Summary of the Government’s Response to the 2016 Post Office Network Consultation

Introduction
On 20th December 2017, the Government published its response to the Post Office Network Consultation, which ran from 8th November to 21st December 2016 and drew 31,083 submissions from customers and stakeholders. The following Research brief provides a summary of the key messages contained within the Government’s response.

Background
The CWU made a submission to the Government’s 2016 consultation, in which we highlighted that we had delivered around 75,000 postcards, signed by members of the public, to BEIS on 19th December in response to the consultation. These called on the Government to abandon the current Crown office closure and franchising programme; establish a Post Bank through the Post Office network; (re-)commit the making the Post Office a “genuine Front Office for Government”; and give postmasters a fair deal.

The CWU’s submission also called on the Government to halt the current programme of cuts being implemented by the Post Office and, following the consultation, to bring together key stakeholders and industry experts to develop a new strategy for the future based on growing revenues and innovation to provide new services.

Summary of the Government’s response
The Government’s response to the consultation opens by expressing its commitment to the Post Office Network. The report states that the network creates significant economic and social benefits for the communities it serves and it is important that this value is protected. That is why the Government is committed to maintaining a national network of branches that is accessible to all.

Unfortunately however, the Government has significantly cut the level of public funding for the Post Office for the next three years. Overall, the Government’s response to the consultation demonstrates a lack of ambition for the Post Office and the continuation of a strategy that has resulted in many job losses and the closure and franchising out of services.

Post Office funding
The report states that the 2016 consultation was intended to inform the Government’s discussions with the Post Office on future funding, to make sure that the post office network has access to the support it needs. The responses received by BEIS played a central role in informing
the Government’s recent announcement to commit £370 million in new funding for the post office network for the three years after April 2018. The Government says that this will make sure that the Post Office has access to funding to operate its nationwide network of branches, and to continue investing in the network’s future.

The Government has invested more than £2 billion in the post office network between April 2012 and March 2018. The report states that this has enabled more than 7,000 branches to be modernised, in the largest transformation programme the network has ever seen. It says that since 2012 modernisation has added more than 200,000 opening hours per week to the network, with more than 4,400 post offices now also open on Sundays. The Government has also protected over 3,000 community branches, which are typically “the last shop in the village”.

Of the branches that have been modernised since 2012, more than 2,000 have also been relocated to new premises, usually co-locating the branch with a convenience store or similar retailer. The Government says this has improved convenience for customers who can shop for more products and services in a branch that is open for longer.

**CWU analysis**

The £370 million in new funding for the Post Office for the three years from April 2018 amounts to £123 million each year. This is significantly lower than the funding received in the previous six years, which amounted to over £2 billion between April 2012 and March 2018, an average of £333 million each year. The reduction in public funding for the Post Office will place continued pressure on the network, almost certainly leading to further Crown Office closures and franchising, job losses and an overall decline in service quality and availability.

**Access criteria**

The Government says that the overwhelming majority of respondents to the consultation agreed that the access criteria were correct or sufficient for defining what a nationwide network of post office branches should look like. Therefore, no changes have been made to the criteria as part of the Government’s recent funding discussions with the Post Office.

**CWU analysis**

The CWU’s response called for an enhancement to the existing access criteria, as follows: 1) Strengthening of the existing geographical requirements on the proximity of Post Office services to citizens’ addresses; (2) a commitment to maintain the current Crown office network and to cease the closure and franchising programme; (3) an extension of the criteria to encompass basic requirements on service quality; and (4) much stronger requirements on service availability.

It is unfortunate that the Government’s response does not include proposals on any of these issues.

**Government services**

The report states that respondents made a case for the Post Office to offer a wider range of government services, including reinstating previously provided services such as government savings and putting in place new ones. The Government’s response argues that the Post Office is
already the largest provider of counter-based Government Services in the United Kingdom. It makes no commitment to expand its existing range of Government services.

