BACKGROUND

Over the past five years the Post Office Ltd has announced the closure of 150 Crown Post Offices. The announcement on 11 October 2018 of a further 74 Crown offices to be closed/franchised, means the Crown network will have been cut by 60% since 2013.

Crown offices are the largest flagship offices in prominent high-street locations and are directly owned and managed by the Post Office. Typically, when it closes these branches, the Post Office Ltd reaches an agreement with a retailer, in this case WHSmith, to install a counter for post office services in the retailer’s premises. While this retains a level of provision in the area, this is often done in the face of substantial local opposition and with a reduction in services, accessibility and jobs.

Despite this impact, the public is not being consulted about whether or not the privatisation of their asset should go ahead, and as was said in Parliament, this appears to be a sweetheart deal for WHSmith, as they are being handed the choice Crown offices.¹

Closing flagship branches, getting rid of experienced staff and putting counters in the back of a WHSmith’s is not the plan for growth or innovation that the Post Office network so desperately needs, and it is a far cry from the plan in 2010 to both transform the Post Office into a “genuine Front Office for Government”, and expand its revenues from banking services.²

The modest profits made by the Post Office in recent years were only made as a result of relentless cuts to staff costs.³ When profits are made on this basis, at best it points to a lack of vision, and at worst it suggests a managed decline of a public asset. Either way, without a strategy that involves growing revenues and adding services for the public and small businesses, the Crown network is in jeopardy, and the latest announcement could mark the tipping point for its long term viability.

We are therefore calling for a halt to the closures and a new strategy for the post office network as a matter of urgency. This briefing looks at the process and consequences of the closure and franchising of Crown offices including;

Deterioration of service

• The impact on customers

• WHSmith, the ‘worst retailer on the high street’

Impact on the workers and the locality

• Poor quality jobs

• Impact on the high street

• No consultation

Ruinous business plan

• Precarious future of WHSmith on the high street

• Use of public money

---

¹ https://hansard.parliament.uk/Commons/2018-11-20/debates/FA6CAF8A-DA31-46BC-9294-103E92D8AD1D/PostOfficeClosures#contribution-452764E5-BBEA-4C22-B7C7-E92361014C6D
² Securing the Network in the Digital Age (BIS, November 2010).
³ Although the Post Office Limited Annual Report and Financial Statements 2017/18 recorded an increase in profit of 13 million, people costs decreased by £13 million as a result of restructuring in 2017 and the closure of the Royal Mail Pension Plan (RMPP) to future accrual.
**The future of the Post Office - a plan for growth**

- Post Bank

**DETERIORATION OF SERVICE**

**The impact on customers**

Two independent reports, one by Consumer Focus (2012) and one by Citizens Advice (2016), concluded that previous franchising of Crown offices to WHSmith's had resulted in;

- longer queuing and service times
- inferior customer service and advice
- poor disabled access, and
- a reduced number of counter positions.

Alongside this, the closure and franchise programme means the loss of experienced staff. Not only does this affect quality of service, but it means a loss of what people see as a community asset when the Crown closes and the relationships customers have with the staff are lost.

It also limits the ability of the Post Office to expand into the new services that customers would want it to provide. Moving to a model with less space, fewer specialist staff and fewer experienced staff is not a model customers want or for future growth.

**WHSmith, the ‘worst retailer on the high street’**

WHSmith was voted the worst high street retailer by Which? customers in 2018, and it has been in the bottom two in the survey for the last 8 consecutive years. The decision to hand the Crown offices to the worst retailer on the high street is in itself deeply troubling as it points to a less than responsible attitude toward the future of the post office network and the service it provides.

**IMPACT ON THE WORKERS AND THE LOCALITY**

**Poor quality jobs**

Franchising means the replacement of quality jobs with good terms and conditions at the Post Office, with WHSmith’s low wage part time roles. This is clearly bad for workers and the local area.

WHSmith relies on an exploitative business model based on paying the lowest possible wage in part time roles. In fact, as of 20 November 2018, there has been no engagement with CWU about transfer arrangements and TUPE for existing staff, but WHSmith is advertising for counter staff in their Aberdeen store at the National Living Wage base rate. The advert says, ‘**Fantastic rate of pay on offer for this position - £7.83 per hour**’.

While the Post Office Ltd has always claimed that staff can TUPE to a franchise partner, in reality the economics of the franchise model rely on them not doing so and instead taking settlement agreements to leave. A franchise partner delivers the service more cheaply by cutting both staff numbers and significantly reducing terms and conditions.

We know that the majority of staff in a Crown office will leave when it is closed and franchised, having long since lost confidence in the Post Office Ltd, and being concerned over the limited protection TUPE offers. In 2014-15 only 10 out of 400 staff from Crowns that were closed TUPE-ed over to a new retailer. Only 6 staff from more than 200 were TUPE-ed over in 2016. This is clearly bad for jobs in the area – Post Office counter staff nationally earn around £21,000, way above the minimum wage.

---

5 See e.g. the post office counter clerk jobs on [http://www.whsmithcareers.co.uk/our-vacancies](http://www.whsmithcareers.co.uk/our-vacancies).
6 [https://www.indeed.co.uk/Post-Office-jobs-in-Aberdeen?vjk=d6db4419713216dc](https://www.indeed.co.uk/Post-Office-jobs-in-Aberdeen?vjk=d6db4419713216dc)
7 We estimate that the income the Post Office was advertising that its franchise partners could expect under its 2014-15 franchising programme would only have covered around 50% of the staff costs in the relevant Crown offices.
This aspect of franchising also raises questions over the programme and the use of public money, at a time of growing insecurity in the labour market.

