

20<sup>th</sup> June 2019

# CWU Supplementary evidence to BEIS Committee on the Post Office Network

## Introduction

1. The following submission sets out supplementary evidence to support the CWU's first written response to the BEIS Committee's inquiry on the Post Office in May 2019. The submission focuses on the level of pay that subpostmasters earn from running a Post Office, and why a substantial cut in remuneration over recent years poses a severe threat to network sustainability. The Committee raised questions on this issue during the oral evidence sessions, and we hope the information contained here will be helpful.

## Subpostmasters remuneration

2. The Post Office Ltd (POL) has been keen to highlight its increase in trading profit to £35m in 2018, but this has largely been delivered at the expense of subpostmasters who have seen their remuneration fall by £77m (17%) since 2014.<sup>1</sup> Profitability has not been achieved through innovation or growth, with trading revenue down from £979m in 2014 to £961m in 2018. Contrary to the Post Office's claim that this puts the business 'on the path to commercial sustainability', POL's cost cutting agenda poses an immediate threat to the service, with 2,500 subpostmasters saying they plan to close or downsize in the next 12 months because they cannot make a living from running their Post Office.<sup>2</sup>

## Post Office remuneration review

3. A key factor in the inadequate remuneration of subpostmasters is that, as POL explained in oral evidence, the business has significantly reduced the fixed fees paid for running standalone post offices, and the variable fees have not increased to replace that.<sup>3</sup> The majority of branches have had their fixed fees – known as the Core Tier Payment (CTP) –

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<sup>1</sup> Post Office Limited Annual Report & Financial Statements 2017/18, September 2018, accessed on 10<sup>th</sup> June 2019 at: <http://corporate.postoffice.co.uk/sites/default/files/ARA%20201718%20Final%20with%20signatures.pdf>

<sup>2</sup> Post Office network is close to collapse with 2,500 branches set to close or downsize in the next 12 months as swingeing Government cuts bite, the Daily Mail, 19<sup>th</sup> May 2019, accessed at: <https://www.msn.com/en-gb/money/news/post-office-network-is-close-to-collapse-with-2500-branches-set-to-close-or-downsize-in-next-12-months-as-swinging-government-cuts-bite/ar-AABB9OH?li=AAAnZ9Ug>

<sup>3</sup> Oral Evidence, PO Network, HC 2130, BEIS, 21 May 2019, Alisdair Cameron, POL, q87, accessed at: <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/business-energy-and-industrial-strategy-committee/post-office-network/oral/102604.pdf>

removed completely, losing between £10,000 and £15,000 per annum as a result. Just 1,000 branches continue to receive this payment today compared with 5,426 branches in 2014.<sup>4</sup>

4. During the Network Transformation period, the Post Office paid 26 months remuneration as compensation for the removal of the core tier payment, but only if the branch could be replaced by a new entrant willing to work for the fees only pay system. If a subpostmaster chose to convert their existing branch onsite to a new model they were only entitled to 12 months remuneration as compensation. To give an example, one CWU member received around £32,000 compensation to match their annual remuneration when they converted to the new model, but their annual fees were set at £18,000 - less than 60% of their previous income. Since they converted to the new model, the Post Office has reduced the value of many fees and now their annual fees are around £15,000. This is a 53% reduction from the original £32,000 annual income, and a 17% reduction from the initial £18,000 annual fees for approximately the same levels of work. Now that the Network Transformation project is completed, there is no longer any compensation payable.
5. POL claims that it is addressing this issue with a full review of postmaster remuneration to take place over the summer, but there will need to be a huge shift from the current position to genuinely make a difference. The NFSP's Member Survey 2019 found that 76% of subpostmasters are making less than the hourly National Minimum Wage (NMW), whilst 10% are making roughly the same as the NMW. One in five subpostmasters, or their spouse or partner, had to take on work elsewhere to make ends meet. Working hours are increasing, with 27% of subpostmasters working longer hours in 2018 than in 2017, and the average working week is over 40 hours just in the Post Office without accounting for the retail element of the business. Subpostmasters took less than ten days holiday a year on average and one in three did not take a single day's holiday last year.<sup>5</sup>
6. The transaction payments to subpostmasters for many of the services provided are extremely small, at just 3 pence per stamp and 17 pence each time a customer withdraws cash. Payments to subpostmasters in 'Local' branches are lower than those for 'Mains' branches for performing exactly the same transaction. There is no clear logic to this, at a time when all subpostmasters need more income to ensure their future sustainability, and Locals can be under even more pressure than Mains due to lower footfall and transactions. It is also unacceptable that POL requires some services to be provided free of charge with no transaction payment attached. This includes, for example, the closure of a Post Office Card Account (POCA) and the provision of a Certificate of Posting (COP). Around 1.3 million POCAs have closed in the last four years because of the Government's push to end these accounts. There are now just 1.1 million active POCAs compared with 2.4 million in 2015.

