

Statement on the Post Office

The Rt. Hon. Alistair Darling MP, Secretary of State for Trade and Industry

House of Commons, 17 May 2007



With your permission Mr Speaker I should like to make a statement on the Post Office.

Last December I published the Government's proposals on the future of the Post Office network. We then consulted and received more than 2,500 responses.

I am today publishing the government's final proposals and can now set out how we intend to proceed.

Copies of the Government's response to the consultation and our response to the Trade and Industry's Select Committee's report are available from the Vote Office.

Post Offices play an important social and economic role in the communities they serve and the Government is determined to maintain a national post office network allowing people to have reasonable access across the whole country.

New technology and changing lifestyles and wider choice of ways of getting services mean that people are using post offices less. The network's losses are now running at almost £4 million a week – double what it was two years ago. And that will increase further unless action is taken to make the network more sustainable.

As the National Federation of Sub-Postmasters and others have recognised, the present network is unsustainable, which is why change is needed.

Mr Speaker, without continuing public support, a purely commercial Post Office would see fewer than 4,000 branches.

That cannot be allowed to happen which is why the Government is providing substantial financial support to maintain a national network.

Although the proposals I am confirming today will see the closure of about 2,500 branches the remaining Post Office network will still be larger than all the UK's banks and building societies put together.

Because we want to maintain a national network, we are putting in place rules that provide for reasonable access across the whole country.

We will give Post Office Ltd the ability to shape the network for the future with clearly defined access criteria to ensure that the right post offices are in the right place to maximise their business.

The rules governing access are set out in detail in the response we are publishing today and will guarantee reasonable access in both urban and rural areas with additional protection for more deprived urban areas and some of the more remote rural areas.

Now people were understandably concerned that these changes should be implemented in a sensible way.

So in addition, taking into account obvious obstacles such as rivers or motorways, the Post Office in putting forward their proposals will also consider the availability of public transport and alternative access to key post office services and the impact on local economies. They will have to demonstrate how these factors have been considered in each local consultation.

Most respondents welcomed the proposal to extend outreach arrangements to provide postal services to small and remote communities. The Government will therefore ensure that 500 new outreach locations will be provided building on the success of mobile post offices and postal services provided in village halls, community centres or even pubs. In some areas they will be able to deliver services to people's homes.

We also want to encourage community ownership. There are already some 150 thriving community owned shops, many of which already incorporate post offices. It's clear from the comments received that there is widespread interest and Post Office will work with

interested parties to encourage their expansion.

We also want the Post Office to work with Credit Unions to develop services further.

Key to ensuring the success of the Post Office is to encourage their greater use.

The Post Office will be given every opportunity to pursue Government business and the network changes will put it on a stronger footing to do so.

We will encourage the Post Office to look at further scope for co-locating with other community services including local government services.

Councils will be involved in the proposed changes to the network and that should provide an opportunity to explore ways for them to play a greater role in future in deciding how best to provide post office services to the public.

In addition to that the Post Office wants to expand its financial services – it's already the leading supplier of foreign currency exchange and has recently increased the availability of its Euro on demand service to 6,500 branches.

They are the third largest provider of travel insurance, they insure 1 in 50 cars on the road and last year 1 in every 25 credit cards were issued by the Post Office. And the Instant Saver Account, introduced in April 2006, has 175,000 accounts with deposits of £1.8 billion.

In addition, cash will be available through some 4,000 free to use ATMs being introduced at branches across the network. PayStation terminals are also now in 7,500 post offices. All these measures should encourage more use of post offices.

The current Post Office Card Account contract ends in March 2010. As the House is aware, the Government has decided that a new account will succeed it after 2010. It will be available nationally and customers will be eligible for the account on the same basis as they are now.

I can confirm that the Department of Work and Pensions will today invite tenders for a successor to the Post Office card account to be available nationally and customers will be eligible for the account on the same basis as they are now.

Customers using that successor product should be able to get their cash at ATMs as well as across the counter.

It is our aim that the opening of the new accounts will be streamlined and made a simpler process for customers.

The Government remains committed to allowing people to get their pension or benefit in cash at the post office if they choose to do so, and there is a range of accounts available at the Post Office which make that possible, including the Post Office Card Account.

The Post Office is determined to increase its range of products and business. I can tell the House today that the Post Office will be launching a broadband service later this year in partnership with BT. This will enable it to become a key player in the broadband-based services market – offering post office broadband more services to the public.

Mr Speaker, the Government has invested £2 billion since 1999 to support the network. Subject to state aid approval we will now provide a further £1.7 billion up to 2011, including support of up to £150 million a year for the social network. Beyond that there will be a continued need for public funding of the social network.

Mr Speaker, where it makes sense the Post Office will accommodate the wishes of those who want to leave and the Post Office and the National Federation have now come to an agreement over how the compensation package will be administered.

These measures are complemented by steps that the Post Office is taking to modernise the commercial network returning the Crown Offices to profitability and providing new products.

Mr Speaker, as I told the House last year, of the 14,000 post offices in the UK, only the 458 Crown Post Offices are owned by the Post Office. And the Post Office has to address the huge losses in this part of the network – £70 million last year alone.

The network has always relied on other businesses to complement the postal business. So, in order to keep open as many post offices as possible, they have entered into an agreement with WH Smith to transfer 70 Crown post offices into their shops. This will ensure that these Post Offices stay open.

Mr Speaker, the changes I am outlining today will be implemented over an 18 month period from this summer.

In order to manage the process, there will be around 50-60 area proposals based mostly on groupings of parliamentary constituencies. But the Post Office and Postwatch will be able to adopt different approaches where it would be better to do so.

In developing their proposals for public consultation, the Post Office will develop plans together in consultation with Postwatch, sub-postmasters and local authorities. Rt Honourable and Honourable members will be given advance notice of area proposals in line with the arrangements used in the urban programme three years ago.

That will be followed by each plan being subject to a six week public consultation providing people with an opportunity to give their views. After the consultation Postwatch will consider the responses and specific issues raised. There is also provision for further discussions and review by the Post Office and Postwatch before final decisions are reached.

Final closure decisions will be made by Post Office Ltd.

I said last year that we wanted to give local authorities and devolved administrations a greater say in shaping the network in the future.

We will therefore work with them to consider how we can best make this happen.

Mr Speaker, the majority of people in this country want us to maintain a national network of post offices.

I believe the proposals set out today will do that and I commend these proposals to the House.