

## **Address by An Post to the Oireachtas Joint Committee on Regional Development, Rural Affairs, Arts and the Gaeltacht on the topic ‘Maintaining an effective service and presence in rural communities’ on Wednesday, 9<sup>th</sup> November, 2016.**

An Post thanks the Committee for the invitation to attend this meeting and speak on this important subject. John Daly the Retail Operations Director and Liam O’Sullivan our Mails Operations Director will attend the meeting. Firstly, we would like to apologise on behalf of our new Chief Executive, Mr. David McRedmond, who cannot attend due to a long standing commitment.

Our appearance here is timely given the change in Government responsibilities for the national Post Office network, now under the Department for Regional Development, Rural Affairs, Arts and the Gaeltacht. It also a time of continuing global trends, impacting all postal administrations worldwide, of increasing significant technical substitution and e-commerce. This is impacting greatly on both the mails and retail businesses of An Post, as it is on all our fellow postal administrations.

Over the last number of years we have had a number of interactions with the Transport and Communications Committee and much of what is said here is similar to what was said at those Committee meetings.

We would start by saying that An Post maintains a greater service and presence in urban and rural communities than all other commercial or Government bodies. Through our mails network, with 7,620 collection and delivery staff, we deliver 2.5 million mail items every day to 2.1 million homes and businesses. We can deliver mail to all households on a daily basis, every working day, often the only interaction that some customers have with another person.

In recent years we have invested heavily in both our mails and post office networks. In 2015 for example 43 of our post offices were upgraded, 23 in new locations and 14 new post office contracts were awarded in various parts of the country. And In 17 areas, local mails services were relocated to a purpose-built or purpose-fitted Delivery Service Unit (DSU) providing top quality modern customer and operational facilities including ample safe

parking and van-loading facilities, cost-efficient lighting and heating, customer P.O Box and IT facilities.

The size of the post office network continues to be crucial for our commercial agenda. Its very scale allows us to service our customers' needs across the country. This scale is also a key factor in us retaining and winning more business. The reach of our network has attracted business as diverse as bill payment and banking services for major organisations, the provision of social welfare payments, savings, foreign exchange and retail products such as post mobile and gift vouchers. In fact, our analysis, using our geo-directory data, shows that over 99% of addresses in the country are within 10 km of a post office and 93% are within 5 km of a post office.

Our contract with the Department of Social Protection specifies that Outlets must be available within three (3) kilometres of 95% of Customers in an urban area and within fifteen (15) kilometres of 95% of Customers in a rural area. The post office network comfortably exceeds these requirements.

The Post Office network is the largest retail network in Ireland. We handle c. 120 million transactions annually with some 1.7 million customer visits to post offices nationwide each week. We have 1,131 offices nationwide, 51 of which are operated directly by An Post with the remainder being run by independent retailers (Postmasters) as contractors. Postmasters are paid based on the level of business they perform.

We run that network in a business environment that is tough for all participants. All of our business lines operate in a very difficult marketplace with many competitors and critically more and more open to electronic substitution. It might be useful if I was to highlight some changes between the present day and the last date I presented at an Oireachtas committee in March 2014. This should clearly demonstrate the business context in which we now operate.

The mails business has continued to decline in this period due in the main to the global trend of electronic substitution. This can be seen in actions by our major customers such as the utilities and financial institutions who now seek to reduce their use of the postal system through electronic statements and discounts to customers. Since March 2014 we have seen a decline of over 11% in core mail usage. Since the peak of mail reached in 2007 we have seen a 38% decline. We have seen growth in online shopping which has to a small extent increased the level of our parcels business. This is a growth area we intend to pursue but it must be noted that this business is very price competitive.

In March 2014, we had over 750k weekly DSP Customers. This has now fallen to 625k customers, a decline of 17%. This was caused firstly by a decline of 30% in the number of Jobseeker payments as people thankfully gain employment. We saw a reduction of 5% in pension payments due to the very low number of new pensioners choosing the post office option for their payments. Similarly we saw the number of Child Benefits decline by 16%.

In the same period we have seen our bill payment business decline by 20% due to loss of some key corporate customers plus a general decline in utility bill payments as customers choose to pay by direct debit for convenience but also to get discounted utility bills.

We have seen good growth in some traditional as well as new business streams introduced in the last number of years.

Our State Savings business continues to grow with now over €20 billion of customer's savings. We have significant plans to enhance these services over the coming years.

