

# **Social Justice and Regeneration Committee**

**SJR(2)-03- 07(p.6)**

**Date: Thursday 15 February 2007**

**Time: 9.30am – 12.30pm**

**Venue: Welsh Assembly Government Offices, Rhydycar, Merthyr Tydfil**

## **The Future of Post Offices in Wales: Communication Workers Union**

### **Introduction**

The Communication Workers Union (CWU) represents around 14319 employees in the postal, telecom and related industries of Wales. It is the recognised union in Royal Mail Group for all non-management grades including those responsible for the collection, sorting and delivery of letters and parcels.

On 14th December 2006 the DTI launched a consultation exercise on its proposals for the future of the Post Office network in the UK. In response to this the CWU will be making a formal submission. As part of our ongoing campaign to protect Post Office services and quality employment we have also decided to produce a brief on the future of the Post Office in Wales. The nature of society and geography in Wales means that the Post Office plays a vital role in serving both urban deprived and remote rural communities. It is part of the landscape of our nation providing a hub for the local community. We believe that the Post Office in Wales (and the UK in general) must be protected and fully utilised to tackle social and geographic exclusion.

### **Background**

Postcomm's Annual Report April 2000 found there were 1470 post offices in Wales, but by April 2006 this number had fallen to 1167 - comprising 23 Crown Offices which are directly managed branches owned by the Post Office, and the rest are sub-post offices which are private businesses operated by sub-postmasters and mistresses or franchises run by private companies. In just six years over 300 Post Offices in Wales have closed, a decline in the network of over 21%. In other words Wales has lost over a fifth of its post offices in just six years.

Post Office closures have a devastating impact on urban as well as rural communities. A recent report by the New Economics Foundation (NEF) for Manchester City Council, entitled *The Last Post*, provided new evidence of the vital contribution post offices make to the local economy and to the social fabric of disadvantaged urban communities, highlighting the impact of post office closures for local businesses, service providers, community groups, the local economy and local people.

Although much attention has been focused on rural areas, the NEF report says the contribution post

offices make to urban areas has been overlooked. In fact, over the past two years, post offices in urban areas have borne the brunt of recent closures in Wales with more than six urban post offices closing for every one rural post office.

The NEF report also highlights the threat post offices face from withdrawal of the Post Office Card Account (POCA) in 2010. The Account is currently worth £403 a month to postmasters in urban areas and this lost income could prove to be the 'tipping point' at which many post offices in urban deprived areas are simply no longer viable. NEF's analysis shows that for every £10 earned in income, the post office generates £16.20 for its local economy - including £6.20 in direct spending on local goods and services. Overall, the NEF say each post office in Manchester contributes in the region of £310,000 to the local economy each year and saves businesses in their direct vicinity around £270,000 a year.

## **Future viability**

Recent months have also seen the publication of two other key reports on the future of the network. On 30 October 2006, the Trade and Industry Select Committee published its reports on the Royal Mail Group in which it called for more "joined up" Government policy on the future of the network. In particular, the Committee rightly argued that: "if the country wants a comprehensive network of post offices to continue, a more explicit funding mechanism must be put in place, together with product diversification and a replacement for the Post Office Card Account." The Committee recognises that post offices fulfil a wider community need with post office branches serving as the "heart" of many communities.

On 14 December 2006, the Government launched its own consultation exercise on the future of the Post Office network. As part of this consultation, the Trade and Industry Secretary, Alistair Darling, set out the following proposals:

- to make substantial further funding available over the five years to 2011;
- to introduce new access criteria for the national PO network which includes criteria to protect vulnerable consumers in deprived urban areas and rural and remote areas;
- to continue with a new Post Office Card Account after 2010;
- to support a restructuring of the network with up to 2,500 closures;
- to provide support for PO Ltd to open new Outreach locations to provide access to services for small remote communities;
- to help PO Ltd expand into new areas of business, including the development of new financial services products;
- to develop new market and business opportunities for the network among internet companies and other mail operators; and
- Investigate what role local authorities in England and the devolved administrations in Scotland, Wales and Northern Ireland could play in influencing local provision.

