

## Opposition Day Debate on the future of the Sub-Post Office network

### Sub Post-Offices

**Mr. Deputy Speaker (Sir Michael Lord):** We now come to the debate on the future of the sub-post office network. I must tell the House that Mr. Speaker has selected the amendment in the name of the Prime Minister.

4.17 pm

**Alan Duncan (Rutland and Melton) (Con):** I beg to move,

That this House recognises the contribution that sub-post offices make in communities across the country; pays tribute to sub-postmasters and postmistresses for the service they provide; believes that sub-post offices have a key role to play in delivering new services in those communities for local councils, businesses and consumers; condemns the Government's short-sighted plan to close 2,500 sub-post offices; and urges the Government to allow sub-post offices greater freedom to develop their businesses.

The motion reflects the concerns of millions of people about the decimation of the post office network. The statement that the Secretary of State made to the House in December was insufficient to put at rest the minds of thousands of sub-postmasters and millions of people who rely on their local post office. When he came to the House last month to unveil his post offices plan, he claimed that his proposals would

“put the post office network on a stable footing and ensure that there is a national network across the country.”—[ *Official Report*, 14 December 2006; Vol. 454, c. 1028.]

The measures in that statement are quite unclear about the way in which the Government will achieve that, and that is precisely why we have called for this debate.

The consultation document that the Secretary of State published last month outlines policies to close nearly a fifth of the remaining network; to compensate sub-postmasters who are pushed out; and to introduce new access criteria for the network. The statement was disappointing and wrong, and it will cause fear and anxiety among many people, particularly the most vulnerable, in every part of the country. Despite the fact that the Government have closed a quarter of the post offices in this country, their rhetoric about the importance of post offices has always been optimistic. The previous Secretary of State, the right hon. Member for Kingston upon Hull, West and Hessle (Alan Johnson). recognised that

“post offices are an essential part of the country's social fabric.”—[ *Official Report*, 19 January 2006; Vol. 441, c. 937.]

A previous postal services Minister, the hon. Member for Brent, North (Barry Gardiner), said:

“The Government want to see a post office network that can prosper”.—[*Official Report, Westminster Hall*, 11 January 2006; Vol. 441, c. 128WH.]

Oh yeah?

More recently, Ministers have changed their tune, and they now argue that there are too many post offices. Hence their proposals, announced last month, to close a further 2,500. With over 4,000 post offices already closed and another 2,500 due to go in the next two years, the Government have earned themselves the record, by a large margin, for closing post offices faster than any other Government in history.

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**Bob Spink (Castle Point) (Con):** I am grateful to my hon. Friend, who is making excellent progress. Does he accept that European Union rules, in particular article 88 of the treaty of Amsterdam, mean that the British Government can no longer pay the £150 million social network payment which has kept small post offices open? That is a major problem. In view of that, does my hon. Friend think it is time to re-address our EU membership?

**Hon. Members:** Answer!

**Alan Duncan:** I am pleased to say that I had my deaf ear towards my hon. Friend, but I will come to the essence of his point.

The Government have pointed out that post offices closed under the last Conservative Government too, but let no one be in any doubt that under this Labour Government, post offices have closed at almost three times the rate they did when we were in government. I shall give the House the figures. From 1985 to 1997 post offices closed at the rate of 201 per year, but under the present Government the rate of closure has been over 580 a year. Such massive cuts in the network have deprived thousands of vulnerable people of their vital services. Once again, the Government are ignoring the concerns of millions of people. What assurance can the Secretary of State give the House that the cuts will not be more than the 2,500 that he has already announced?

**Philip Davies (Shipley) (Con):** As my hon. Friend knows, the permanent post office in Bingley in my constituency has closed and we have only a temporary facility there. Does he agree that a town the size of Bingley should have a permanent post office, and that the Royal Mail and the Government should do everything possible to make sure that a permanent post office facility is maintained in Bingley?

**Alan Duncan:** That is a perfect example of the problem in the network. One would have thought that a town as important as Bingley, represented by my hon. Friend, would merit a post office, but the present system means that it will close, and even his hardworking efforts on behalf of his constituents will come up against the buffers.

Perhaps the Secretary of State can explain how large a town must be before it can justify a post office.

**Colin Challen (Morley and Rothwell) (Lab):** I notice that the hon. Gentleman's motion calls for greater freedom for the Post Office to develop. Does that freedom include the return of business which has been lost to the Post Office, such as the payment of benefits and payment of the TV licence, and would a Conservative Government subsidise those payments if that was the way forward?

