



# **COMPARATIVE ANALYSIS: EXPERIENCES IN DEALING WITH POST OFFICE CLOSURES**

**Research and Library Service**

In May 2007, the UK Government announced the compulsory compensated closure of up to 2,500 Post Office branches. This research paper outlines the experiences of other post office networks in dealing with the threat of branch closures. It also compares the characteristics of international post office networks and outlines a number of general recommendations for implementing closures.

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## 1. Introduction

In May 2007, the UK Government announced the compulsory compensated closure of up to 2,500 Post Office branches. Currently at consultation stage, this proposal implies the closure of nearly 100 post offices across Northern Ireland<sup>1</sup>. This research paper outlines the specific experiences of the Republic of Ireland and Essex City Council in dealing with the threat of post office closures. It also details comparative characteristics of international post office networks. Finally, a number of general recommendations for dealing with the implementation of closures are presented.

## 2. Background

Following a national public consultation, the Government has proposed a range of measures intended to modernise and reshape the network of Post Office branches ("the Network"). The Network Change Programme will involve the compulsory compensated closure of up to 2,500 Post Office branches, with the introduction of about 500 service points known as "Outreaches"<sup>2</sup>.

In determining the Area Plan Proposal for Northern Ireland, Post Office Ltd analysed various factors including: proximity of branches proposed for closure to other branches, branch usage, size and ability of nearby branches to absorb extra customers, commercial implications, local demographics, and the impact on local economies. Accessibility issues were also considered<sup>3</sup>. The Area Plan Proposal is subject to local public consultation; this was launched on 1 April 2008 and will run for a six week period until 12 May 2008.

## 3. The Irish Experience:

### 3.1 The Revival of 'An Post'

Having been on the brink of financial disaster, the Irish post office network, An Post, engineered a considerable reversal of its performance. Between 2001 and 2003, it accumulated losses of £67 million<sup>4</sup>, and by the end of 2003 it was selling assets and had resorted to an overdraft to fund trading.

However, the latest figures, for 2006, showed an after tax profit of EUR 75.7 million (although part of this was attributable to exceptional profit on the sale of a site – the figure excluding this gain was EUR 14.7 million). It is anticipated that the figures for 2007 will reflect further profit growth<sup>5</sup>.

The financial turnaround was largely derived from an increased focus on reducing overheads and boosting revenue. To tackle the company's high cost base greater

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<sup>1</sup> *The Post Office Backlash Begins*, The Belfast Telegraph, 1 April 2008

<sup>2</sup> An example of an Outreach service is a subpostmaster travelling from village to village.

<sup>3</sup> Obstacles such as rivers, mountains, motorways, sea crossings, availability of public transport, etc. *Network Change Programme: Area Plan for Northern Ireland*, Post Office Limited

<sup>4</sup> Almost £43 million was attributable to the 2003 alone.

*An Post gets stamp of approval and delivers profit*, Irish Independent, 24 January 2008

<sup>5</sup> *Posting a healthy profit*, Sunday Business Post, 3 February 2008

automation was introduced, non-core businesses were sold (including the loss making SDS delivery business), and work practices were revised<sup>6</sup>.

Having addressed internal cost issues, An Post was granted four price increases in the last five years by the regulator Comreg. New revenue streams were also created; a joint venture with Belgian-Dutch bank Fortis has enabled An Post to secure 10,000 savings accounts, and preparations are being put in place to launch a current account. The company also recently secured a contract with eBay to deliver all eBay purchases in Ireland<sup>7</sup>.

### 3.2 The Current Extent / Threat of Closures

A total of 344 post offices closed in the Republic of Ireland between 2001 and 2008<sup>8</sup>. In January 2008, the St Vincent de Paul agency expressed concerns over the number of closures, and argued that the economic assessment of the case for post offices in Ireland failed to take account of the 'vital part' they occupied in the social infrastructure of the local community. Mairead Bushnell, the national president of the charity St Vincent de Paul, stated<sup>9</sup>:

*"The service goes well beyond the provision of postal services and helps to sustain a number of key social supports and services for many vulnerable people...the value of (this) human contact in the lives of many people far outweighs the cost measured on a balance sheet."*

Where closures are enforced, St Vincent de Paul has called for the introduction of the following counteractive measures:

- The provision of a regular transport service to an accessible town or village post office, and personal access to telephone and alarms for all older people.
- Affected areas should be serviced by an out-of-hours medical service, and postmen and women be trained to spot signs of social isolation and need.

