms obtained at post offices or received through the post and ask subpostmasters to check them. Subpostmasters also frequently sign official documents, such as passport applications, for their customers. These goodwill gestures, for which subpostmasters are not remunerated, are extensively drawn upon throughout the post office network, with well over a third of customers doing so.

The NFSP believes this informal role of subpostmasters should be enhanced and formalised into a face-to-face service for direct access to government information and services. This one-stop shop for government information, offering a face-to-face service complementing the DirectGov website would provide convenient access to government services right in the heart of local communities, as well as a reinforcing a key facet of the Post Office's offer.

Equal choice for citizens

It is essential that those government departments and agencies which offer their services through post offices should clearly inform the public that this is the case; some, such as DVLA, do not always do so, leading to a reduction in revenue for the Post Office.



While important for society as a whole, the provision of government services through face-to-face, locally accessible and trusted channels such as post offices is most important for the most vulnerable members of society. Digital exclusion levels are set to remain high, particularly among older people and low income groups.

The clear and equal provision and promotion of government services through post offices, as well as through alternative channels, will serve to increase all citizens' access to government information and services, and maintain or improve individual post offices' viability.

Joined-up approach

One of the reasons behind the significant reduction in government services through the post office network has been government departments or agencies seeking to achieve narrow short-term cost savings. The loss of this work has directly led to other arms of government paying to prop up the network. This approach has been widely criticised, and was described by the then House of Commons Trade & Industry Committee as "taxpayers' money going round in circles".

The NFSP shares this view, and calls on ministers to instead adopt a joined-up, cross-government and long-term approach to the network and the provision of government services through it. Ministers should ensure that opportunities for central government work to be channeled through the post office network are identified and implemented on a cross-government basis.



Step 2: Devolved and local government

Local authorities and devolved government have a critical role to play in supporting the post office network – by ensuring the provision of council services through local post offices and providing a strategic framework to achieve this.

Key recommendations

- Local authorities must ensure the provision of council services through local post offices.
- Central co-ordination of this service is required.
- Local authority ownership is not a viable model for post offices.
- Devolved government must show leadership by providing rates relief and grant funding for post offices, and by enabling councils to play their full role.

Council services at post offices

The NFSP believes that local authorities across the UK can and should make far greater use of their local post offices by ensuring that all relevant council payments, information and services are accessible through every local post office. This would allow residents to pay for and access council information and services in their local area; would free up administration for local authorities, particularly regarding residents who need or wish to make very frequent low value payments; and would provide vital income and custom for post offices.

Post offices serve as centres of their local communities, particularly for vulnerable residents. Subpostmasters are highly skilled and experienced in handling cash, complex forms and confidential information. These factors mean that there are strong synergies between many local authority services, the kind of work which post offices already undertake on a day-to-day basis, and the kind of transactions and services which the public is already used to accessing at the Post Office.

The NFSP believes that local authorities should think '*Post Office first*' when considering outlets for council services. Examples of the kind of local authority work which could, and in some instances already are, run through post offices are listed in the text box on page 13.

Post Office Ltd (POL) is developing a range of bespoke local authority products, which cover areas including public consultations and ID verification to combat housing benefit fraud. The NFSP welcomes these pilots and would like to see such services extended throughout the UK.

Local authorities should also grant their local post offices full automatic small business rates relief, to help them offset rising outgoings; and explore options for providing grants and training to local subpostmasters to help them maximise the potential of their post office and their retail outlet. Such initiatives would improve the viability of individual post offices; this in turn boosts local high streets and helps maintain the social and economic wellbeing of local communities.

Central co-ordination

Efforts to increase local authorities' services through post offices must be subject to central co-ordination. Currently such arrangements are negotiated and implemented on a piecemeal basis.

Many local authorities simply do not have the capacity to individually negotiate arrangements for council services to be operated through local post offices. Central co-ordination would enhance take-up among local authorities and reduce time expended by individual councils each starting from the beginning in navigating their own arrangements.



The NFSP believes that this role could be undertaken by the devolved administrations in London, Northern Ireland, Scotland and Wales and by an agency such as the Local Government Association in the rest of England. What is evident is that throughout the UK, a real need exist for the creation of a co-ordinating framework to provide a routemap for all local authorities seeking to increase their provision of services through the Post Office.

