

Postmaster Business Update | 23 August 2022 | Nick

Introduction – Improving branch profitability

1. Thank you, Martin.
2. Good evening and thank you for joining us.
3. As Martin said, there are two reasons for this business update – preparing for the Royal Mail strikes which Katie will come onto shortly - and what we are doing to improve branch profitability, which I will cover now.
4. Over the last few months, we have been working hard on a package of costed measures to boost Postmaster remuneration.
5. I initiated that work in line with the commitment I gave to you at our Conference in May to make improving branch profitability the number one priority for the business this financial year.
6. We have already made some improvements, including:
 - With the second Mails Distribution Agreement, volume-based payments such as home shopping returns have increased by 5.4%;
 - Royal Mail price increases are flowing to you on 80% of our volumes;
 - And passport rates have increased to £5 for simple transactions and £7 for others.
7. But let's be blunt. Even in the course of the last three months, the economic climate has worsened dramatically.

8. Everyone is facing very real challenges in this trading environment.
9. No sector is immune.
10. Inflation, business rates, rises in the national minimum wage and national insurance are all contributing to a cost spike that is unprecedented - and most of these costs are outside our immediate control.
11. It is as difficult as I can remember in my retail career.
12. In addition, we expect that Ofgem will announce this Friday that the price cap on consumer energy bills will rise to exceed £3,500 from October.
13. And the largest industrial action of the summer yet by Royal Mail staff beginning on Friday – the first strike by them since 2009 and the first since Post Office separated from them – adds to the challenges we face.
14. Post Office recognised that we needed to respond quickly with our own immediate interventions as part of a short, medium and long-term strategy to improve branch profitability.
15. So what are we announcing today? We have developed a package of remuneration improvements and some operational changes based on issues that you have asked us to address.
16. We have listened carefully.
17. You have told Martin and me directly when we make branch visits - and through regular feedback from your conversations with Area Managers – that we should focus on transactions that matter to

you most and get more money to you as quickly as possible.

Improving Postmaster Remuneration

18. Let me set out the package of measures to improve your remuneration.

19. In Cash & Banking:

- We will double the per transaction payment for banking deposits *[pause]*;
- We will pay you a fee for each £100 of any cash withdrawal of £500 or more *[pause]*;
- And we will pay you for balance enquiries and failed transactions *[pause]*.
- All of these improvements will be effective from the start of September trading.

20. In Mails:

- We will Introduce an acceptance payment for Click & Drop letters, passing on the full amount of the payment we receive from Royal Mail directly to you.
- Again this will be effective from September trading.

21. And for Payout:

- We will double the payment you receive for all *Payout* transactions for the rest of this financial year.

- This will be back-dated to 1 April 2022, so you receive a full year's worth of this 100% uplift

22. All of these improvements to transaction payments – including introducing new payments as well as increasing other existing payments - are in direct response to your requests.

23. We are consulting with the NFSP about all of these improvements.

24. We also want to do more.

25. We know it feels particularly tough right now and many of you need help quickly.

26. We want to get more money to you as soon as possible as we face into the difficult autumn ahead.

27. Therefore, to provide you with immediate support in the midst of this cost of living crisis, we will also;

- Pay you a one-off lump sum worth 7% of your Mails and Travel Money remuneration based on the five months of trading already this financial year.
- You will receive this lump sum in your September remuneration.

More to do

28. We live in difficult times.

29. Soaring energy and fuel prices, runaway rates of inflation, rises in national insurance and the national minimum wage all combine to create something of a perfect storm from a trading perspective.

30. So I will not pretend that these improvements, significant as they are, offer a complete solution to your individual experiences of the worst cost of living crisis this country has seen for well over 40 years.

31. I hope you will agree that they are an important step in the right direction.

32. We will continue to search for opportunities to improve things further in the weeks and months ahead.

33. As I said back in May, we are all facing a real squeeze in our finances.

34. That is also true of Government which felt unable, at the time, to meet our full request for investment in the last Comprehensive Spending Review.

35. Given the multitude of pressures on the public finances, I have some sympathy with them in the circumstances.

36. It isn't easy to find the funding for everything, and tough choices have to be made.

37. We can expect the new Prime Minister to initiate an emergency budget and possibly a mini spending review.

38. And in my regular dialogue with Ministers and senior officials, I will continue to argue that Post Office should matter even more to the Government.

39. Why ? Because as a Government owned business - tasked with delivering essential services on their behalf, it is legitimate for us to expect them to make different choices.

40. I will be pressing whomever is the next Secretary of State for Business that they should reconsider the decisions they took earlier this year about our spending settlement.

41. There are signals coming from senior Ministers involved in the Conservative leadership campaigns that they will do more across the board to help with the cost of living.

42. This includes the current Business Secretary, Kwasi Kwarteng, saying at the weekend that - “help is coming”.

Conclusion

43. Let me finish by saying this.

44. When I arrived a little under three years ago, I found a business in need of significant and urgent repair.

45. From needing to make redress for the failings of the past, to securing much needed investment.

46. In particular to improve our systems and processes to support you, our most important asset, as well as to open up new commercial priorities.

47. Much has needed overhauling and redesigning if we are to succeed together in the short, medium and longer term.

48. More important than even those things, however, has been the overriding need to recast our very culture as a business, with service

to you, our Postmasters, our shared customers, and the communities they live in at its centre.

49. I accept we don't get everything right first time, and that honest mistakes can happen, but be in no doubt that the direction of travel is set, and set for good.

50. Despite the headwinds we are facing, I intend to continue, relentlessly, to usher in a new culture of genuine partnership with you, with some form of shared monetary incentive underpinning it.

51. As I first said in April 2021, it is my strongly held belief that some dividend mechanism can, and should be found, so that there is structural alignment between your interests and the interests of the Post Office.

52. I fully recognise that the success of many of our online products – most especially Insurance and Travel – has much to do with the brand that you have helped build. You should share in this success.

53. This is a strategic objective, and we will continue to work towards it this year and beyond, not least as we press the case for a full Government review of its policy for the Post Office.

54. We have already demonstrated that, working together, we can weather difficult storms, as we did with real distinction in the various Covid lockdowns.

55. You will recall that, in the midst of that crisis, Post Office not only provided you with PPE and other operational support – but also remuneration guarantees and access to hardship funds.

56. This gave you confidence to continue to serve your communities when they needed it most.

57. And, alongside the remarkable commitment and resilience you all demonstrated, it worked.

58. So I say, not on the basis of wishful thinking, but on the basis of that hard evidence that, we can do so again now.

59. This is a significant package of remuneration improvements.

60. It marks further progress to improve your branch profitability.

61. And the operational changes that Martin outlined, including regular provision of Plastic Bank Note Envelopes or paper bands, are further examples of responding to issues that matter to you on a daily basis.

62. At the same time we are pressing the Government to step up and offer further help to you – many of you running small businesses – to address your wider concerns during this cost of living crisis.

63. I will say more when we meet at our regular half year Conference on Thursday 3 November.

64. As ever, do let your Area Manger know – or Martin, what further improvements we could make.

65. Now let me ask Katie Secretan, the interim Retail Operations Director to set out the contingency plans for the Royal Mail industrial action.