



**Unite response to the Department of Business Innovation & Skills
consultation for Building a Mutual Post Office**

This response is submitted by Unite the Union. Unite is the UK’s largest trade union with 1.5 million members across the private and public sectors. The union’s members work in a range of industries including manufacturing, financial services, print, media, construction, not for profit sectors, local government, education, the NHS and other health services, prisons and Royal Mail. Unite is a significant player in public services representing over 250,000 workers, including 60,000 employees in the not for profit sector.

Post Office Consultation

Before turning to the questions to be answered there are a number of introductory points that Unite wishes to make.

Firstly, the Government has failed to demonstrate in its consultation document how it can achieve many of its objectives. For example, at the outset of the Executive Summary it is stated that “Mutualisation of Post Office Limited could foster a more vibrant and successful Post Office network”. It then goes on to almost restate this point by saying that “Mutualisation could also help secure the future of the Post Office network”, However there is no clear direction or business plan suggested that would secure these objectives and we are therefore reminded of the very important point made by Mutuo¹ in giving evidence to the Scottish Affairs committee on the 14th

¹ Mutuo is a mutual think tank established in 2001 and was the first cross mutual sector body to promote mutual governance to opinion formers and decision makers.

December 2010, in answering question 75, where the point was made that there is no point in considering a different corporate structure of any kind unless it is a viable option. The point was also made that currently the Post Office operates with a subsidy and whilst the objective, and indeed part of the business plan, is to remove that subsidy by 2015, we note that there is provision within the consultation subsidy and whilst the objective, and indeed part of the business plan, is to remove that subsidy by 2015, we note that there is provision within the consultation document in paragraph 8.3 that that subsidy may continue. Indeed, in our opinion this is likely to be necessary to ensure that the network of offices continue to be provided in the way that they are. There are some Post Offices that will never be able to make a profit or indeed cover their costs but will be fundamental and vitally important to the communities which they serve and an important constituent of the network.

Unite find itself slightly in a dilemma here. We support the principle of mutuality but can only do so if there is a clear benefit and need to the organisation that is under consideration; its employees, our members, and communities and customers which it serves.

It must also be set out that Unite remains opposed to the separation of Post Office from Royal Mail, the privatisation of Royal Mail and is not yet convinced of the argument to mutualise the Post Office. Nevertheless, as far as is practicable, the following comments will respond to the points made to the backdrop of the caveats given immediately above.

Question 1: Do you agree with this analysis of the value of the Post Office network? Are there any aspects of your post office experience that you consider particularly important for a mutual Post office to retain?

Unite considers that the value of the Post Office network is axiomatic. The brand has high value and a good reputation, it is a trusted entity on the high street and it remains for many citizens to be an important port of call in their daily and weekly activities in meeting their needs. We note that in recent research from the *New Economics Foundation*, reproduced in the Post Bank Coalition document *Sorted! Revitalising the Post Office through local banking*, on the 14th July this year, that;

* Average spend among the post office's customers was £5 at the Post Office and £22 at other shops on the small high street

* 58 per cent of the post office's customers main reason for visiting the high street was to visit the post office.

* 70 percent of the Post Office customers visited other shops on the high street

* 1,200 to 1,700 people per week visit the High Street with the Post Office as their primary purpose; this results in about 100 extra shoppers per day – who may otherwise visit the High street – frequenting other shops in the High Street.

In setting out an argument for retaining the Post Office Network we also actively support the five Access criteria at national level. Implicitly we endorse the position that there should be a minimum of 11500 Post Offices of which over 373 will be “Crown offices”. Indeed Unite considers that as part of this plan for developing the network for the future that active consideration should be given to expanding the “Crown network” particularly those geographical locations that are bereft of such at the moment. We believe this is important as a fully developed business plan providing products and services and access to local communities will bring forward income and revenue that will substantially reduce the current subsidy if not eradicate it completely.

However we consider that the deliberations in respect of the value of the Post Office network is undermined by the failure to include the provision of a bank at the Post Office where businesses and local communities, including working with credit unions, could provide a valuable service at local level. We note in the consultation that the current Post Office Network is larger than the banks network put together and we note from research provided by Living Streets in April 2011 confirmed that 15% of over 55 year olds can't get to a bank. With 93% of the total UK population, 99% in towns and cities, living within 1 mile of a Post Office, that access to banking services if provided directly by the Post Office would therefore be key to those communities and would also be a positive approach in securing the future of the Post Office Network.

Question 2: Do you agree that a ‘mixed membership’ model is the correct model to be considered for a mutual Post Office? If so, whom do you consider should make up the different constituencies of members, and why?

Unite considers that should mutualisation be appropriate for the Post Office, which we are dubious of, then the model that would be most effect would that of the mixed membership model. With this we agree.

