

Written evidence submitted by National Federation of SubPostmasters (NFSP) (PON0059)

The National Federation of SubPostmasters (NFSP) is a professional trade association representing independent business people who act as agents for Post Office Ltd (PO). Our 8,000 members own and operate around 9,300 sub post offices. Privately-owned post offices comprise 98% of the national post office network and are, collectively, a major employer nationally.

The NFSP exists to support subpostmasters to maximise profit from their post office and retail business. We are a member-focused organisation.

The NFSP is grateful to the committee for launching the Inquiry and for giving us the opportunity to contribute to discussions.

This document provides further information in relation to or in response to issues raised during the Committee Hearing on 21 May 2019.

Network Transformation and the current state of the network

As we emerge from the Network Transformation Programme (NT), many industry stakeholders are taking stock of the Programme's relative successes and failures and assessing the current state of the network.

The Committee has heard that through NT, Post Office Ltd (PO) has reduced the cost of the post office network to the UK tax-payer, maintained since 2012 a network of no fewer than 11,500 offices, and is now operating at a profit.

The NFSP's submission to the Inquiry explained how the current system is failing many subpostmasters. As a result of dropping income and longer working-hours, many have resigned from their offices over the course of the last few years and as many as 22% of subpostmasters are considering closing or downsizing their post office in the coming year according to the NFSP Member Survey conducted in early 2019.

We believe that, while NT succeeded in achieving the objectives set by PO in accordance with the pressures exerted on it by UK Government, unfortunately, the lasting impact on the subpostmaster network was a secondary concern.

The NFSP is clear on this issue. We believe that the viability of sub post offices and the morale of subpostmasters has been eroded to the extent that the network's resilience is extremely limited. However, it is not too late for changes to be made to improve the situation for subpostmasters and communities around the UK who rely on their local post offices.

The NFSP therefore welcomes the pending review into subpostmaster remuneration announced by PO and will be working closely with PO on this. It is right and proper that PO should look to increase subpostmaster remuneration now that the current state of the network post-NT is apparent and that PO is operating at a profit.

Opportunities for the network

The NFSP has made no secret of our wish for a greater range of government services to be made available at post offices. Indeed, one of the original intentions for NT was to make post offices ‘the front office of government’. That this didn’t come to fruition severely hampered subpostmasters’ ability to maintain or increase their income after converting to a new operating model during NT.

Since the Hearing on 21 May 2019, the NFSP has met with the Minister for Small Business, Consumers and Corporate Responsibility and PO to discuss what opportunities exist for the post office network. A key topic of conversation was the availability of government services at post offices and we are delighted that all stakeholders present shared an appetite (in principle) for increasing the range of services available.

This will not be a simple endeavour and will require cross-departmental working. The NFSP encourages the Committee to support this work as best it can.

Banking services also present an opportunity for the post office network – and also a risk, as outlined in the NFSP’s first written submission to the Inquiry.

Proposals for a ‘Post Bank’ were briefly discussed during the Committee Hearing and the NFSP would like to underline that current proposals for a Post Bank would be detrimental to the post office network and to UK consumers’ access to cash and banking services.

Currently, through the Banking Framework Agreement that PO has with banks, banking services are available at every post office and 99% of UK personal bank and building society customers can use post office counters to withdraw cash, pay in cash and cheques and obtain balances.

As many as 135 million banking transactions were performed in sub post offices in 2018 and this (collectively) earned subpostmasters £30m in remuneration. With the recently announced increases in remuneration rates for taking banking deposits, at the current trajectory, banking services could be worth more than £60m a year to subpostmasters (again, collectively).

The proposals for a Post Bank would spell the end of the Banking Framework and take away £60m+ from subpostmasters’ collective incomes.

The proposals would see only the largest branches in the network able to provide banking services – and only to Post Bank customers. This would be extraordinarily damaging to people’s access to cash – especially in areas where other banks have closed and people’s only access to cash and banking services is at their local post office.

Post offices play a vital role in promoting social and financial inclusion – especially in rural areas. Should smaller and/or rural post offices lose banking facilities at their post office due to the introduction of a Post Bank and the cessation of the Banking Framework it will damage communities and the livelihoods of local people.

Subpostmasters need income from banking services; communities around the country need all post offices to provide banking services.

There are challenges to overcome and improvements to be made to maximise the potential for the provision of banking services at post offices – as we outlined in our previous written submission to the Inquiry: public awareness of services can be increased, subpostmaster pay should be raised and subpostmasters better protected from the risks associated with handling large amounts of cash. But

the Banking Framework – indeed, an expansion of the Framework – represents the most beneficial solution for all.

Government oversight of Post Office Ltd

Speaking in very broad terms, the NFSP's perception is that in recent years the government has taken an 'arm's length' approach to the running of PO.

The NFSP welcomes the Minister's decision to launch a working group which brings together government, PO and the NFSP. It is vital government has full and transparent oversight of the post office network. The NFSP does not see an 'arm's length' approach as problematic in-and-of-itself – a long as government is furnished with the full picture. The NFSP's role in the working group will be to represent and act as the voice of subpostmasters – as it does in all its work.

