

# Public Document Pack

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## **Briefing from the CWU – Post Office closure and franchising programme**

### **Overview**

Over the past four years the Post Office has been implementing a series of significant cost-cutting measures with closures, franchising (privatisation), job losses and cuts to staff terms and conditions.

The latest element of this was the announcement on 10<sup>th</sup> January 2017 that it intends to close and franchise a further 37 of its flagship Crown post office branches (with around 300 staff) and cut a further 127 Financial Specialist (customer advisor) roles across its network.

These cuts follow announcements from the Post Office for the closure and franchise of 62 Crown offices in 2016, 500 job losses from its cash handling section (which stores and transports cash for post offices and other retailers) and the closure of its defined benefit pension scheme.

The latest announcements on 10<sup>th</sup> January have been made despite the fact that the government has not responded to its consultation on the future of the Post Office, which closed on 21<sup>st</sup> December. The CWU delivered 75,000 postcards signed by members of the public in response to this to BEIS, which called for an end to the closure and franchising programme – these views have been ignored.

The closure and franchising programme means worse services for customers across a range of measures, the loss of good jobs which are typically replaced by minimum wage roles, the loss of a community asset and we believe it is part of a strategy of managed decline for the future of the Post Office network.

### **Crown Post Office closure and franchising programme**

The Post Office has a network of around 11,800 outlets – 286 of these are ‘Crown’ branches which are directly owned and run by the Post Office and with directly employed staff. These tend to be the largest flagship offices in prominent high-street locations. While representing a small share of the overall network, they have historically brought in between 10-20% of the Post Office’s overall revenue.

The closure and franchise programme involves the Post Office closing down the Crown office and finding another retailer to install a post office counter somewhere in its shop – typically this has been in the back of a WHSmiths. While the Post Office claims this means no downgrade in service, certain products like identity services are only provided in Crowns; independent research has shown Crowns perform better than franchised branches on a range of measures; disabled access in particular tends to reduce; and it means the loss of experienced trained staff, being replaced by part-time minimum wage roles.

Key issues arising from the changes:

#### **1. Impact on customers**

The only independent research that has been carried out in the past five years found that the Crown office closure and franchising programme (seeing 70 offices closed and moved into WHSmiths) has been bad for customers.<sup>1</sup> This ranked the WHSmith franchises worse than Crowns for:

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<sup>1</sup> *Are You Being Served?* (November 2012) – the research was conducted in 2011. Consumer Focus (subsequently Consumer Futures and now part of Citizens Advice) had statutory responsibility for monitoring

- Queue times
- Service times (transactions take longer)
- Customer service/advice on the appropriate products
- Disabled access
- The number of counter positions (and counter positions which are staffed).

Despite this, of the twenty eight branches for which a franchise partner was announced last year, twenty seven have been with WHSmith.

The other impacts on customers that we would highlight are:

(i) the loss of experienced staff – this not only affects quality of service, but means a loss of what people see as a community asset when the Crown closes and relationships between staff and customers are lost; and

(ii) the scaled back service removes the Post Office’s ability to expand into new services – less space, fewer specialist staff and fewer experienced staff all show closing a branch and replacing it with a counter in a retail store is not a plan for growth.

Where a Crown has been closed and franchised our experience is that this is done in the face of public opposition. However, we are unaware of a single case where a public consultation has overturned the Post Office’s proposals in recent years.<sup>2</sup> The closure and franchising programme was also widely criticised by MPs in a Westminster Hall debate on 17<sup>th</sup> November 2016.

## 2. Replacing good jobs with insecure employment

Franchising means the replacement of jobs with good terms and conditions for retailers to bring in new staff in (typically) minimum wage part-time roles.<sup>3</sup> While the Post Office claims 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 compromise agreements to leave.<sup>4</sup> 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 a franchise partner is found, having long since lost confidence in the Post Office 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.

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the performance of the Post Office. We are suggesting written questions on what research the Post Office has conducted since then and what steps if any the Post Office took since then to rectify the issue.