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<sup>4</sup> Subpostmasters core tier payment reduced – a Freedom of information request to Post Office Limited. WhatDoTheyKnow, 9<sup>th</sup> June 2014, accessed on 11<sup>th</sup> June 2019 at:

[https://www.whatdotheyknow.com/request/sub\\_postmasters\\_core\\_tier\\_paymen](https://www.whatdotheyknow.com/request/sub_postmasters_core_tier_paymen)

<sup>5</sup> NFSP: sub-postmasters planning to quit in numbers, Apex Insight, 16 April 2019, accessed at: <https://www.apex-insight.com/nfsp-sub-postmasters-planning-to-quit-in-numbers/>

7. Subpostmasters say their pay simply does not match up to the contribution they make and the hours they work. Their annual earnings are between £12,000 and £25,000. From this they have to pay staff, bills and other expenses.<sup>6</sup>
8. Unfortunately, the subpostmasters remuneration review will not be the subject of proper negotiation with the NFSP because POL does not recognise the NFSP for collective bargaining purposes.<sup>7</sup> The CWU – the subpostmasters’ trade union (also without union recognition in POL) – has not been offered any involvement in the review at all. The review will therefore inevitably be very one sided, with POL seeking revised arrangements that primarily suit them rather than a solution that would be in the best interests of subpostmasters. We are extremely concerned that, under these circumstances, there is negligible hope of a meaningful increase in remuneration at the level required to persuade subpostmasters to reverse a decision to close or downsize their Post Office business. That is why subpostmasters need worker status and rights to collective bargaining with representation from an independent trade union to ensure they get a fair deal on pay and other terms and conditions of employment including sick pay, annual leave and pensions.

#### Post Office Banking Framework renegotiation

9. Alongside its plans for a review of remuneration over the summer, POL says it is completing a renegotiation with the banks that will raise more money.<sup>8</sup> It is vital that these negotiations result in a fair deal and a significantly improved arrangement for subpostmasters. As the Treasury Committee recently reported: *“the Post Office is making a loss on offering its basic banking services on behalf of commercial banks. Such an arrangement cannot continue in its current form. The Post Office should not be subsidising the big six banks’ lack of a branch network.”*<sup>9</sup>
10. As with the remuneration review, the CWU has not been offered any involvement or engagement whatsoever with the banking framework negotiations. POL and the banks are dealing with these discussions behind closed doors, and new transaction rates will be announced that subpostmasters will have no alternative but to accept whether they are adequate or not. The absence of input or bargaining power for subpostmasters will without doubt result in a poor outcome for subpostmasters on the banking framework, and this is another reason why they need rights to collective bargaining through an independent trade union.

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<sup>6</sup> MPs line up to demand Government steps in and safeguards the future of local Post Offices, the Amed Post, 22<sup>nd</sup> May 2019, accessed on 11<sup>th</sup> June at: <https://amedpost.com/mps-line-up-to-demand-government-steps-in-and-safeguards-the-future-of-local-post-offices/>

<sup>7</sup> Recognition for collective bargaining – a Freedom of Information Request to Post Office Limited. WhatDoTheyKnow, 17<sup>th</sup> December 2012, accessed on 11<sup>th</sup> June 2019 at:

[https://www.whatdotheyknow.com/request/recognition\\_for\\_collective\\_barga](https://www.whatdotheyknow.com/request/recognition_for_collective_barga)

<sup>8</sup> Oral Evidence, PO Network, HC 2130, BEIS, 21 May 2019, Alisdair Cameron, POL, q85, accessed at:

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/business-energy-and-industrial-strategy-committee/post-office-network/oral/102604.pdf>

<sup>9</sup> Consumers’ access to financial services, 29<sup>th</sup> Report of Session 2017-2019, House of Commons Treasury Committee, 8<sup>th</sup> May 2019, accessed on 11<sup>th</sup> June 2019 at:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/1642/1642.pdf>

## Relationship with Royal Mail

11. POL notes that its traditional products and services remain core to the business and drive a large proportion of its revenue, with 35% of turnover coming from mail services. This is a significant sum of money, with £334m from mails in 2018. Royal Mail's payments to the Post Office increased by £13m to £354m in 2019, but subpostmasters are not seeing any benefit from this. There is never any negotiation with the CWU - the only independent trade union that represents subpostmasters - regarding mails transaction payments. It is not acceptable that subpostmasters should earn just 3p for a stamp if it means they cannot earn at least the National Living Wage, allowing them to keep their Post Office open. These rates are effectively being imposed by POL, who make these decisions with no influence from any independent trade union, no scrutiny from any regulator, and a complete lack of accountability.
  
12. In a recent example of POL's unilateral approach to making changes, it has forced through new amendments to subpostmasters' contracts without consulting them or their CWU representative, after coming to a revised agreement with Royal Mail regarding Mailwork Delivery Offices. For some subpostmasters running post and delivery offices (SPDOs), this will lead to reduced income and greater responsibility for keeping the delivery office clean and safe.<sup>10</sup> Not only does this leave those affected thousands of pounds a year worse off, but they have had absolutely no say in the matter.
  
13. In view of the above, the CWU considers that we should be involved in the remuneration review and the banking framework negotiations being carried out by the Post Office. We must also have rights to collective bargaining in the Post Office for any realistic prospect of securing fair pay for subpostmasters. We call on the Committee to support us in this position and to make recommendations that will help to achieve these objectives.

### **For further information on the view of the CWU contact:**

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<sup>10</sup> Exclusive, Post Office forces through new contract changes, Post Office Trial, 28<sup>th</sup> May 2019, accessed at: <https://www.postofficetrial.com/2019/05/post-office-forces-through-new-contract.html?m=1>