

**Fianna Fáil's Vision for the Future
of the Irish Post Office Network**

ENHANCING OUR POST OFFICES



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Executive Summary

Fianna Fáil believes that the post office network in Ireland is more than simply buildings supporting a commercial enterprise. Post offices are an important strategic state asset which play an invaluable role as the centre point of community and commercial activity in urban and rural Ireland. These offices provide key state services and reduce social isolation.

Fianna Fáil understands that the future of the post office network needs to be put on a more sustainable basis and diversify its business model further. We believe that the post office brand is one of the most trusted brands in Ireland and as such has the potential to increase its commercial success and business activity to a greater level. This can be achieved by consolidating the services that the post office currently offers along with increasing state and financial services provided.

Fianna Fáil therefore puts forward the following proposals to consolidate the post office network and increase commercial activity in every post office unit:

- **Guarantee the network as it currently exists.**
- **Expand An Post's financial services to ensure that all parts of Ireland and promote financial inclusion.**
- **Allow Post Offices to become centre for all state payments and charges.**
- **Create Shared Community Services and Multi-Purpose space in rural Post Offices**
- **Provide Internet and Printing Facilities at Rural Post Offices where appropriate.**

Introduction

The post office network in Ireland is a vital piece of national infrastructure which provides services to almost every citizen in the state. This network supports local business, provides key state services and reduces social isolation. Increasingly, the post office is often the last office-based service provided by either public enterprise or the public sector in many rural villages and towns in Ireland. As such, the post office network now has an unprecedented opportunity to consolidate its business by increasing services provided and embracing an innovative approach to state services in all its offices. If such an approach is taken, the post office network could see an increase in footfall and more sustainable commercial activity in the coming decades.

The economic environment has become increasingly difficult for the postal network in recent times. Over the past number of years, An Post has experienced a decline in revenue, from €876 million in 2007 to €807.3 million in 2012. While historically, mail volumes rise along with GDP, this may no longer be the case with the advance of electronic communications and payments. Falling revenues have resulted in An Post having a group operating loss of €17.5 million in 2012 (down from a profit of €2.2 million in 2011). There is a need now for An Post to utilise its post office network to its highest potential. The number of post offices in Ireland has declined from 1361 in 2006 to 1150 in 2012. In order to guarantee the postal network's future and the sustainability of post offices, the offices and network must expand its services, attract new customers in an increasingly competitive market and ensure its cost base reflects that of its competitors.

The Challenges

Decline in Traditional Revenue

The postal network and postal service are facing considerable challenges in the years ahead. The decline in traditional postal demand is the biggest challenge facing the postal service. Demand for traditional postal services has been declining at a significant rate since 2007. Postage revenue at An Post has fallen from €631.8 million in 2007 to €501 million in 2012. Traditional postal services now account for just 35% of An Post revenues at a time when revenue overall is declining.

An Post's revenue in all business activity has declined from €873 million in 2007 to €781 million in 2012. It is clear that the economic and financial crisis has had a significant impact on revenues in An Post. However, revenues from traditional postal services are declining much more rapidly than other services offered by An Post. It is unclear whether this revenue will increase with an upturn in the economy given the increasing prevalence of email and electronic transfers. An Post's business diversification strategy has slowed the decline in total revenues. Further business developments will be needed to ensure that the postal network has a sustainable future.

Over Reliance on Government Contracts

Currently the National Treasury Management Agency (NTMA) and Department of Social Protection contracts provide 57% of total revenues for An Post. The loss of either of these contracts would dramatically undermine the current revenue structure of An Post and throw the long term sustainability of the postal network in doubt. The Department of Social Protection is now engaging in a tendering process for over-the-counter cash payments to people in receipt of benefits which could conceivably be granted to a bidder other than An Post. An Post has recently won this contract for the next two years with an option of extending it to a maximum of six years. It is not foreseen that in the short-run An Post will lose this contract given its comprehensive coverage of communities across Ireland. However, in the long run, An Post must ensure that it is not overly reliant on any one contract to guarantee a sustainable future.

Electronic Payments

A more immediate concern for An Post's network of post offices is the Department of Social Protection's move to electronic payments removing the need for payments to be made over the counter in those offices. The Department currently plans to implement the electronic payment strategy in 2014 in order to make significant savings. The Irish Postmasters' Union has claimed that any move to electronic payments for welfare payments may threaten the future of 400 post offices in the country. The Department must be cautious in the pursuit of electronic payments and take into account the social and security impact a move to non-post office payments may have.