CWU analysis
The CWU’s response argued that the Post Office should be a “Genuine Front Office for Government”, by focusing on a number of areas for potential growth, including identity verification, the processing of assisted applications and cashless payment services. It is therefore unfortunate that the Government makes not proposals to expand its existing range of services.

Access to Accounts Held with Credit Unions
The report states that people felt that the Post Office could provide a range of services for Credit Unions, including providing access to Credit Union accounts in the same way it provides access to bank accounts.

The report says that it may be possible in future for the Post Office to offer access to Credit Union accounts like it does for bank accounts today. The Association of British Credit Unions is developing a new technology platform which will make it possible for individual Credit Unions to integrate their systems with third parties such as the Post Office more easily. The Post Office has held discussions with the Association of British Credit Unions on this opportunity, and it is hoped that further progress can be made in the future.

CWU analysis
The CWU’s submission called on the Government to support the Post Office to create a national credit union or build more and stronger links with existing credit unions to offer affordable, responsible deals on personal loans. The discussions with the Association of British Credit Unions is therefore welcome as a starting point and something the union can continue to campaign on in future.

A wider range of financial services
The report states that “Low levels of awareness among some respondents of Post Office’s financial service offering led them to suggest that Post Office should make a wider range of financial services available at its branches”. It goes on to say that “Following publication of the review of the access to banking protocol and the Select Committee on Financial Exclusion’s report, the Post Office is also working with the government and the wider banking industry to improve public awareness of the banking services it provides”.

CWU analysis
There is no proposal in the Government’s response to introduce a stronger offering on current account and business banking services, as the CWU called for in our submission. Currently, the Post Office offers no business account of its own, it is still only trialling a current account; it still provides no children’s account.

Establishment of a Standalone Post Office Bank
The Government’s response states that “Some respondents asked if the government would consider providing funding to the Post Office that would enable it to create a Post Office bank... The Centre for Banking Research at the Cass Business School published an independent report
commissioned by the Communication Workers Union, that explored similar issues”. It goes on to say that “As set out previously, Post Office already operates a successful and profitable financial services business, and in the last financial year this generated income of more than £300 million across a wide range of products...It is not clear what benefits a Post Bank would bring to customers who can already access Post Office branded financial services and accounts held with retail banks at their local branch....Having considered the consultation responses and recommendations of the Cass Business School, the government does not believe that establishing a Post Office bank is the right strategy for the long-term sustainability of the post office network at the present time.”

CWU analysis
The CWU’s submission set out a number of benefits of establishing a Post Bank. These included making the Post Office a lender in its own right rather than a credit broker, giving it much greater potential to grow its customer base and generate revenue. It would also help to address financial exclusion which is a serious problem in the UK. The Cass report substantiated the CWU’s position and argued that a Post Bank would enable the Post Office to ensure its long term sustainability. It would also offer better access to finance for small and medium size businesses and align the Post Office with the successful strategy of other postal operators around the world. It is therefore disappointing that the Government has rejected our proposals on this issue.

A fair deal for Postmasters
The CWU’s submission argued that it is unacceptable that independent subpostmasters are being forced to accept a pay cut or face closure. Subpostmasters are being told to turn their traditional Post Office branches into a PO Local, where they share the same counter as a shop. As a result, they will receive less commission on post office sales, and could lose in the region of £10,000 a year as a result. If they refuse to adapt, the Post Office will simply go ahead with converting the branch to a Local, forcing the subpostmaster to close their business. Again, this will mean the loss of experienced postmasters and staff and will do nothing to support the provision of high quality Post Office services to local communities.

Unfortunately, the Government’s response includes no assurances for the CWU or subpostmasters on this issue. The Government says that postmasters are independent businesspeople and the Post Office cannot control the actions they take, including regarding selling or closing their branch, although the business does take active steps to maintain service provision where these changes do occur. It also states that customer satisfaction surveys consistently demonstrate that franchised and relocated post offices are at least as well regarded as the branches they replace, making it clear that the current approach to change in the post office network delivers positive results.

CWU Research
21st December 2017