**Impact on the high street**

When a Crown office is closed and franchised, the post office counter will often end up in an entirely different part of town and away from the main retail/business hub. The loss of a Crown office can therefore be disastrous for businesses surrounding the old premises which would have benefited from the added custom, and it can be a particular disadvantage for protected groups (such as disabled people) by exacerbating financial exclusion where banks have already retreated from many local high streets.

When a Post Office is closed and franchised, there is inevitably an economic impact on a local area.

**No public consultation**

The Post Office Ltd is deliberately excluding the public from having their say about whether the Crown offices should be privatised.

When representatives of Post Office Ltd were asked by an MP at a meeting of an All-Party Group on Post Offices, if constituents would have a say on the fact of the privatisation, Roger Gale (the then General Manager of the Crown and WHSmith based offices) said, *This is a commercial decision for us, not them*.  

This approach entirely ignores the fact that the public own these assets and public money will be used to bankroll the privatisation. They are, effectively, shareholders and as such should have a say when such a fundamental change is being proposed.

This disrespect for the public’s views is however, longstanding. The announcement of office closures in 2017 was made prior to the Government responding to its own consultation on the future of the Post Office, as part of which at least 75,000 respondents urged that the closure and franchise programme be ended.

**A RUINOUS BUSINESS PLAN**

**Precarious future of WHSmith**

WHSmith stores on the high street are in trouble. This is widely known and its future is being questioned by publications including the Financial Times which carried an article that concluded,  

*‘Once a high street without a WH Smith seemed unimaginable. Now it seems almost inevitable’*.  

At the meeting of the All-Party Group on Post Offices, members asked the Post Office Ltd representatives why they would give this public asset to a failing retailer and what contingency plans they had if WHSmith folded on the high street. Tracy Marshall, Post Office Ltd’s Programme Manager, responded that they believed WHSmith was *strong and stable*.

Previously, Post Office Ltd took the ‘commercial decision’ to locate post office branches in budget drinks chain ‘Bargain Booze’. Although concern was voiced by Parliamentarians, it was ignored and Bargain Booze folded soon after. Emergency rescue plans then had to be cobbled together.

It was all entirely unnecessary and predictable, and all the warnings that were given were ignored, as they have been again so far, by the Ministers with responsibility.

**Use of public money**

The Post Office Ltd uses public money to finance the closure and franchising programme.

---

8 All-PPG on the Post Office meeting, Houses of Parliament, 30 October 2018. The question was asked by Rachael Maskell MP, who ascertained that the public consultation was limited to the subject of accessibility.


10 https://www.ft.com/content/39d509de-639d-11e8-90c2-9563a0613e56


Everything from compromise agreements to get rid of existing staff (£13 million in 2014-15 alone),\(^\text{13}\) to refurbishments on stores it then franchises (£4.6 million was spent on 39 branches),\(^\text{14}\) and installing post office counters in franchisees’ premises (the post office refuses to disclose this expenditure), are met by the public. Yet, in return, the public receive a reduced service.

While Crown offices represent a small share of the overall network, they have historically brought in between 10-20% of the Post Office’s overall revenue and so any further closures could jeopardise the future of the network.

There is no evidence of respite from the slash and burn approach either, as the Post Office Ltd announced in July that they want to attract new applicants to set up ‘New Network Locations’ in 450 postcode areas throughout the UK. This initiative will have a substantial and far-reaching implication on the future of every flagship Crown office and Crown office job, as well as impact on Postmasters in sub Post Offices across the network many of whom are already reporting they are struggling financially.

THE FUTURE OF THE POST OFFICE - A PLAN FOR GROWTH

Post Bank

The CWU believes the cuts we are seeing is evidence of a crisis in the Post Office. We believe the Government and the Post Office urgently need to rethink the current path it is on if it is to survive.

With further reductions in its traditional income from postal services and government work likely in the years ahead, we do not believe it can have a long term future or remain relevant to the public unless it changes course and starts offering new services provided by professional and well trained staff. The cost-cutting we are seeing is effectively putting it on a path of managed decline.

We are therefore calling for a halt to the current programme and for the Government to bring together stakeholders and industry experts to develop an alternative strategy that will safeguard the future of the Post Office.

In particular the CWU is calling for the Government and Post Office Ltd. to establish a Post Bank as we have seen in other countries. La Banque Postale in France, for instance, was set up through its post office network over a decade ago and in 2016 made a profit of €1bn Euros.\(^\text{15}\) With established banks continuing to close down high street branches, the Post Office is ideally positioned to do more here – instead its closure and franchising programme is taking the same direction.

There are alternatives, if only the Government would recognise this, and their responsibility to exercise their financial oversight over the Post Office Ltd, rather than allowing it to throw public money and public assets to a failing retailer at risk of collapse.

For further information on the changes to the Post Office and the CWU’s campaign, please contact our Political Adviser, Natasha Burgess nburgess@cwu.org

\(^{13}\) Letter to Cat Smith MP from Paula Vennells, 11th April 2016 (deposited in the Commons library).

\(^{14}\) Letter to Cat Smith MP from Paula Vennells, 17th May 2016 (deposited in the Commons library).

\(^{15}\) Notably, it was set-up with a mandate to promote regional growth and tackle financial exclusion.