Local authority ownership

During the Network Change programme, many local authorities voiced concern at proposed post office closures and expressed the intention to reopen post offices through local funding mechanisms.

While the NFSP understands why some local authorities have been keen to explore options to help preserve vital local services, we are firmly of the view that local authority ownership is not a genuinely viable model for post offices.

Subpostmasters are hard working, self-employed business people, who work long hours and are a unique example of a public/private partnership – if they can't make an individual post office outlet run profitably, there appears to be little chance that a local authority or another government agency could do so. The local authority ownership model provides poor value for taxpayers.

Rather than spend council taxpayers' money to support a single unviable post office, local authorities

can have far greater impact in supporting post offices by ensuring that all local authority transactions, services and information are available through post offices in their area.

Furthermore, the post office network's strength lies in its reach, depth and uniform provision of government, mails, banking and other services in communities across the UK. Locally-run and -funded post offices risk fracturing the national network, with provision of post offices subject to short-term local funding arrangements and the prevailing political climate, rather than an established national framework.

Devolved government

Devolved government can and should make a full contribution to providing sustainability for post offices. It can deliver this by implementing those policy changes which lie within its remit, and crucially by demonstrating leadership in generating the political will and co-ordination to enable local government to play its full part.

The Welsh Assembly Government already provides automatic small business rates relief for all post offices, and launched the Post Office Diversification Fund in January 2009. Such grant funding programmes are vital in allowing post offices to undertake improvements by accessing credit which would not otherwise be available. Previous grant funding schemes have enabled improvements in post offices' accessibility or security; refurbishments to increase retail space or create areas for new services; and the installation of new tills, counters or cash dispensers.

The NFSP urges all of the UK's devolved administrations to provide targeted support to their post offices through championing these financial measures and by providing co-ordination for local authorities in the provision of council services through post offices.

Examples of council payments and services which citizens could undertake at their local post offices:

- Council tax
- Council house rents / council mortgages
- Social Service bills, including Home Helps, Meals on Wheels, residential and day care homes
- Leisure centre passes
- School meals
- School lessons / extra school activities – e.g. music tuition, gymnastics
- Parking fines
- Disabled badges
- Residents' parking permits
- Local travel tickets and passes
- Congestion charges
- Vehicle removal fees
- Commercial waste fees
- House clearances
- Court fines
- Document verification

Examples of council information which citizens could access at their local post office:

- Public consultations
- Courses, meetings and events
- Information on police and fire services
- Planning applications
- Electoral Roll
- Tourist information



Step 3: Banking and financial services

The post office network's geographical reach and high levels of trust present an enormous opportunity to increase banking provision for communities and businesses throughout the UK.

Key recommendations

- The POCA remains vital for the post office network and its functionality should be increased.
- The government must urgently commit to the establishment of a Postbank at the Post Office.
- Full access to all UK high street bank accounts should be available at post offices.
- Financial services are important but as yet do not provide significant income for subpostmasters.
- A comprehensive range of bill payment services is essential to the network's income.

Post Office card account

The Post Office card account (POCA) is a simple account introduced in 2003 as a means by which customers could continue to claim their state pensions and benefits directly at the Post Office. This followed the government's introduction of Direct Payment – the payment of state pensions and benefits directly into bank and building society accounts.

The POCA remains a hugely popular account, used by over four million people across the UK, making 6.5 million visits to post offices each week, and serves some of the most vulnerable people in society. Many POCA customers rely on their subpostmaster to help them understand and operate their account.

The NFSP was delighted with the government's decision in November 2008 to cancel the tender process for the new POCA contract, which runs to 2015, and award the contract to the Post Office. However, the NFSP was always clear that retaining the POCA would not ensure

sustainability but only serve to buy the network breathing space to begin to build for the future; and it should be noted that the contract was retained at a considerable loss of income, a reduction in payment from £200 million to £80 million a year.

There remains a need to retain a simple POCA account and Exceptions Service (Green Giros) scheme for those members of society unable or ineligible to operate alternative or more complex systems. However, the functionality of POCA should be increased to provide additional services for those who are able and willing to operate a more sophisticated account; and the POCA itself should be developed and used as a stepping stone to develop a more comprehensive banking service at the Post Office.