Our position is that from some basic research undertaken the majority of mutual models are based on small organisations mainly centred on a single location or in a single geographical boundary. There are few mutual's of this size and complexity, and reach, of the Post Office Network and therefore there is no directly comparable model.

We believe that frontline staff and customers should have an interest in the mutual and are important stakeholders. The involvement of customers could be through the representative councils and also through receiving a "dividend" based on their use of the facilities and financial transactions contained therein. Frontline staff could be recognised as stakeholder through additional payment based on a proportion of the surpluses at the end of the year after other costs, and investment charges were deducted.

Similarly the "multiples" would have their involvement as stakeholders recognised through some sort of performance bonus based on the contractual terms for providing the services. For example there could be additionally recognised payments for achieving sales targets and number of transactions over an above the normally contracted expectations.

Unite does not see sub postmasters as appropriate stakeholders in that context. They are individually owned business providing contracted services to the Post office. Whilst single and individual postmasters could be members of the mutual through its membership scheme any financial benefit would be achieved through a similar arrangement as outlined for Multiples above. Namely, additional payments for delivering stretch targets above their specified and contracted requirements.

Unite also considers that employees of sub postmasters should be considered as employee members of the mutual albeit that any additional financial contribution that they receive would have to relate to the performance of the office in which they work. The essence of the rationale for involvement of stakeholders at all different levels is to ensure that recognition is given in the way that individuals participate but also, perhaps more importantly, that they are able individually and collectively able to influence the performance of the organisation as a whole thereby helping to secure its future and long term viability and existence.

Additionally, multiples and sub postmasters would have to have some involvement with the organisation in terms of its future strategy and perhaps this would be best served by the setting up of a multiple/sub postmaster consultative forum where they could make inputs to the business plans and also receive updated information on its activity.

Question 3. Should Government fully transfer its ownership of the Post Office to the mutual over time? Please give the reasons for your views.

No. The future of the Post Office, its customers, employees and communities it serves is better placed with the Post Office in public ownership providing a range of services that meets the need of the those communities and small business, and others, that use the facilities.

Unite also considers that those services can be extended to include many more services that are designed to meet the needs of communities and small business and can be deliver through greater cooperation between parties locally and can include such organisations as credit unions, community groups, local authorities, charities, social interest groups et al.

The Post Office should continue to be government owned but given sufficient freedom to operate in an efficient and commercial manner with an ethos of meeting the needs of its customers and communities. To do so representative bodies should be established to ensure that those needs are met. All of the groups mentioned above should be represented on this body including employees/trade unions.

Question 4. Do you agree that the members should engage with the business's Board of Directors through a representative body? Or do you think an alternative governance structure would be more appropriate? If so, please explain.

Again Unite is answering this question on the basis that we continue to be unconvinced of the objectives of securing the Post Office network for the future simply through mutualisation.

Unite supports the principle of a 3 tier structure as being appropriate in certain circumstance of this nature. Details will need to be worked out on how to allocate places on the representative body ensuring that a fair, engaging and embracing approach was achieved. No single organisation should be allowed to secure a majority on a representative body and decisions should be taken by consensus.

However there may need to be a caveat where any legal or statutory responsibilities were to be decided upon as opposed to matters of direction or policy. This would require further examination. The representative body would have to develop the mechanics and ways of working that would ensure that both directors would be fully accountable to the representative body. The same body would have a responsibility of appointing and removing the board of directors.

In this context we consider that the representative body should have a much stronger powers than described in the consultation document and that the board of directors would be truly accountable to the representative body. Additionally it would be envisaged that some of the independent non executive directors would come from the representative body and be appointed by them. The remaining non executive directors would be independent of the representative body but challenged with supporting, developing and encouraging the ethos of the organisation as designated by the members and the representative body. Clearly their activity would have to be consistent with the objectives of the organisations.

Question 5. Who do you think should sit on the representative body? Do you agree that there should not be an overall majority of members representing either consumer or producer interests?

The representative body should be made up from interested parties and relevant stakeholders, including those TUC affiliated trade unions that represent workers in the Post Office. Post Office management may also likely to have a role to play in the representative body but that would inevitably have to be in an advisory capacity without voting rights.

Small business interest will also have to be represented as will community groups and credit unions and other bodies who have a frequent interaction with and need for Post Office services, facilities and access.

Government should also be represented as a stakeholder but may prefer to operate that interest in a “sleeping partner” approach.

Unite agrees that no one organisation, including management, should have a majority and indeed that the main approach to decision should be by consensus with voting only happening when an outcome is required on a legal, or similar, position or decision is required. .

Question 6. Do you think a mutual Post Office should have the ability to make distributions to members, provided that the public benefit can be protected and financed through its constitution?

