

## **Building a viable Post Office Network - Postmasternetwork response to Postcomm on whether business from operators other than Royal Mail would help to create a more viable future for sub postmasters.**

### **1. Postmasternetwork**

Postmasternetwork is a commercial organisation focussed on providing its membership base of 8,300 sub postmasters' retail opportunities that will improve their profit margins and help create a viable network of Post Offices in the UK. These Post Offices need to diversify into other areas and be able to offer their large customer base the products and services that is of interest to these customers and importantly, profitable for the sub postmaster.

### **2. Opening up the mail market**

Postcomm's activity over the time of its establishment has been above all to focus on the opening up of the mail market and the creation of greater competition for the incumbent, Royal Mail. This had led to the entry of other players into what were previously the monopoly preserve of Royal Mail and the creation of downstream access agreements.

At this early stage of market development, it is bulk mail which had been most affected and by definition customers have tended to be those at the larger end of the market.

In parallel with this work Postcomm has also been advising the Secretary of State for Industry on the network of Post Offices and especially ways in which they can be made viable.

Thus far those two pieces of work have been kept separate.

**Postmasternetwork believes that there could be real benefit to the network of Post Offices if more emphasis were to be placed on the use of them by new mail market entrants.**

### **3. New business for Post Offices**

Postcomm in its recent (October 2004) Report on Building a Viable Network, said that "subpostmaster's income and the inflexibility of their contract with Post Office Ltd remains a cause for concern". This is precisely the view of Postmasternetwork and why it, with others, has recently presented a complaint to the OFT about contractual restrictions.

At the same time as opening up Royal Mail to competition, it is essential that access to post offices is also created. Under the terms of the existing contract this is not possible; hence the need for the removal of the competition restrictions in the subpostmasters contract.

Postmasternetwork will then be able to work on behalf of subpostmasters in developing the commercial arrangements to suit new (and existing) mail market entrants. In this way it would be possible to create a new income stream for sub postmasters.

We believe there are a number of areas to be explored:

- The use of Post Offices for the collection of mail order returns which could then be collected by the transport networks of the mail order companies
- The aggregation of mail from SMEs as new mails entrants consider medium size contracts as their penetration of the market increases
- Collection points for third party mail to enter the Royal Mail system as most sub post offices are already on the Royal Mail collection runs and so this could be done by Royal Mail at marginal cost.

### **Conclusion**

This brief note sets out the position of Postmasternetwork which fully supports the opening up of the mails market in the way Postcomm intend. It believes that there are opportunities for subpostmasters to be derived from this but that Postcomm will need to press Post Office Ltd to give subpostmasters freedom to work in this area unrestricted by the existing contractual obligations.