Postbank

The NFSP believes that the government should create a Postbank, a national bank at the Post Office. This would build on the Post Office's presence in every community in Britain and its high level of customer trust. The Postbank would offer a comprehensive banking service to individuals and business customers alike, and help the government to achieve its own financial and social inclusion objectives.

With the banking system in chaos and discredited in the eyes of the public, a Postbank presents the government with the ideal opportunity to provide accessible, trusted, face-to-face local access to banking to rural and urban communities alike; and to help government to foster a return to a savings culture in the UK. Bank branches have long been in retreat, particularly in deprived urban and rural communities. The Post Office's unrivalled

network, with a total of 35,000 counters throughout its 12,000 outlets, provides enormous and currently massively underused potential to put local banking back into the heart of the communities across the nation.

Subpostmasters and their staff are already well accustomed to handling high volumes of cash, undertaking financial transactions, dealing with confidential matters and helping vulnerable customers. Post offices are well-established, secure and trusted outlets that are reliably and well-stocked with cash, efficiently backed by the infrastructure of a large co-ordinated organisation.

The high level of trust in which the Post Office is held, particularly by marginalised or vulnerable citizens, means that a Postbank presents an opportunity for financially excluded groups to begin to engage with the financial mainstream.

It is not our intention to prescribe the mechanics of building the bank, but there are clearly a range of mechanism available to ministers to achieve this: these range from bringing National Savings and Investments (NS&I) with an enhanced portfolio of banking products out of the Treasury and back into the Post Office, to transferring the banking licenses of the recently nationalised banks to the Post Office.

The NFSP believes that the government must commit to establishing a Postbank immediately and for a clear timescale and process to be set out to allow its implementation. Otherwise, a once in a generation opportunity to deliver a comprehensive community banking service through the Post Office, serving the needs of small business and individuals in a trusted, accessible environment, will be lost.

Overseas Postbanks

The establishment of a Postbank at the Post Office would bring the UK into line with most of its European counterparts, which run successful, profitable post office networks not dependent on government subsidy. They

offer a wide range of personal and business banking services as well as mail, government and other services.

The French postal service, La Poste launched 'La Banque Postale' in January 2006. By 2007 it accounted for 22.6% of La Poste Group's consolidated turnover. With more than 11 million bank accounts, La Banque Postale is now one of France's leading retail banking providers.

The Italian postal service, Post Italiane launched 'BancoPosta' in 2000 and by 2002, Post Italiane showed a net profit for the first time in 50 years. This turn-around is largely attributable to the business generated by the Postbank. As a result, the Italian post office network has been consistently expanding over recent years and currently stands at over 14,000 post offices.

The Irish postal service An Post launched a Postbank in 2007. Within 18 months, there were close to 1,000 Postbank outlets throughout Ireland. Ministers are on record as supporting the scheme to ensure banking services are available in areas where bank branches are not present, and to support the long-term development of Ireland's post office network.

Comparisons also exist outside of the EU: in New Zealand, Kiwibank has become the country's largest bank network since its launch in 2002 and is owned and run by NZ Post. Kiwibank's services include personal current and savings accounts and business accounts. It specialises in offering banking services in areas of the country which previously did not have access to them.

The NFSP believes that the government should learn from these extensive overseas experiences in developing best practice for a UK Postbank.

Access to high street bank accounts

A further element of Post Office banking, in addition to the establishment of a Postbank, must be post office access for all major high street bank accounts.

Comprehensive access to all current, basic and business accounts across post office counters would

constitute an excellent free community banking service. This would allow customers to carry out transactions such as withdrawing and paying in money and making balance enquiries. At present, a significant proportion of bank accounts remain unavailable at post offices; and many of the banks that do offer post office access severely limit the range of transactions available to customers.

The universal availability of these services would also make post office banking easier to promote. Currently the banks do not advertise their post office accessibility; and the restrictions on the number of accessible accounts and the range of transactions make it a difficult message for POL to promote.