**Alan Duncan:** Nice try. I shall come to that in a moment. We are arguing for greater commercial freedom, which I shall define, if the hon. Gentleman will let me proceed.

I do not believe that Labour Ministers necessarily dislike the Post Office or that they have deliberately set out to cut a swathe through the network. *[Interruption.]* That view does not appear to be shared by those on the Conservative Benches behind me.

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I am ever generous to my opposite number, but despite the Secretary of State's good intentions, Ministers have repeatedly failed to deliver on the words that they have uttered over the past decade. They have gone for easy headlines, but their actions have not matched their words. The problem has been and remains that the Government do not have a long-term strategy for the post office network. They say they want to support it, but in practice they have removed business from it and have failed to make the reforms necessary to underpin the network that exists at present.

**Mr. John Gummer (Suffolk, Coastal) (Con):** The reforms surely ought also to be in the way the Post Office operates. Is it not true that the Post Office is stuck in a model which is way out of line with other retailers, and that one of the problems is that it cannot catch up? The Government have some responsibility for not insisting on a much more up-to-date system.

**Alan Duncan:** My right hon. Friend makes a serious point that is crucially entwined with the issue of the network but also takes us to the question that I shall deal with in a moment—that of ensuring, through its ownership and future investment, that the activities of Royal Mail can marry happily with the post office network.

**Hywel Williams (Caernarfon) (PC):** An important part of the context is that local communities face the closure not only of post offices but Department for Work and Pensions offices and tax offices. That will be a triple whammy that rural communities in Wales and elsewhere can scarcely bear.

**Alan Duncan:** I am sure that you would caution me, Mr. Deputy Speaker, were I to stray on to the operation of other Departments, but there is a serious point about how they operate in conjunction with the post office network. An essential part of our proposals is that the entire apparatus of government, particularly local government, can consider how it can properly use the post office network and channel much of its activity through it so as to give it a chance to remain in place.

To see why the network has been declining under this Government, we need to recognise how they have reduced the amount of Government business that post offices can undertake. The Government have not merely given people the option of, say, having their pensions paid into their bank accounts—they have, as is pretty well documented, used strong-arm tactics to press pensioners who wanted to support their local post office by using the Post Office card account into giving up their accounts. Customers no longer have the option of buying a TV licence at the post office or of having a pension book. The Government even considered removing passport services and abolishing the Post Office card account. Such measures not only massively reduce direct revenue for sub-postmasters but reduce footfall in branches and reduce the amount of non-Government business that branches do.

**Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD):** The hon. Gentleman is rightly identifying the hurdles that the Government put in the way of people who wanted to sign up for the Post Office card account when it was first introduced. One of the biggest

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risks to the Post Office's Government business in future is that when the replacement for the card account is introduced the Government may carry on with the same sort of bullying tactics to try to prevent people from switching to it. Those tactics would have a seriously detrimental effect on post offices, especially in vulnerable areas such as the highlands and islands.

**Alan Duncan:** The hon. Gentleman makes a serious point. The ongoing uncertainty about the size of the network has hindered Post Office Ltd. whenever it has bid for contracts such as the TV licence contract, which it lost. The uncertainty created by the Government hinders its commercial ambition and scope.

When Adam Crozier said that he could fulfil Royal Mail's obligations with just 4,000 post offices, he created huge speculation about the future of the network. The Government needed to put an end to that speculation, but unfortunately the Secretary of State's statement to the House in December failed to achieve that objective.

**Ian Lucas (Wrexham) (Lab):** Why, then, does the hon. Gentleman think that the National Federation of Sub-Postmasters said that that statement

“provided a welcome first step to arrest the decline of the post office network”?

**Alan Duncan:** A first step it may be, but the trouble is that there are many more steps to be taken, and with greater certainty than in December.

Part of the remaining speculation centres around the Post Office card account. That was designed to be a very simple form of account that can only have benefit payments made into it, but it is used by more than 4 million people, and transactions made with it account for 10 per cent of a sub-postmaster's net pay.

For most of 2006, the Government's message was that POCA would be scrapped in 2010. In December, the Secretary of State came to the House and promised some sort of replacement card account, although he gave no assurance that the Department for

Work and Pensions would end the pressure that it has put on vulnerable benefit recipients to give up their card account. Of course, the U-turn in the face of pressure from Conservative Members was welcome. However, the Secretary of State created further uncertainty by announcing that the operation of the successor system would be put out to tender.

If the Post Office's ability to bid for the contract is hampered by speculation and uncertainty, pensioners may pick up their money from Paypoint outlets in a few years, with enormous consequent losses to the Post Office. The stark truth is that the very plan that the Secretary of State announced to enhance the post office network could prove to be the Trojan horse that poses the greatest threat to it.

