

Statement by the Rt Hon Alistair Darling, Secretary of State for Trade and Industry

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

I am today publishing the Government's proposals in a consultation document, copies will be available in the Vote Office in the usual way.

First let me set out the background to the proposals we make.

There are 14,300 post offices in the UK. 480 are Crown Post Offices owned by the Post Office. 13,820 post offices are operated by postmasters and mistresses – they are private businesses.

Historically branches have been located where the sub-postmaster has chosen to set up business, rather than as a result of a strategic decision by the Post Office.

The result is that in some places many branches are competing for the same customers. That's why the post office will take a more active role in ensuring that the right post office in the right place – something the National Federation of Sub-postmasters supports.

But the big problem is that people are simply not using post offices as they once did.

Some 4 million fewer people are using post offices each week compared to just 2 years ago.

The market in which the post office network operates has changed beyond recognition over the last 10 to 15 years. Traditionally, the post office was the place where people went to post a letter, to pay their utility bills and to collect their benefits.

Many still do. But increasingly people choose to send an e-mail or text; they pay bills by direct debit or Internet banking; they pay for their tax disc on line and have pensions or benefits paid into their bank accounts.

Of the 11 million pensioners in this country, 8½ million have their pensions paid into a bank account. In fact, most people making a new state pension claim chose to do so in this way.

Inevitably, that has taken its toll on the post office. Last year the post office lost £2 million a week. This year the figure is £4 million.

It's not surprising that both the National Federation of Sub-postmasters and the Trade and Industry Select Committee have recognised that the present situation is, to use their word, "unsustainable".

So change is needed. Of the 14,300 businesses, around 4,000 are commercially viable – many never can be – nor should we, realistically, expect them to be.

Mr Speaker, the Post Office has a vital social and economic role. That is why we will continue to support a national network of post offices – and we are able to back them with the money they need.

The Government has invested more than £2 billion since 1999 to support the network. That has included £500 million for the Horizon Programme providing computerised banking to all post office branches.

And I can tell the House that the government will provide up to £1.7 billion until 2011 to support the Post Office – to support the network and to pay for restructuring to provide a firm basis for the future.

The annual subsidy will remain in place.

Mr Speaker, let me now turn to my proposals.

We propose to introduce new access criteria for the postal services to ensure a national network. The access criteria will include provisions to protect customers in deprived urban areas and remoter rural areas. Details, covering rural and urban areas are set out in the consultation document,

I can tell the House that nationally, 99% of the population will be within 3 miles of a post office.

This will mean restructuring of the network of Crown and other post offices. The Post Office will consult widely before taking decision on its proposals.

The Post Office will also provide services in different and more imaginative ways to better serve their customers' needs.

The way in which postal services are provided will also change. Government support will enable the post office to open at least 500 new Outreach locations to provide access to services for smaller and more remote communities using mobile post offices and post offices within other locations such as in shops, village halls, community centres, or in travelling mobile vans. In some cases they will be able to deliver services directly to people's homes.

The Post Office is also determined to provide more new services for its customers. Particularly financial services - it is for example the market leader now in foreign exchange provision.

We expect as a result of these changes about 2,500 post office branches will close. However, the remaining network of around 12,000 will still have more branches than the entire UK banking network.

After discussion with the National Federation of Sub-postmasters', the Government has decided to provide compensation to those leaving the Post Office based on a 28-month remuneration package.

Mr Speaker, the Government wants to devolve greater responsibility for local decisions. And to provide greater flexibility for local funding decisions.

We will, therefore, look at what role both Local Authorities in England and the Devolved Administrations in Scotland, Wales and Northern Ireland might play in influencing how the postal services are best delivered in the future.

Mr Speaker, the Government intends to consult on these proposals, the consultation ending in March. It is intended that the restructuring proposals will be implemented over an 18-month period starting in the summer of next year.

The Post Office will ensure it puts in place procedures to consult on restructuring proposals as widely as possible, providing people, including Rt Honourable and Honourable members, with an opportunity to make representations and suggestions in relation to outreach provision for example.

Mr Speaker, the Government introduced the Post Office Card Account in 2003 to enable people to get their pensions and other benefits in cash at the Post Office.

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.

The current Post Office Card Account contract ends in March 2010. I can tell the House that the Government has decided that it will continue with a new account after 2010. It will be available nationally and customers will be eligible for the account on the same basis as they are now.

Mr Speaker, the EU procurement rules leave us with no option but to tender competitively for this product, and we must ensure that best value for money for the taxpayer is achieved, but the Post Office is well placed to put in a strong bid given the size of the network and the access criteria that we are now introducing.

In addition, cash will be available at the Post Office through some 4,000 free-to-use ATMs which are being introduced across the network as well as a range of interest accounts. These will be attractive to the general public as well as those POca users who choose to build up balances on their Card Account.

The proposals we make today will put the Post Office network on a stable footing and ensure that there is a national network across the country.

I commend this statement to the House.

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