<sup>2</sup> While the Post Office claims any change is subject to public consultation, in reality these are PR exercises rather than opportunities for meaningful engagement. In 2014-15 the Post Office carried out 52 consultations on franchising proposals. Fifty went ahead. One fell through because the proposed partner had a criminal conviction and that the other is still ongoing and yet to be completed. We would also highlight the fact that the Post Office has often refused to attend public meetings arranged by the CWU and local MPs to discuss the proposals.

<sup>3</sup> See e.g. the post office counter clerk jobs on <http://www.whsmithcareers.co.uk/our-vacancies>.

<sup>4</sup> 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. In 2014-15 the Post Office spent £13m on compromise agreements to get rid of staff in Crown offices which were being closed and franchised.<sup>5</sup>

We also understand that the Post Office provides an indemnity to a franchise partner for staff costs where they do TUPE over, something the Post Office refuses to comment on publicly.

### 3. Further questions over the use of public money

The Post Office has spent money re-furbishing the Crown offices it is now closing and franchising. On the 59 Crown offices it announced it would close and franchise in 2016, the Post Office spent £5.9m on refurbishing them since 2010, an average of £100,000 per branch. Some branches far exceed this – Paisley has had £439,000 spent on it.<sup>6</sup>

We also know the Post Office also spends money on *converting* the premises of the franchisee to install a post office counter though again it has refused to disclose publicly how much money it has given to retailers like WHSmiths for this.

### 4. The failed strategy for the Post Office

The closure and franchising of Crown offices is a long way from the vision the government put forward for the Post Office in 2010 when it promised to transform it into a “genuine Front Office for Government” and for a significant expansion in its banking services. In reality it has failed on both these measures – the Post Office’s revenues from government services have fallen by 40% and income from financial services has grown by just 2% (not even keeping pace with inflation). Closing down flagship branches, getting rid of experienced staff and putting counters into the back of a WHSmiths is not a plan for growth or innovation which customers want to see.

### 5. Wider social/economic impact

The Post Office’s closure and franchising programme disproportionately impacts on urban deprived parts of the country. 40% of the branches that have been closed and franchised since 2014 have been in urban deprived areas, hitting already disadvantaged groups.

When a Post Office is closed and franchised, there is also an economic impact on a local area. In many cases the new retailer will be in a different part of the town which impacts on the health of the high-street and businesses in and around the former post office. The loss of good jobs also has a knock-on economic effect.

## **Future of the Post Office**

The CWU believes the cuts we are seeing is evidence of a crisis in the Post Office, with more than 2,000 job losses having been announced in the past year alone. With the latest round of closure and franchising the Crown office network will have just 214 branches, a fall of more than 40% since the start of 2014 (when it stood at 373).

The cuts are a direct result of the separation of the Post Office from the profitable Royal Mail business (ahead of privatisation), significant reductions in government funding (from £210m

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<sup>5</sup> Letter to Cat Smith from Paula Vennells, 11<sup>th</sup> April 2016 (deposited in the Commons library).

<sup>6</sup> Letter to Mhairi Black from Paula Vennells, 21<sup>st</sup> June 2016 (deposited in the Commons library).

in 2012 it has been reduced to £70m next year) and the lack of any proper strategy to grow income in new areas. 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. 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 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 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 a decade ago and last year made a profit of €1bn Euros.<sup>7</sup> 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.<sup>8</sup>

The Post Office and the government are currently in discussions over its business plan for 2018 onwards and the public funding for this – we believe the government must take this opportunity to develop a strategy that will secure the future of the Post Office network.

**For further information on the CWU's campaign and any of the issues raised above please contact the CWU's Head of Political Strategy, Andrew Towers, [atowers@cwu.org](mailto:atowers@cwu.org) or 07803 201181.**

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<sup>7</sup> Notably, it was set-up with a mandate to promote regional growth, tackle financial exclusion and

<sup>8</sup> While the Post Office does currently offer some financial services we do not believe these meet customer needs (and the Federation of Small Business's report, *Locked Out*, in October 2016 raised concerns about the current provision) and the Post Office's own figures show its current model is not driving growth here. A further briefing on the need for a Post Bank can be provided by the CWU.