Financial services

An extensive range of financial service products are now available at the Post Office. These are provided through the Bank of Ireland, and include an Instant Saver account, credit cards and loans, and a number of vehicle and other insurance products. There are now almost two million Post Office financial services customers.

The NFSP has supported these initiatives, which have proved popular with many Post Office customers. Similarly travel (insurance, money cards, bureau de change) and telephony (Post Office phone service, broadband, phone cards, mobile E top ups) have been well-received and should continue to form part of the Post Office's services.

However, whilst financial services may bring in a considerable proportion of POL's revenue and are essential to the company's viability, the NFSP is concerned that their impact on individual sub post offices should not be overstated. Research suggests that these financial services can contribute relatively little to many subpostmasters' income. A more comprehensive banking service, enabling regular repeat transactions, is one of the key means by which the network's future viability can be improved.

Bill payment

Bill payment facilities are, and should continue to be, an important part of the Post Office's services, enabling people to pay their bills in person by cash or cheque. Over half of all household bills paid using cash, cheques and debit cards are handled at post offices. Bill payment services are particularly well-used for budgeting reasons by people on lower incomes who are considerably less likely to pay their bills by direct debit, and this is likely to remain the case.

Bill payment services constitute a significant part of a sub post office's income – on average 5% of total post office income, and 9% in deprived urban areas. An increase in bill payment services offered at post offices – local authority, utility and others – will lead directly to increased income for subpostmasters. As these transactions are regular they are likely to lead to increased visits to post offices footfall, bringing customers onto the premises on a frequent basis. These customers are likely to undertake other transactions or purchases in the post office and/or its attached retail business whilst paying their bills.

Banking at the Post Office

- 1861** Post Office Savings Bank set up
- 1968** National Giro established at the Post Office
- 1969** Post Office Savings Bank abolished, National Savings and Investments set up as agency of HM Treasury
- 1990** Girobank privatised, sold to Alliance & Leicester
- 2000** Cabinet Office's Performance and Innovation Unit recommends establishing a Universal Bank at the Post Office

Step 4: Mail

Mail services are of vital importance to post offices. The post office network is the natural home for all mail needs, and should remain so in a rapidly changing market.

Key recommendations

- Post offices must remain the hub for all social and small business mail needs.
- Opportunities for post offices to offer new mail services and to work with other mail operators must be explored but are unlikely to provide significant new income.
- Protection is required for 900 mailwork post offices threatened by potential Royal Mail sorting and delivery office closures.

Post Office income from mail services

The mail market is currently by far the biggest source of income for the post office network, contributing one third of subpostmasters' pay and one third of Post Office Ltd (POL)'s revenue and responsible for the majority of customer visits. While this high dependency is largely attributable to the reduction in other services at post offices, particularly government work, it nonetheless signals the ongoing importance of mail services to the network's future stability.

In view of this dependency, the NFSP has strong concerns about any proposals to remove POL from Royal Mail Group and thereby weaken the business relationship between the companies. Any step to separate the companies would not only risk a reduction in POL's and subpostmasters' income; it would also take the UK into uncharted territory, as there is no known precedent in the developed world for separating a mail business from its retail arm.

The NFSP believes the post office network should build on its traditional products and position as the retail arm of Royal Mail, and that the Post Office should continue to be the place to go for all mail needs.

New mail services

The NFSP fully supports the new mail services being introduced at the Post Office. New e-fulfillment services such as parcel and packet picking up and working with eBay and mail order houses, are very well received by the public. Post offices are the natural home for such services and subpostmasters have already built up specialist expertise in them. In future, post offices may well be used more extensively by Royal Mail for the public to pick up packets and parcels, as they tend to have convenient opening times and locations.

Working with other mail operators

The liberalisation of the UK postal market may provide a further possible new source of mail income for the post office network. The industry regulator Postcomm has suggested that new mail operators may want to use the size and geographic coverage of the post office network to sell their products and services to domestic customers and small businesses.

The NFSP agrees that if this is how postal competition develops, post offices must act as dropping off and collection hubs for all mail companies.

However, while this may become an important function for the network, we would caution about this bringing individual post offices any additional income:



mail is a declining market, with volumes significantly dropping as a result of the economic downturn and competition from new forms of communication such as email and text messaging. Any new business from other mail operators is likely to be at the expense of losses of Royal Mail business, with subpostmasters carrying out fewer mail transactions on behalf of a greater number of operators.