In the wake of the Government's announcement, the CWU will be looking closely to see what exactly the closure programme will mean for Wales and whether Wales continues to suffer disproportionately compared to the rest of the UK. The CWU are concerned that, in relation to sub and Crown Post

Offices, POL's franchising and closure programme will be driven not by the needs of local communities but by whether the current sub-postmaster of a branch wishes to remain open or closed or whether POL see an opportunity to generate profit at the expense of provision and service.

In relation to Crown Offices, the Government has said it will provide financial support to enable Post Office Ltd to halt the losses and to modernise and improve the service provided to customers. The Government has also made clear it wants to see the Crown Office network fulfil its role as the commercial core of the business and be restored to profitability. However, the Government have said this will involve further franchising of some operations together with a programme of refurbishment and investment in the core network of Crown Offices that remain.

The CWU believe that the Government must develop a policy which will allow the entire network to flourish. We have called for an immediate assessment of services, including a widespread consultation on the future of the network which integrates the local community needs with its financial needs. We have also championed the case for the Post Office to act as the 'shop front' for all National Government and Welsh Assembly Government services (as well as a comprehensive range of Local Government services).

We would also like to see the introduction of measures to preserve the Crown Office network in Wales which acts as a flagship for the Post Office and provides the full range of products and services with highly trained staff.

Decisions on the future size and coverage of the network cannot be solely a financial decision since this would overlook vital social and economic factors. We are concerned that if judged only on a commercial basis the majority of Post Offices in Wales would be closed. Clearly POL is currently facing one of the most challenging periods in its history with reported losses of £111 in the year to March 2006. These losses reflect the Government's decision to transfer the payment of state pensions and benefits to Direct Payment into bank and building society accounts. Current estimates suggest this has led to the loss of £400m per annum in revenue to PO Ltd. In addition, the Government has said the Post Office Card Account (POCA) will end in 2010 which could lose POL £1 billion over five years. Even in the light of the DTI's proposal to replace the POCA in 2010 European regulations will necessitate that the UK Government place the operation of this future product out to competitive tender. This could potentially lead to the loss of the contract and diminished access to outlets mirroring the current situation whereby POL has lost the TV license contract (which the BBC awarded to Pay Point) leading to a further loss of revenue with fewer people coming into Post Office branches and a disastrous impact on access in Wales .

Like the Government, the CWU recognise that the future shape and coverage of the network must reflect and adapt to local needs. We share the Government's view that: "It is people on the ground who best understand the value of a post office to the local community and local government is also well placed to understand local concerns and needs." We also share the Government's desire to see (in the longer term) greater responsibility for local decision making devolved to a local level and to provide greater flexibility for local funding decisions. We believe national local administrations, like the Welsh Assembly Government and the Welsh County and Metropolitan Councils, must play a greater role in influencing how postal services are best delivered in the future.

The CWU recognise that the PO network plays a vital social and economic role in the UK. But this cherished and trusted institution requires investment and support to ensure that it survives in the future. We believe the time has come to integrate the debate about the future of the network into the structure of community representation. A genuine devolution in the debate will ensure a network that matches customer and community needs.

We believe this is feasible by obliging the network management to provide annual reports as well as regular detailed and advanced financial plans to the devolved assemblies in Scotland, Wales and Northern Ireland, the GLA, appropriate county and metropolitan councils in England and Wales. We would also like the Welsh Assembly Government to be given the ability to set minimum numbers of Post Offices in Wales and to veto closures in cases where it can be shown to have disproportionately negative impact upon the local community. Such a process would help guarantee a network that responds to the needs of the communities it serves.

## **Impact of franchising**

The CWU has consistently raised concerns about POL's franchising programme and the impact it is having on the PO network. We have long argued that the Government and management must not overlook the initial importance of the Crown Office network to the wider success of PO Ltd. Crown Offices are the only publicly-owned part of the network which and act as flagships for the whole network, providing the full range of products and services and proving invaluable as trial sites for introducing and developing new products and services and new ways of working.