Our Proposals

Fianna Fáil's proposals want to ensure a strong and viable post office network which reaches into every community in Ireland. As a party we are committed to ensuring that Irish domestic and business customers enjoy competitively priced, high-quality postal services. We believe the following proposals will guarantee a sustainable future for the post office network across the country.

Current Network Guarantee

In principle, the Government and An Post should guarantee the current network of post offices in the country. All stakeholders involved in the post office network must examine how best to create sustainable retail through this network in the long run.

Expand An Post's Financial Services and Promote Financial Inclusion

Currently Allied Irish Bank (AIB) and Danske Bank (formerly NIB) offer certain banking services to their customers through post office branches throughout Ireland. Lodgements, withdrawals and credit card payments can be made through post offices if you bank with either of these institutions. Fianna Fáil believes that now is the time to enhance further the financial services offered by An Post. Bank closures in rural areas of Ireland have become increasingly common due to higher overheads resulting in bank customers not having access to local financial services. This trend will increasingly result in a lack of financial inclusion for all citizens of this state.

The post office network should aim to fill that gap in the market as far as is practicable. This would be best achieved if An Post was able to expand its current financial services and engage with all other banks active in the state to offer its offices for further use. Fianna Fáil believes this is a logical step. An Post, as a trusted brand, would be in a prime position to offer a credible, accessible banking service across Ireland through our existing banks. An assessment of this proposal should be carried out by An Post and an action plan to provide an expanded service should be examined by the company.

Expand Post Offices Services to act as a central office for state payments

We believe that the services provided at the post offices should be expanded to include the ability to process a number of extra state payments including motor tax, local authority charges and hospital charges. This is in line with a recent Grant Thornton report outlining the benefits of introducing these payments into the post office network. The integration of state payments into a central location such as a post office which has a large geographical spread would provide citizens with an easily accessible local location to make state payments. The transformation of the local post office into a central state payments office would ease the making of these payments, increase footfall to the post office and go some way in creating a more sustainable service.

Shared Community Services and Multi-Purpose Post Offices

Fianna Fáil views the comprehensive geographical cover of the post office service as an extremely positive asset not only for An Post as a semi-state company but also as a valuable resource for the state as a whole. In conjunction with An Post the state should investigate the possible use of these offices, where appropriate, for other state purposes. A feasibility study should be carried out on the local post offices which are not operating at a high capacity to assess what further state services could be offered from the office. The closure of rural Garda Stations has left many local communities feeling vulnerable. An assessment should be made to see whether some post offices in rural areas could become a shared state services office. The properties owned by An Post must be seen as a state asset which could be used to reduce overheads of other state services and consolidate the post office network.

An Office for Broadband Access and Printing Facilities

Many parts of rural Ireland still lag behind in broadband provision resulting in a number of competitive challenges for rural based companies and the community at large. Fianna Fáil are proposing that where it is practicable, the post office network should be equipped with broadband and printing facilities which can be accessed by the local community at a low cost where the office space allows this. Providing both printing and broadband facilities in rural areas which have not yet gained access to broadband will go some way in bridging the competitive gap in internet provision between rural and urban Ireland.

Public internet provision with printing facilities in post offices would also help eliminate any technological gap in deprived urban areas and will also provide an easily accessible service to the elderly. This proposal would increase footfall from all sections of the community and will compliment both An Post's core business and its emerging commercial activities. The capital investment required to implement this proposal may be significant in the short term, however, it would have the potential to turn post offices with low footfall and high capacity the ability to become sustainable and a hub of activity over time.

Conclusion

It is clear that the post office network faces serious challenges in the years to come. With decreasing revenue from postage and a heavy reliance on government contracts it is obvious that actions must be taken to ensure that the business model supporting our postal service is diversified. This is what Fianna Fáil's proposals aim to achieve.

There is strong evidence that our post offices, both rural and urban, have a strong future if diversification of commercial activity takes place. An Post has proven that business diversification can help increase revenue and stop the decline in overall commercial activity. With the increase in banking services offered by An Post, the potential for increased customers is huge.

Introducing the ability of post office users to pay further state charges will provide an easily accessible and familiar location for all citizens to conduct their business with state agencies. This will reduce the workload of other administrative offices in local authorities and hospitals. Similarly, allowing the post offices become shared multi-purpose offices for other public servants makes sense at a time of increasing pressure on all state services and financial constraint where the building is owned by An Post.

The provision of broadband and printing facilities is another simple measure which could increase footfall in post offices, both urban and rural. It would also help bridge the technological divide in society which has the potential to stunt economic growth and leave those less well off in our communities behind.

Fianna Fail believes in our post office network and its positive contribution economically and socially to all of Ireland. These proposals, we hope, will consolidate a sustainable future for that network for decades to come.

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