The NFSP's conversations with government indicate a recognition of the social value of post offices and the vital roles in promoting social and financial inclusion played by subpostmasters across the UK. We believe it is essential that PO and government never allow a 'dumbing down' of the function of post offices and the role of subpostmasters – for example through the wholesale reduction in services available and/or a significant move towards automated provision (i.e. via self-service kiosks). Any such move(s) would be detrimental to communities across the UK – in particular to the most vulnerable of people who rely on post office services the most.

To ensure this doesn't happen, the NFSP believes that our definition of what constitutes a post office should be seen as a blueprint by PO and government. We believe that post offices – now and in the future – should:

Provide the UK public with access to a comprehensive range of Post Office services.

Cater for all the elements of the diverse UK population and their different needs.

Make use of fully trained staff who will: Ensure all customers receive the right service according to their needs; and perform necessary compliance to ensure the appropriate and legal use of Post Office services.

Enable social and financial inclusion within communities across the UK.

The role of the NFSP

The NFSP is a professional trade association representing the interests of subpostmasters. We are the only body recognised by PO to represent subpostmasters.

During the Committee Hearing, the independence of the NFSP was questioned on account of the funding arrangement we have had in place with PO since switching from being a trade union to a professional trade association. Several inaccuracies were promulgated on this front during the hearing and the NFSP would like to set the record straight.

The vast majority of the NFSP's income comes from PO. This has never been a secret. This fact is held up as evidence that the NFSP does not act independently from PO and does not serve the best

interests of subpostmasters. To state that the NFSP is not independent from PO is, at best, misguided, at worst, it is mendacious.

The NFSP was deemed unable to continue operating as a trade union by the Trade Union Certification Officer in 2014 on a technicality. This decision was based on the very narrow definition of a 'worker' within trade union legislation. The Certification Officer determined that subpostmasters' contracts were those of self-employment – and, as members of a trade union must be wholly or mainly classified as workers, the NFSP was out of scope to operate as a trade union.

As a result of this ruling, the NFSP consulted its membership in 2015 on what form the organisation should take for its future operations. Presented with three options – including a merger with the Communications Workers Union (CWU), and a merger with the Nation Federation of Retail Newsagents (NRFN) – the NFSP membership voted overwhelmingly in favour of entering into a Memorandum of Understanding with PO which led to the creation of the NFSP in its current form.

The funding we receive from PO does not mean we lack independence. The funding we receive enables us to support subpostmasters far more efficiently and effectively than any other organisation could do – including PO themselves.

We are best-placed to support subpostmasters because we are subpostmasters. Our Board of (non-executive) Directors is comprised of serving subpostmasters who are elected and held to account by their fellow subpostmasters around the UK.

To give a summary of what the NFSP does for subpostmasters:

We have a national network of volunteer representatives at Branch and Regional levels who support our 9,000+ members day-in-day out.

We have two nationwide teams respectively providing post office and retail support to subpostmasters to help improve efficiencies and increase our members' profits.

Our head office team assists subpostmasters with thousands of queries and requests for help each year.

We operate a charity specifically for subpostmasters, or the families of subpostmasters, who have fallen on hard times – the NFSP Benevolent Fund.

We represent subpostmasters in discussions with PO, government and other stakeholders; we work tirelessly to try and improve subpostmasters pay and conditions.

Our funding arrangement means we can offer all of this to subpostmasters – for free.

Our recent efforts have resulted in the establishment of a working group involving the NFSP, PO and BEIS which will ensure subpostmasters' are represented at the highest level; and a formal review of subpostmaster remuneration, announced by PO at the Committee Hearing, into which the NFSP will feed heavily and ensure subpostmasters receive a fair deal.

Widening the discussion, there are many organisations funded by government and/or industry that maintain independence. To list a few high-profile examples:

Citizens Advice, a contributor to the Inquiry, receives funding from government and various industry bodies including Royal Mail.

The Advertising Standards Authority is funded by an advertising industry levy.

The Equality and Human Rights Commission is funded by the Government Equalities Office but does not carry out government business or perform its functions.

The Financial Conduct Authority is an independent public body funded entirely by the firms it regulates.

To be clear, the NFSP is not comparing itself to these organisations – our remits are different, our industries are different, our accountabilities are different, our structures are different, the details of our funding arrangements are different and so on. The point of referring to these other organisations is to demonstrate that an organisation's funding source does not by default mean a lack of independence – which is ostensibly the accusation made against the NFSP.

Our work speaks otherwise. Our Inquiry response speaks otherwise. The NFSP is an independent organisation. We are subpostmasters. We have represented the interests of self-employed subpostmasters for 122 years and will continue to do so.

Lastly, we will address comments made during the Hearing regarding auto-enrolment to the NFSP and allegations of a 'closed shop'.

Within the wider 'Post Office' there are various representative bodies:

The union Unite represents PO management.

The CWU represents non-management PO staff and staff in directly managed ('Crown') branches.

The NFSP represents self-employed subpostmasters who act as agents for PO.

At the point that the NFSP transitioned from trade union to trade association, all members were auto-enrolled as members of the trade association. However, if a new subpostmaster opens an office now, they are not auto-enrolled as an NFSP member. We have to recruit new members just as other organisations do.

By the same token, NFSP members are free to terminate their membership if they choose to. What is more, they are entitled to be a member of any other organisation they see fit to join. We know that many NFSP members also benefit from membership of the Association of Convenience Stores (ACS) and the NFRN. Some also choose to join the CWU. This is not a 'closed shop'.

June 2019