Crown Office employees are better trained and have better knowledge of the entire range of products and services on offer than franchised outlets. They are also dedicated to providing the highest possible levels of service to the general public. All of these qualities are consistently reflected in independent market research examining customer views of service quality in Crown Offices. In 2004, for example, MORI research (jointly commissioned by Postcomm and Postwatch) found that: "Branches that are directly managed by Post Office Ltd are more customer orientated than franchise post offices. This covers:

- exterior and interior presentation;
- information available on services and products;
- facilities for disabled customers;
- customer handling performance; and
- accuracy, quality and completeness of advice.

Only on average queue lengths do franchised post offices outperform directly managed branches. From the customer perspective, therefore, there is no evidence to support the desirability of conversion from directly managed branches to franchise post offices in the current form."

The CWU are also concerned about recent franchise activity and the potential for a number of franchises to be taken over by large national companies such as W.H. Smiths. We understand POL is still in discussion with other potential national operators (which could take over 120 Crown Offices at a time) and we are obviously keen to find out the details of any franchising agreement and the

implications both for the customers and our members.

The potential impact of further franchises on quality employment in should not be underestimated. Current employees of PO Ltd enjoy job security agreements, a final salary pension scheme, union recognition rights as well as being paid well in excess of the minimum wage. It should be noted that current franchise operators such as WH Smiths not only pay their workers only just above the minimum wage, but have also recently announced the proposed closure of their final salary pension scheme to existing members. No current major franchise operator in Wales offers union recognition rights to its counter clerk employees. We believe that this trend towards devaluing employment and indirectly de-recognising trade unions is neither beneficial to morale and staff turnover and the impact that this has on service provision nor on building a prosperous national economy

The recent example of Swansea Crown Office demonstrates the negative impact and flimsy consultation process currently used by POL. The community and employees at Swansea Crown Post Office were opposed to the proposed franchise of their Post Office to WH Smiths to such an extent that several demonstrations and a large petition were organised in the city. The local MPs, AMs and City Council all opposed the franchise yet POL proceeded regardless. The office is now located on the first floor of the WH Smiths building with limited disabled and pushchair access, there is a reduced number of counters, counter staff and products and services available and the counter clerks are paid little above the minimum wage with no final salary pension scheme and no union recognition agreement.

In the past franchising has led to the loss of thousands of secure and relatively well-paid jobs since our members have been unwilling to become an employee for a small independent franchise operator and have therefore not requested any TUPE transfer rights. But should large scale franchising continue, the CWU believe that TUPE transfer should apply despite opposition from POL and franchise partners who don't want TUPE to apply so they can offer terms and conditions significantly inferior to those collectively bargained by the CWU.

The CWU have also called for changes in the consultation process on future closures. An extension to a three-month period would not only be helpful in allowing the Welsh Assembly Government, County and Metropolitan Councils and the community to properly present their case but would also meet the Government's best practice guidelines which say public consultations should be a minimum of 12 weeks.

In addition we believe there needs to be a duty established for POL and management to engage in public forward planning of the network. While the social obligation may seem to stand in the way of commercial imperatives, the future financial viability is clearly linked to community needs. Commercial criteria alone should not shape any future debate on closures and franchising. Community involvement in determining the extent and type of local service provision should also be central to any future decision making.

## **Our recommendations**

In December 2006 the CWU set out our own vision for the Post Office network in *Serving Quality* -

Post Office Counters: the Future. We believe the Post Office is a cherished and trusted social institution which provides a key focal point for both rural and urban communities in Wales and the UK in general. Our vision is for a viable and sustainable future for the entire network, with a significant number of flagship Crown Offices at its heart.

To deliver this objective the CWU's document sets out nine key recommendations to Government to ensure the viability of the Post Office network:

- Enter into an extensive consultation process on the future of the network. In the interim, until a final decision is made, a moratorium on franchising of Crown Offices and Post Office closures should be called.
- Extend the Social Network Payment beyond the current proposal of 2011 for rural post offices; this should include a further payment for the urban deprived network and Crown Post Offices in urban deprived areas. This future funding will represent an ongoing cost to the business and should be supported from public funds.
- Provide funding for the Post Office network during its transitional period following the termination of the payment of pensions and benefits through the network and the introduction of Direct Payment /POCA.
- Change the appeals process when closures are announced and extend the consultation to three months to allow the Welsh Assembly Government and local community to present its case.
- Ensure the Post Office network is the 'shop front' for Local, Welsh and National Government services. We believe the future financial success of the network should not be based solely on the new commercial products and services but also by the network retaining its role as the preferred provider of Government services on the High Street. This would be in line with the recommendations contained in the Performance and Innovation Unit's report in 2000 which said the network should be used as a front office for Government providing a 'one-stop' shop for Government services.
- Commit to develop the public service element of POL, including establishment of a more functional replacement product for the Post Office Card Account that tackles financial exclusion to be run and operated through Post Office Ltd. We would also like to see the development of a new universal Post Office basic bank account, children's account and current account. The Post Office could also consider raising revenue through the sale of rail, air and bus tickets through branches.
- Use the Post Office network as a portal for Welsh Assembly and National Government IT services. A reform of 'Your Guide' (a simple and effective IT portal to Government and other services) would be welcome. The Government should also train staff to establish a system of Government general practitioners in branches around the network. Having a Government portal and assistance from trained staff in a trusted institution like the Post Office can only help to reconnect Government to wider society as well as promoting the role of the Assembly. Some branches are already cited in the same place as internet cafes and we believe this trend should be encouraged with suitable development grants in the larger urban branches where it's technically feasible. This, in time, would show the Government's commitment to tackle the digital divide, encourage younger people to use the Post Office and help increase revenues for POL.
- Pay the proper market rate for the services the Post Office network provides on its behalf. Without this it is not possible to see what the real losses are to the network or how far the

network is actually subsidising Government. We believe the Government must recognise its long-term responsibility to a vital public institution and provide the necessary long-term funding to help transform the network, meet short-term operational losses and including subsidy of the rural network, urban deprived network and Crown Offices.

- The Post Office Ltd should have a duty to engage in public forward planning. This should include providing reports to the relevant elected authorities in Wales; the Welsh Assembly Government, County and Metropolitan Councils.
- The underlying assumption behind any access criteria should be meet genuine needs of the local community. We would like the Government and if given the remit the Welsh Assembly Government to introduce stronger access criteria for urban deprived and remote rural areas. The current DTI proposals of 99% of homes in urban deprived areas within one mile of a Post Office should be improved to cover all Super Output Areas suffering from multiple deprivation not simply the 10% most deprived as currently suggested. Furthermore we believe that in order to maintain a genuine national presence that all avoidable closure of rural Post Offices should cease.

In addition to the above, the CWU have welcomed the Government's commitment to support investment and refurbishment in the current network, to improve the interior and exterior presentation and layout for customers, with better disabled facilities and new automated self-service facilities. We also share the Government's call for Postcomm to use a quality of service received measure in addition to the time spent queuing measure, to improve customer satisfaction and ensure proper regulation of franchise operators. Such minimum service criteria should be applied to any new out reach projects and to franchise branches.

## **Conclusion**

The CWU welcome the recent statement by the Minister for Social Justice and Regeneration of the Welsh Assembly Government and the vision that she sets out for the future of Post Offices in Wales. We also welcome the innovative initiatives taken by the Welsh Assembly Government in providing £4.1 million in available grants for Post Office branch regeneration as well the introduction of rate relief for small businesses.

Any strategy for the future must first consider the wider social context and the integral role post offices play in the social and financial make up of local communities. We believe there are a series of fairly clear and simple steps to assist the position of the network. These include:

- Conducting an extensive consultation exercise on the future of the national network with a moratorium on future franchising and closures.
- Improving local and regional consultations on post office closures; providing a greater role for the Welsh Assembly Government over local post office provision.
- Make the post office a shop front for local and national Government services (providing a portal to Government services and internet access for social use).
- Enhance the products and services on offer to customers.
- Establish a more functional replacement product for the Post Office Card Account that tackles financial exclusion and develop a range of universal community bank accounts to be run and

operated by and through PO Ltd.

- Provide adequate future funding for the whole network (both urban, rural and Crown Offices).
- Introduce more robust access criteria based on the assumption of community need and ensure that all urban deprived communities are within 1 mile of a Post Office.

We believe the above measures will help address the future viability of the Post Office network in Wales and ensure the continued and effective provision of post office services.

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