To maintain the network's integrity, the NFSP believes that it is essential that any new arrangements with other mail operators are agreed on a network-wide basis, rather than by arrangements with individual post offices.

Mailwork post offices

Some 900 post offices currently provide additional local sorting office facilities on behalf of Royal Mail and are contracted by POL to do so. These are overwhelmingly

located in rural areas, with one in seven rural offices running a mailwork function. Many of these offices would not be viable as stand-alone post offices without their mailwork function.

Debate around Royal Mail modernisation raises concerns about the future of these mailwork post offices. Similar modernisation processes in other European countries' mail services have seen delivery centres reduced by some 50%. If such a scenario were to develop in the UK, we fear that many of the 900 mailwork post offices would be forced to close, unable to operate as a stand alone post office without the additional income from their sorting office function. We will call on the government to ensure that mailwork post offices are provided with additional support and protection to safeguard their viability if their Royal Mail delivery function is terminated.

Step 5: Network size and support

It is essential that there are no further post office closures. To achieve this, as well as new work for post offices, commitments on future funding and other support are required.

Key recommendations

- There must be no further post office closures.
- Maintaining a network of 12,000 Post Office outlets can only be achieved by new volumes of work for post offices.
- The UK government must urgently commit to renew its funding of the network.
- Central, devolved and local government should provide grants and rates relief to increase the viability of post offices and their retail businesses.

Post office closures

The recent Network Change programme saw almost 2,500 post offices closed across the UK and the introduction of 500 new Post Office outreach services.

Network Change was designed to improve the financial position of the post office network by cutting central costs and making individual post offices more profitable. Individual post office profitability should increase because a more planned approach ought to mean the location and services of the remaining post offices are more appropriate to the needs of local communities; and because of customers moving their business from closed post offices to the remaining ones. Early indications suggest that over 80% of Post Office customers have done this.

There is overwhelming evidence of the enormous social and economic value of post offices to their local communities. Post office closures lead to the further marginalisation of millions of individuals, particularly among vulnerable and financially excluded groups.

Businesses, particularly small businesses, suffer additional costs and inconvenience, while other local retail is adversely affected, with entire high streets suffering the consequences of the reduction in customers and circulation of cash.

The NFSP believes that there must be no further post office closures beyond the current 12,000 outlet network, to safeguard the network's future viability and to help sustain local communities and economies. Any further closures would result in the Post Office losing its critical mass as a national network and severely reduce its ability to successfully bid for future contracts and retain existing ones. The strength of the network lies in its depth and reach; an ever reducing network would inevitably undermine its future viability.

To achieve this, all levels of government in the UK must firstly commit to creating more income opportunities through the provision of more work for the post office network. In addition, funding and other support mechanisms for the network must be safeguarded and enhanced.

Network Subsidy Scheme

Between 2003 and 2011, the Government has contributed £150 million a year in the form of the Network Subsidy Scheme (formerly the Social Network Payment). This payment is an acknowledgement of the vital, well-documented yet unremunerated role which post offices play underpinning the social and economic wellbeing of communities across the nation, and the fact that some post offices will never be viable on a solely commercial basis. Post Office Limited (POL) states that only 4,000 post offices are profitable for them.

The government pays the Network Subsidy Scheme directly to POL to support essential infrastructure, but individual post offices are not directly remunerated. This annual £150m figure has not increased with inflation over the period of 2003-2011. However, the funding, while tiny in terms of other government expenditure, is essential to the post office network's future.

The NFSP believes that the UK government must now urgently commit to renew this funding to at least the same levels beyond 2011, to provide the network and individual subpostmasters with stability and certainty to plan for the future.

Small business rates relief

Subpostmasters' overheads are rising considerably and small business rates constitute a significant proportion of these overheads.

The current economic downturn will only serve to push these independent small businesses, many already operating on the margins of financial viability, further into jeopardy.

The NFSP calls for automatic and full small business rates relief to be made available to all UK post offices. Research indicates that obliging small business to apply annually to receive relief significantly reduces take-up of the scheme; we believe that the other UK nations should follow the lead taken by the Welsh Assembly Government in providing automatic rates relief to all post offices.