An Post maintains that the majority of the closures were attributable to operators choosing to retire. However, a recent development has once again threatened the existence of the local post office in Ireland. An EU court ruling has required the social welfare contract (worth in excess of EUR 50 million annually to An Post) to go out to tender next year. Should An Post not secure the contract, the economic sustainability of many post offices might be seriously compromised<sup>10</sup>.

## 4. The Essex County Council Rescue Scheme

Essex County Council developed a scheme to rescue some of their (32) post office branches earmarked for closure. Lord Hanningfield, the leader of Essex County Council, proposed that local authorities (or community groups) be permitted to step in and fund some continuing provision where post office branches are scheduled for closure and no Outreach service is being provided<sup>11</sup>.

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<sup>6</sup> These were the latest figures as at February 2008

*Posting a healthy profit*, Sunday Business Post, 3 February 2008

<sup>7</sup> *Posting a healthy profit*, Sunday Business Post, 3 February 2008

<sup>8</sup> Figure as at January 2008

"V de P says post office closures leading to isolation", *The Irish Times*, 18 January 2008

<sup>9</sup> "V de P says post office closures leading to isolation", *The Irish Times*, 18 January 2008

<sup>10</sup> *Post office system has a future as a public service*, *The Irish Times*, 2 March 2007

<sup>11</sup> *Ministers back rescue plan to cut number of post office closures*, *The Guardian*, 20 March 2008

This intervention was welcomed by the local councils who had been proposing the same measure. It emerged that up to 50 councils were willing to participate, including Leeds, West Sussex, Northamptonshire, Darlington, Durham, Norwich and Lancashire<sup>12</sup>. Pat McFadden, the Post Office Minister supported the proposal, agreeing that branch closures would be delayed to assist councils in taking over post offices, provided that it did not add to the (£150 million) government subsidy of the network<sup>13</sup>.

Essex City Council's plan to generate a profit from existing post offices is based upon the potential to undertake the provision of additional services, examples of which include:

- Combining postal services with council services;
- Local / national government using post offices as centres of information;
- In some European countries, postal workers collect parcels, as well as deliver them;
- In France, Germany, Denmark and Sweden, postmen offer other services, including taking cash to people's doors<sup>14</sup>.

For Northern Ireland, the model used by Essex County Council might be a feasible consideration, however since this is not a devolved matter it is an issue for Westminster and Post Office Limited<sup>15</sup>.

## 5. Post Office Networks Abroad

PostComm produced a report in December 2007 on post office networks abroad, which considered 24 countries including the UK (refer annex 2 for list of countries included). Some of the key findings of this report are highlighted below<sup>16</sup>.

### 5.1 Network Strategy and number of post offices

The majority of post office networks are a mixture of company owned and franchise / agency arrangements. Where franchising is used, it is often intended to reduce operating costs. Ireland, New Zealand, Portugal, Sweden and the UK have had franchise arrangements for some years; Australia and the Czech Republic have introduced them more recently.

One of the ways in which post offices have modernised and improved economic viability is the introduction of special business services. Belgium and France, for example, have post offices with dedicated areas for business customers. In the Netherlands, a network of Business Points has been developed to serve the needs of

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<sup>12</sup> *Post offices could be run by county councils*, The Guardian, 12 March 2008

<sup>13</sup> The £150 million subsidy is guaranteed until 2011. The Government will not allow the councils to dip into this, since if they did so even more post offices would have to shut. The Post Office has some flexibility to delay branch closures on the basis that subpostmasters are being offered 28 months' compensation in return for agreeing to shut down.

*Post offices could be run by county councils*, The Guardian, 12 March 2008

<sup>14</sup> *Concentrate on customer services, not post office numbers*, The Postal Services Commission, Sept 2001

<sup>15</sup> *Post Office Closures*, Private Notice Questions, NI Assembly, Monday 7 April 2008

<sup>16</sup> *Post Office Networks Abroad*, Post Comm, December 2007

small and medium sized businesses. Norway and Sweden offer similar services via business centres.

## 5.2 Ownership and Profitability

Most national post office networks considered in the PostComm report are public limited companies, with the government being the only shareholder. An alternative ownership structure exists in Austria, Belgium, Denmark and Germany; shareholders comprise both government and other organisations and there are two private companies. In Belgium, one of the shareholders of the post office network is the Danish national postal operator Post Danmark. Japan Post started a privatisation process in October 2007 by forming a government-owned holding company. The Dutch Government also sold its last shares in TNT Post in 2006.

In terms of profitability, most networks are generating a profit, including those in Australia, Denmark and Switzerland. Non-profit making regions include (the UK), Canada, Finland and Portugal.