Yes, the constitution of the mutual would have to have provision in it for distributing benefits be it financial or otherwise, with appropriate caveats to ensure that this is done when financially possible to so do. This would enable provision for consumer and employee membership, albeit that the method and calculation of benefit may have to be calculated differently. For example the consumer “dividend” could be calculated based on spend and/or number of transactions. Whereas the employee benefit would be based on defined targets, financial and performance, as well as operational success.

Unite considers that it would at the appropriate time, be necessary to recognise the contribution of members of the mutual be it either as employees or consumer members. This could include the distribution of an element of financial success, as set out above, but also through the generation of investment in local activities or benefits. An infrastructure would be required to ensure that this happens but equally such an infrastructure is necessary to engage with and to respond to the needs of communities. Local ownership, support and involvement will be key to making the Post Office Network relevant to the communities which it serves on an ongoing basis and any mutual must participate in that local relationship through supporting and contributing to the needs of the communities in which it operates.

7. Do you have any comments on the considerations outlined? Are there any other considerations you think Government should pay particular attention to, in the event of a transfer of Post Office Ltd to mutual ownership?

The main challenge that is facing the Government and the Post Office is how to make the business viable and to secure its future. In many respects the mutualisation debate, together perhaps with the separation and privatisation issues, is an unnecessary distraction from the primary objective of securing the Post Office network.

The major focus of attention for government should be on making the network cover its costs through more products and services, including financial services, but that these should be provided through a Post Bank, which would be part of the National Investment Bank that Unite is calling for. Unite wants an independently managed

National Pension Scheme to be established, supported by a National Investment Bank. The bank could be formed from the publicly owned Royal Bank of Scotland, Lloyds Banking Group and the Post Office operations. Unite also considers that this could be consistent with The Postal Services Act 2011, section 4 (5) whereby the act ensures that the Post Office can only be disposed of to another mutual or a company wholly owned by the Crown. We consider that such an entity should be established and that that entity should form the National Investment Bank.

In July 2010 a You Gov Poll for the Post Bank Coalition established, in the context of a bank being established at the Post Office but equally relevant as a barometer of support for the post office network that;

- 78 per cent of people agree that there is a need for a new model of bank run in the public interest and not solely for profit (only 4 per cent disagree)
- 72 per cent agree that all of the profits from post office banking should stay within the business and be used to sustain the network (only 6 per cent disagree)
- 63 per cent said they would be likely to use a publicly owned Post Bank run in the public interest (only 20 per cent said they were unlikely to do so)
- Only 13 per cent agree with the statement that high street banks currently meet the needs of local businesses and communities

In summary therefore Unite considers that the decision to mutualise the Post Office is flawed and an argument of which we are not convinced. Unite supports the principle of mutual organisations and acknowledges their relevance and indeed their need in society. However as it currently stands we are not convinced of the benefits that would be achieved through mutualisation of the Post Office at this time.

8. In the light of this document, do you consider that mutualisation should be the preferred future ownership model for Post Office Ltd, as opposed to continued Government ownership (A)? What do you see as the advantages and disadvantages of mutualisation for the post office network and its users?

Unite supports the principle of mutualisation but not in the context of the Post Office on its own.

The Post Office should remain in the public sector with adequate and relevant support from government to achieve a break even position.

With the current network not being sustainable on its own and still requiring support through a subsidy of around £150m per year, there is a need to ensure that the business does not get distracted from the ambition of having a break even network, subject to an ongoing subsidy required by the small number of locally important offices that are unlikely ever to become cost neutral, and to work hard through co-operation with unions and other parties to ensure that the break even objective is met. Indeed, Unite is concerned currently that the level of activity being devoted to separation from Royal Mail, in anticipation of state aid clearance by the EU, is already absorbing a huge amount of time and energy. Potentially, the focus of attention on separation could lead to a failure of the break even ambition and result in less of a viable proposition than it is currently.

Summary

In conclusion therefore Unite has sought to set out its position. We remain opposed to the privatisation of Royal Mail, to the separation of the Post Office and therefore to the mutualisation of the Post Office. Nevertheless we have sought to provide an input to the questions set out by government in as best a way that we can notwithstanding our overall opposition to the basic principle under consideration.

For the sake of completeness we simply state here that in respect of the pensions solution being proposed by Government, and not part of this consultation, we are in support of that. The transfer of responsibility for the pensions deficit, and the consequential move of current assets to government, will enable Royal Mail to focus on its own challenges without the added encumbrance of the pensions payments. We are also content with the transfer of regulatory responsibility to Ofcom.

For further information, please contact:

Brian Scott: Assistant National Secretary responsible for Royal Mail

Brian.Scott@unitetheunion.org

Tel: 01189 070713