



PRESS RELEASE

19 October 2010

THE FUTURE OF THE POST OFFICE – A HAND WITH VERY FEW TRUMPS?

Vince Cable has announced plans for the Post Office to become a mutual organisation. This at least shows that the government is thinking seriously about the future of the company, but a change of legal structure in itself will not guarantee success. There are now several hundred community-run shops in the rural areas of Britain. Some are run brilliantly and some are managed very badly indeed – the proportions of each probably exactly reflecting the situation amongst equivalent commercially run shops. John Lewis is a shining success story, but over the years scores of Co-op retail societies have failed, ceasing to exist as separate entities.

Ken Parsons, Chief Executive of the RSA, said, “The problems facing Post Office Ltd. will not be solved by “Handing the ownership and running of the Post Office over to employees, sub postmasters and communities - empowering the people that know it best”.

“It is not hard to identify the issues facing the Post Office but it is difficult to solve them. It is unfair to existing management at Post office Ltd. to imply they are a key part of the problem, given the poor hand they have been dealt.

“Nothing has yet to emerge to address the core problem. Post Office Ltd. (POL) is in a very competitive market for many of the services it provides. It acts as an agent for the government, Royal Mail or other service providers such as insurance companies or telephone networks. These customers negotiate hard on the level of commissions or fees they are prepared to pay and are always looking for cheaper ways of doing business. For example, it is still possible to tax a car at many post offices, but DVLA is very active persuading drivers to do so in ways that cost them less, online or through a call centre, rather than use a post office.

“Maintaining a large branch network is a very expensive way of doing business in 2010. Subpostmasters quite rightly expect to be properly remunerated and it is wrong for the government to expect these business people to effectively subsidise the service by providing it at very low levels of remuneration.

“It is very easy for government to say that there will be no more post office closures and that they will encourage more customer visits. The key to a sustainable post office network is a fair financial return to the operators, irrespective of whether it is a large multiple a small operator or a local cooperative. Their costs - the retail space, the equipment and the trained staff – are broadly the same.

“The key question is what services that the post office can supply will deliver sufficient income to maintain the network. There may indeed be an enhanced role for employees, sub postmasters and communities, but until the government can answer that fundamental question, then the form of organisation adopted is irrelevant.”

This issue becomes even more pressing if the privatisation of Royal Mail is considered. “Royal Mail business accounts for a third of Post Office income. Any commercial operator of Royal Mail is bound to try to reduce costs, and unless explicit safeguards are put in place when it is sold off, then this crucial revenue source is likely to diminish. The whole concept of a People’s Postbank seems to have disappeared from the agenda – inevitable given the likely costs. The obvious other answer is for Post Office branches to become an alternative physical presence for government departments – most contact with the citizen would be on line or through call centres, with those not wanting to use these avenues being given an alternative source of help and contact through Post Office branches. The key question is whether government departments, faced with swingeing budget cuts, are prepared to go down this route even faced with a lot of pressure from Vince Cable and his post office minister, Ed Davey, another LibDem. This could be an issue where LibDem ministers have been set up with a hand containing very few trumps.

Notes for editors:

The Rural Shops Alliance (RSA) was formed in April 2001 and now represents over 7,200 independent retail members, employing some 40,700 staff. The RSA – a trade association with a difference – exists to be the campaigning voice of the independent rural retailer and the source for practical support particularly in terms of retail best practice. Many ‘blue chip’ and ‘retail service’ suppliers sponsor and partner the work of the RSA and help the organisation with category management and best retail.

More Information:

01305 752044, 01305 752050 or 07092 048546