The Government must recognise that continuing uncertainty is doing great harm to the prospects of a sustainable future for the post office network.

**Peter Luff (Mid-Worcestershire) (Con):** Does my hon. Friend agree that one of the keys to the future prosperity of the sub-post office network is the Post

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Office card account having greater functionality and being more flexible than the current inflexible and inadequate version?

**Alan Duncan:** I agree, and some Labour Members claim that the successor account will do that. I hope that the Secretary of State will give that commitment today.

**Sir Robert Smith (West Aberdeenshire and Kincardine) (LD):** The Government must understand and reinforce the important message that so many people chose the card account because it was a safe way for them to budget. There is no risk of bank charges or accidental overdrafts. It is important that they should not be bullied prematurely into moving into a banking system where those on low incomes are at risk of facing high charges.

**Alan Duncan:** Let me marry all the interventions by converting them into questions for the Secretary of State. Will he tell us today the timetable for tendering for the successor card account? What differences will there be between the current POCA and its successor?

Uncertainty also surrounds the social network subsidy. In answer to parliamentary questions, the Secretary of State was unable to give a future figure for that. However, he said that it was not expected to exceed the current annual sum of £150 million. We can only conclude that the Government are planning to cut the subsidy that they provide to maintain the post office network. That is hardly reassuring to the thousands of sub-postmasters who rely on the money. The Secretary of State squints when I say that, so I look forward to a clear commitment that the figure will remain the same.

It is worth noting that the Government call the payment to the social network a "subsidy". When the Chancellor spends billions on the NHS, he never calls it "spending", it is always described as "investment". However, when the Government want to get away with reducing their support, even though it fulfils an important social purpose, they call it "reducing subsidy".

The ownership of Royal Mail is another uncertain matter. My right hon. Friend the Member for Suffolk, Coastal (Mr. Gummer) referred to that. The Government currently own all the shares. However, Royal Mail's management is still waiting for Ministers to decide on their proposals for employee share ownership. As the postal services market has been liberalised, Royal Mail, as my right hon. Friend again pointed out, has begun to face stiff competition from technologically well equipped rivals. If it is to compete effectively, it must be able to make significant investment. However, it must also change its methods to respond to a changed marketplace.

The Government have shown support for employee share ownership schemes in other sectors and they must now decide whether to back the management of Royal Mail and allow a share trust scheme to be set up. Will the Secretary of State tell us by what date he will make a decision about the proposal? Or, if, in the Government's current state of paralysis, he is unable to make a decision, will he confirm that the matter will have to await the arrival of the Chancellor?

**Susan Kramer (Richmond Park) (LD):** Will the hon. Gentleman give way?

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**Alan Duncan:** It would be a great pleasure.

**Susan Kramer:** I am always delighted to give pleasure— *[Interruption.]* I shall not take that further.

The hon. Gentleman mentioned the importance of the ownership of the Royal Mail Group and discussed employee trust ownership. However, as he knows, part privatisation is the only mechanism to get significant new investment into the family. Is he committing the Conservatives to part—or even whole—privatisation?

**Alan Duncan:** I am asking the Government the questions. They are about to give us a clear view on this matter. I have studied the Liberal Democrats' proposals—the hon. Lady may intervene on me to explain them if she likes—involving a part-privatisation, with some money being given to the pension fund and some being used for investment. I think that she will have to look again, however, at the difference in economics between stocks and flows, because I am not sure that the arithmetic will add up over time, once the proposal has been studied in more detail.

**Susan Kramer:** So, was that a yes?

**Alan Duncan:** Yes to the hon. Lady's proposal?

Back in December, the Government tried to sweeten the bitter pill of post office closures by claiming that their new access criteria would ensure that no one would live further than three miles from a post office

However, as Age Concern has pointed out, those access criteria take no account of the availability of public transport to reach alternative services. Nor do they take account

of the number of benefit recipients in a given area who rely on a post office for access to their money.

The setting of access criteria has been suggested in the past. However, in 2000, the Prime Minister's own strategy unit rejected the idea, saying that

numerical access criteria could well undermine the Government's policy rather than strengthen it".

The strategy unit went on to point out that such a commitment would not be worth the paper that it was written on. It made it clear that

"it would be possible for the Post Office to close down two-thirds of its rural outlets whilst still ensuring that 99 per cent. of people in rural areas lived within 3 miles of a post office."

Perhaps Ministers simply forgot to mention this fact in their policy document. In fact, there are a number of things missing from the Government's statement on the future of the Post Office. Most importantly, for instance, are radical proposals such as those that the Conservatives set out in October, to provide the essential reforms needed to give the post office network a genuine and sustainable future.