Grant funding

Grant funding programmes for post offices over recent years have significantly improved the viability of participating individual post offices. Improvements and alterations to post offices carried out through grant funding have resulted in increased customer numbers and sales turnover. However, these programmes have been limited in their geographical scope and available funding and have been heavily oversubscribed.

Crown post offices (which are owned and directly managed by POL) have seen large sums of money recently spent on their modernisation. While a strong and profitable Crown office network is essential to the wellbeing of the network as a whole, we must guard against the creation of a two-tier network and instead ensure that comparable funding is allocated to sub post offices, which make up 97% of the network. Many sub post offices require funding to make structural, aesthetic and security improvements, as well as to allow extension of the services and products they offer to local communities.

In a climate where small businesses are experiencing growing difficulties in accessing credit as a result of the banking crisis, the provision of grant funding is likely to provide a vital means to improve the viability of individual post offices and the network as a whole, and avert the risk of a significant number of future unplanned post office closures.

The NFSP applauds the decision of the Welsh Assembly Government to launch a new grant funding scheme for all post offices in Wales, and urges the other UK nations to follow this lead by creating grant funding programmes to contribute to post offices' viability.



Step 6: Local retail

Subpostmasters are also independent retailers. Action to support local high streets and small shops will help post offices too.

Key recommendations

- Efforts must be increased to improve the viability of independent local retailers, as post offices and their retail outlets are inter-dependent; and post offices help sustain other local shops.
- The growth in crime against retail businesses must be tackled, while changes must be made in planning law to better support local high streets and town centres.

Interdependency of post offices and local retail

The overwhelming majority of post offices also house a retail outlet, usually a grocery store or newsagent. The two businesses are often strongly inter-dependent, with each one driving custom for the other. The loss of either the shop or the post office can frequently imperil the survival of the other.

It is well documented that post offices act as the economic anchor for local shops and high streets, with customers visiting the post office also making use of other local retail outlets, often spending the cash they have withdrawn at the post office.

The NFSP is also aware that the growing challenges faced by independent local retailers throughout the UK's high streets also affect post offices – both directly, as retailers, and indirectly, through the impact on post offices' viability through the reduction in other local businesses and services.

Local shops and a diverse retail environment are vital, particularly for those members of society unable to

access out-of-town centres. Good local retail provision can reduce journeys made by car, contributing to efforts to reduce environmentally damaging emissions and our carbon footprint. The ability to walk to local shops to access a wide range of services also encourages exercise and helps combat growing obesity levels and improves citizens' health. With 2,000 small shops closing each year, we believe that concerted action must be taken by government at all levels to address the challenges faced by the shrinking and weakened small shops sector. Competition from out of town shopping centres and the encroachment of supermarkets onto high streets have already made a significant contribution to this trend, while the economic downturn will only serve to compound it.

Crime

Post office-related crime and security is the responsibility of Post Office Ltd, which has a security division specifically dedicated to managing this issue and with which the NFSP works closely.

However, a growth in crime against local retailers poses a significant threat to the viability of small independent businesses. A perception can exist that crime against businesses, such as repeat shoplifting offences, is of less importance than other types of crime. However in reality crime can have a disproportionately large impact on small independent retail outlets such as post offices, which can least afford to lose customers and are unable to fund new equipment to deter further criminal activity. We therefore support efforts to prioritise the reduction of crime against businesses.



Planning

The NFSP is concerned about weaknesses in our planning policy which prevent local authorities from restricting the growth of out-of-town shopping centres, which impact upon local independent retail in neighbouring areas.

We believe that planning policy should take greater account of the needs of small independent retailers. Local authorities should adopt a retail strategy; and should be able to veto any major retail development

if evidence suggests that business activity would be drawn away from town centres and local high streets.

Councils should also have the power to limit the amount of car parking which out of town shopping centres are allowed to build. Car parking provision which does exist at out of town centres should be taxed and the derived income ring-fenced and directed towards improving local high street infrastructure, including improved public transport and/or car parking facilities.

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 working closely with policy makers and all organisations with an interest in the post office network.

National Federation of SubPostmasters

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