

LOCAL GOVERNMENT AND HOUSING COMMITTEE

UPDATE ON POSTAL SERVICES IN WALES

Purpose

To inform the Committee of the Welsh Assembly Government's activities in relation to the postal sector in Wales and invite comments on future direction.

Background

Post Office policy is not a devolved matter. However, post offices and postal services are vitally important to community, social and economic life in Wales. The Assembly Government is therefore actively monitoring developments and considering actions to ensure Wales is not disadvantaged. This paper summarises the current issues, which are being considered and responds to questions raised following the Minister for Finance, Local Government and Communities statement to the Assembly about Postal Services in Wales on 18 June.

Modernising the Network

Urban Network Reinvention

The Department of Trade and Industry (DTI) announced a three-year scheme to restructure the urban post office network on 3 January 2002. The scheme is designed to ensure that sub post offices meet the changing expectations of their customers, are in the right locations for communities they serve and offer adequate returns for subpostmasters and Post Office Ltd. Subject to local consultation, unprofitable and poorly located urban post offices will be given the opportunity to close or merge. The Government has agreed to fund a compensation package for subpostmasters who decide to close their businesses. Resources will also be made available to help subpostmasters to improve their premises or relocate the business. Post Office Ltd will administer the scheme and it is expected that around £180 million will be made available as compensation and around £30 million will be used as aid to develop and uprate the remaining post offices. The scheme awaits EU state aids clearance and completion of Parliamentary procedures.

Post Office Ltd wrote to all UK subpostmasters on 10 April to informing them of whether their post office was within the scope of the restructuring proposals and providing further details of the reinvention scheme. Post Office Ltd expect that up to 300 post offices or over 20% of the network in Wales could be considered as part of the reinvention proposals but it is too early to predict how many subpostmasters will come forward to take up the compensation. A condition of the Government funding for the urban network restructuring will be that on completion at

least 95% of the urban population will live within one mile of a post office. Although any reduction in the number of post offices is a commercial matter for Post Office Ltd, the Welsh Assembly Government will be monitoring the impact of proposed closures on local communities. The Assembly Government is also exploring ways to provide effective support to post offices with a high social value.

Post Offices in Deprived Areas

Sub post offices in rural and deprived urban areas play a vital role in maintaining community cohesiveness and providing services to vulnerable members of society. In recognition of the importance of these sub post offices to local communities the Welsh Assembly Government is exploring ways to support their retention across Wales. Meetings have been held with Consignia, the National Federation of SubPostmasters, the Wales Co-operative Centre and the Welsh Local Government Association to inform the development of proposals.

£2m Start Up Capital Scheme

The rural start-up capital subsidy scheme administered by Post Office Ltd addresses the problem of saving rural post offices from closure by contributing to the start-up capital costs, which can act as a barrier in the case of community-led initiatives. This fund underpins the formal requirement placed on Post Office Ltd to maintain the rural network.

Post Office Ltd also employs four rural transfer advisers in Wales to work with local communities and stakeholders to secure the future of post office services. To date, the advisers have been instrumental in reopening five post offices and seven more are likely to reopen shortly. The Assembly Government is in regular contact with Consignia about the state of the network and meetings are planned with the rural transfer advisers in the near future.

Rural Network Subsidy

The Performance and Innovation Unit's report on *Modernising the Post Office Network* recognised that rural post offices would require transitional assistance to cope with the changes involved in migrating benefit payments from order books to ACT. Postcomm has submitted advice to the DTI on the best way of channelling financial support to the rural network. The DTI is currently considering that advice. The Welsh Assembly Government is liaising with DTI to ensure it takes account of the importance of post offices in maintaining the fabric of rural life in Wales.

Government General Practitioner

The Leicestershire pilot of the Government General Practitioner (GGP) scheme branded "Your Guide" finished on 1 March 2002. The final evaluation should be completed by this month.

Interim findings suggest that the concept has been successful but that the start up and running costs are high. The Welsh Assembly Government will be discussing the final evaluation with DTI. If DTI Ministers take the decision to roll the project out nationally the Assembly Government will ensure that Wales receives the optimum benefit as well as seeking ways in GGP can add value to current and future programmes.

Universal Bank

The concept of providing Universal Banking Services at post offices arose from the Performance and Innovation Unit's report on *Modernising the Post Office Network*. The concept has continued to evolve and now encompasses the following objectives:

- Modernisation of welfare payments by making them through Automated Credit Transfer (ACT) thus substantially reducing administrative costs and fraud,
- Increasing financial inclusion by ensuring that everyone who wants can open a simple, accessible bank account with its services available over post office counters. It should increase access to bank accounts to the estimated 3.5 million adults in the UK who currently are without them,
- Providing a vehicle for the generation of replacement business for the Post Office Ltd network, helping to ensure that it remains viable following the migration of benefits to ACT.

The Welsh Assembly Government will be monitoring the development of these proposals and will be influencing DTI and Consignia to ensure that any benefits from the programme are maximised in Wales.

Competition

On 29 May 2002 Postcomm announced the new timetable for the introduction of competition the UK postal service market. The timetable is as follows:

- **Phase 1, from 1 January 2003 - 31 March 2005:** bulk mail above 4000 items (from a single site in a similar format), around 30% of the UK letter market by value, together with consolidation services and niche services.
- **Phase 2, from 1 April 2005 -31 March 2007:** the bulk mail threshold will be adjusted to open up a total of 60% of the market by value.
- **Phase 3, from 1 April 2007:** all restrictions on market entry abolished.

Postcomm's decision builds on the approach to liberalisation adopted by the European Union. The decision to delay competition shows that Postcomm took account of views expressed in the consultation exercise and that it was prepared to intervene to preserve the universal service. The Welsh Assembly Government conveyed the National Assembly's concerns about

the universal service and uniform tariff to Postcomm following the 12 March plenary debate on postal services.

Price Increases

Consignia must seek Postcomm's permission to increase prices on first and second class stamps. Any request for price increases should be subject to Postcomm's normal consultation process. The Welsh Assembly Government will consider the arguments and respond as necessary.

Company Renewal Plan

Job Losses

The recent announcement of 17,000 job losses within Royal Mail forms the second phase Consignia's March 2002 forecast that 30,000 jobs would be lost over the next 3 years. There is no indication at present of how many of the 17,000 jobs will be lost in Wales. It is understood that Consignia will attempt to implement the cuts through voluntary redundancies and re-deployment. The Welsh Assembly Government will do everything it can through working in partnership with Jobcentre Plus, Education and Learning Wales and other agencies to help people who leave the Royal Mail to get new jobs and retraining opportunities as quickly as possible.

Delivery Arrangements

Consignia is piloting new delivery and shift working arrangements. Llanelli is one of the fourteen pilot areas across the UK. The new arrangements including the loss of the second delivery are subject to approval by Postcomm. The Welsh Assembly Government will take an active interest in the results of the pilots and will ensure that the interests of communities and business are promoted in any Postcomm consultations on the new delivery arrangements.

Financial Implications

There are no additional financial implications for the Welsh Assembly Government. Any expenditure arising from issues discussed in this paper will be contained within existing budget provision or indicative planned expenditure.

Cross-cutting Themes

Any eventual arrangements for supporting post offices with a high social value will complement

the current Communities First agenda. The arrangements should also contribute to the Assemblies priority to tackle deprivation in areas of greatest need identified in *Plan for Wales*.

Action for Committee

The Committee is asked to note the developments outlined in this Paper and comment on the future development of postal services policy in Wales.