## 5.3 Financial Services

There has been a significant development in the provision of banking and other financial services in post offices. In some countries, the government use networks to provide universal access to cash through basic bank accounts. Another common feature is the provision of bill payment services. These are offered in all networks considered by PostComm, with the exception of Finland.

Post offices either have their own branded banks or operate in partnership with one or more banks / financial institutions. Examples of post office – bank partnerships include:

- Belgian Post (De Post-La Poste) and Fortis Bank
- Czech Post (Ceska Posta) and Ceskoslovensk obchodni banka a.s. Postal Savings Bank, Home Credit, Ceska pojistovna and Western Union
- An Post (Ireland) and Fortis Bank
- Norway Post (Posten) and DnB Nor/Postbanken
- Slovenia Post (Posta Slovenije) and Nova Kreditna banka Maribor d.d.
- Correos (Spain) and Deutsche Bank (owned by Germany's Deutsche Post)

In France, La Banque Postale provides a basic bank account; post office staff includes financial advisors and property and asset advisors. In Germany, Deutsche Postbank AG provides financial services through post offices and employ financial advisors; financial services account for 39% of business. Japan and New Zealand operate similar banking services through post offices.

## 5.4 Government Services

Many countries' postal networks have suffered as a result of social benefits being paid directly into bank accounts. As outlined above, An Post still has a contract with the Irish government to distribute social welfare payments<sup>17</sup>. Other examples of existing opportunities in the provision of government services include:

- Passport applications (Australia, UK, USA)

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<sup>17</sup> Although, as explained above, this has been threatened by a recent EU ruling.

- Fishing licenses (Belgium, Finland, UK)
- Hunting licenses (Canada)
- Postal voting (Finland)
- Social benefit payments—including pensions (Hungary, Ireland, Italy, Japan, UK)
- Vehicle licensing (the Netherlands, New Zealand, UK)
- Payment services for local government (Japan, New Zealand)
- TV licensing (Poland)
- Proof of identity checks (Australia)
- Photocopy authentication service (Portugal)

### 5.5 Other Services

Other non-postal services are available through many countries' post offices. All offer stamps for collectors (in store / online), communication products and stationery. Some of the more unusual services offered include:

- In France "Help at Home" services are offered; on purchase of the "genius" card (EUR 9.50) government registered providers can be contacted regarding:
  - Housekeeping
  - Gardening
  - Babysitting
  - Support for the elderly
- In Japan, post office staff check on living conditions of elderly people and there is an ordering service for daily necessities

## 6. Implementing Closures

The Commission for Rural Communities (CRC) provided advice to the Business, Enterprise & Regulatory Reform Committee into the post office closure programme. The Commission made the following recommendations<sup>18</sup>:

1. *There is a need to apply the access criteria sensitively. Whilst the distance criteria provide a useful starting point in helping to determine post office locations, the wide range of other issues (both social and economic) that are of significant to post office closures should be given adequate coverage*
2. *Patterns of usage following any post office closures should be monitored once the revised network has become established to ensure that queuing times are acceptable.*
3. *There should be a presumption against the closure of a post office which has an attached shop where this is the last remaining outlet in a community.*
4. *Post office closure proposals must take account of the business needs of home based workers and self employed people in rural areas*
5. *The CRC urges the Post Office to allow sufficient time for outreach solution in rural areas to be identified and to use the...consultation period as the commencement of this process, rather than expect the solutions to be finalised within this period.*

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<sup>18</sup> Submission by the Commission for Rural Communities, *Inquiry by the Business, Enterprise & Regulatory Reform Committee into the Post Office Closure Programme*

## **Annexes**

### **Annex 1**

The Government has prescribed the following closure criteria:

- 99% of the UK population to be within 3 miles and 90% of the population to be within 1 mile of their nearest Post Office branch;
- 99% of the total population in deprived urban areas across the UK to be within 1 mile of their nearest Post Office branch;
- 95% of the total urban population across the UK to be within 1 mile of their nearest Post Office branch;
- 95% of the total rural population across the UK to be within 3 miles of their nearest Post Office branch.

Additionally, for each individual postcode district:

- 95% of the population of the postcode district to be within 6 miles of their nearest Post Office branch.

### **Annex 2**

1. Australia
2. Austria
3. Belgium
4. Canada
5. Czech Republic
6. Denmark
7. Finland
8. France
9. Germany
10. Hungary
11. Republic of Ireland
12. Italy
13. Japan
14. Netherlands
15. New Zealand
16. Norway
17. Poland
18. Portugal
19. Slovenia
20. Spain
21. Sweden
22. Switzerland
23. United Kingdom
24. USA