**Kate Hoey (Vauxhall) (Lab):** Is the hon. Gentleman aware that difficulties with the access criteria exist not only in rural areas? In many urban areas—even in my constituency, close to the Palace of Westminster—elderly people or people with disabilities might live quite close to a sub-post office, but if it is closed it can be difficult for them to reach another one. Access is an urban issue just as much as a rural one.

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**Alan Duncan:** I totally agree with the hon. Lady, and I am happy to echo her comments. One cannot stress often enough that the issue of post office closures is as much an urban issue as a rural one.

What the Government should have announced in December was, first, that they would give sub-postmasters greater freedom to find new business opportunities. At present, Royal Mail writes clauses into sub-postmasters' contracts forbidding them to take on certain business opportunities which might transform their finances, if only they had the chance. The long-term future of the network will be best secured if the Post Office is opened up to new markets and new customers. Just as many pubs that were tied to one brewery are now free houses, so post offices should be released from their ties and be allowed to offer a broader range of services.

We recognise the fantastic service provided by sub-postmasters to their local communities. They tell us that they do not want to depend on subsidy, but instead want the opportunity to do more business and serve their customers, yet that is exactly what the Government are denying them. Conservatives would rewrite the sub-postmasters' contract, allowing them to provide a greater range of products and

services, including private mail services. Will the Secretary of State give the same assurance today?

Secondly, the Government should be following the lead of Conservatives in encouraging local councils to see what services they can provide through post offices and whether they could use the post office network in their area better to engage with local residents. There have been a number of plans and pilot schemes aimed at using post offices as one-stop shops to provide a wide range of information and services from local government and other local bodies, but the Government, instead of extending the range of service that they allow councils to offer, restrict it. Will the Secretary of State undertake to look at that again?

What about using post offices as a hub for government information? We are looking at how we can provide for people who have concerns about a range of Government services to be able to access advice and answers at their post office. The Government have talked about doing that, but the delivery, as so often, has added up to nothing. May I ask the Secretary of State also to look at that again?

On both sides of the House, there is an understanding that huge social benefits accrue from the post office network, but it is less well documented that there are clear economic benefits too. Perhaps the Secretary of State will tell the House what research his Department has done on that issue. I understand that the Treasury did a study and found that for each pound of support that the Government have put into the network, there has been more than £2 of economic benefit to the local area.

The Department of Trade and Industry should be thinking that if it can make the conditions right for more post offices to be successful, it will reap the economic benefits. Instead, the best that we have seen from the Secretary of State is a plan for the management of the decline of the post office network.

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**Mr. John Redwood (Wokingham) (Con):** Does my hon. Friend agree that one problem with those who are senior managers responsible for Crown offices or groups of Crown offices is that they are only cost accountable and have only cost targets? The only way that they can meet those cost targets is by staff reduction. Would it not be a more normal business procedure to make them profit accountable, so that they could grow the revenue instead of always having to cut staff? They would also have control of their balance sheets, so they could do property deals, for example, if that was also a way to improve the business and make money.

**Alan Duncan:** I look upon that intervention as an exciting teaser for the brilliant policy document that my right hon. Friend is due to produce later in the year, but the basic point is right.

Instead of managing decline, Conservatives are developing policies that can give a level of hope and certainty to sub-postmasters. Conservative Members are prepared to give the business people who run our sub-post offices a chance and a future.

**The Secretary of State for Trade and Industry (Mr. Alistair Darling)** *rose—*

**Alan Duncan:** I am just about to finish, but I suppose it would be churlish not to allow the Secretary of State one little moment.

**Mr. Darling:** Absolutely, and as the hon. Gentleman knows, I am always generous in giving way to him, although that may stop too. Before he gets to the final part of his peroration, will he tell us whether any post office should ever close?

**Alan Duncan:** That is easy. Of course some will close. That is the easiest question in the world to answer, but it is the magnitude and scale of the closures, which the Secretary of State is overseeing at 580 a year, that are causing everyone the concern that we are expressing today.

We want to give sub-postmasters a framework in which they can develop their businesses and make profits, whereas they are currently constrained and forced into loss. Unlike Labour, we will not limit sub-postmasters. We will give them the tools that they need to ensure that the post office network can thrive and continue to fulfil the important role that it plays in our local communities, which is why I urge the House to support our motion

Read the whole debate

<http://pubs1.tso.parliament.uk/pa/cm200607/cmhansrd/cm070110/debtext/70110-0014.htm>