We have seen increases in our banking services with AIB and we added Ulster Bank as a customer in 2015. The Foreign Exchange business has been a big success since we introduced it in 2011 and we continue to see good growth each year. We have both a foreign exchange cash and card business. Our One4All gift voucher cards and post mobile businesses have seen good growth.

We continue to look for new business activities and I am pleased to advise the Committee that we will be introducing a new payment account in the first quarter of next year. This will have all the features of a normal bank account apart from a cheque book and overdraft facility.

We have also introduced a court fines payment system and will shortly be adding the National lottery service to all post offices nationwide.

We have introduced many new mail service initiatives in recent years. Many of these are in the area of online shopping with such initiatives as our Delivery Box product and our Address Pal service. This service enables customers to purchase products at reduced postage cost from UK websites and is proving very popular with now over 38k registered users. In the coming weeks we will also launch Post Logistics a freight service which will enable SMEs throughout Ireland to readily access European markets.

Overall though, the reductions in the core Mails, DSP and Bill Payment businesses has meant that business levels at post offices have reduced by 11% since 2014 and this level of decline is expected to continue. While the new forward-thinking business activities are very welcome and necessary, they do not make up for the reductions in the core business streams. I would also highlight that

Government business continues to be the dominant activity in post offices, making up 62% of the income earned.

No company could sustain this level of business and income reductions without making the necessary changes and cost reductions. A large cost to An Post is the post office network. The fact remains that we continue to have very many unsustainable post offices where the income earned from customer activity does not match – and never will match - the costs of operating the offices. Along with all costs in the company, this has to be addressed.

The Company has not to date had any policy of closing post offices, only examining an office if the postmaster chose to retire or resign, or unfortunately, in some cases was deceased. The Committee may be aware that, in the event that we are considering the closure of a post office, we undertake a consultation process where we invite submissions from local interested parties on the need to retain a post office in that locality. The submissions received to date range from no submissions at all to significant levels of interest. We evaluate the submissions received and reach a final decision of whether to re-advertise the post office contract or close the office. Since March 2014 we have closed 16 offices, 1.4% of the network in number terms; 0.2% in business terms. This is in the context of the 11% reduction in business previously outlined.

The Committee will also be aware that we have been involved in the Post Office Network Development Group, an exercise with Mr. Bobby Kerr, looking at the post office network of the future. We expect Mr. Kerr to make his final recommendations in the coming weeks which will include proposals on segmentation of the post office network and some protection proposals for rural post offices. His recommendations will be dependent on Government support for the rural post offices if they are to survive into the future.

An Post is also part of the Post Office Hubs Working Group, led by Minister Michael Ring. This group is examining what other services, in a social and Government context, could be provided in post offices. The Company is supportive of both of these initiatives.

Much of our network was developed at a time when Ireland was a very different place and like so many organisations, it has not been immune to the huge social and economic changes in the country. The Company supports initiatives on supporting rural communities but is of the view that it is an issue for Government and the local communities themselves rather than commercial entities such as An Post. Our extensive range of services can continue to be provided in rural communities as long as a sustainable business model can be found. Over the years, local communities have changed significantly the manner in which they do their business. More and more citizens are

choosing to do their business online or through bank accounts or mobile phones. They also pass many local shops to do their shopping at larger shopping centres and towns. As illustrated earlier they do less and less business at their local post offices. This is also impacting on many of the shops which happen to be co-located with our post offices. The fact is that all rural retail units are experiencing significant reduced footfall numbers due to the actions of the people in the communities themselves.

We will continue to investigate the provision of more products and services using our leading post office counter technology. We also believe that we have a big part to play in increasing the level of financial inclusiveness in urban and rural areas and the introduction of our own payment account will be a first step in that area.

Many of those without bank accounts currently use the post office as their preferred location for the management of their finances. This includes collecting their DSP entitlements, paying their bills - many on a part payment basis - , saving through the POSB for important family events such as First Communions and Christmas, topping up their phones, buying gift vouchers as presents, getting FX requirements when travelling abroad and using our Postal Money Order, Sterling Draft and Western Union services if they want to send money either nationally or abroad. Many people are nervous about banks, bank charges and direct debits and by using our services many citizens manage their monies efficiently in a cost effective manner.

We are continually looking at our service standards and the standard of our post offices. I am sure many of you will have seen significant improvement in many offices around the country over the last number of years. We undertake mystery shopping on a monthly basis at 300 of our busiest offices. This is done on our behalf by an internationally recognised organisation in this field. In the last number of years, we have seen an increase in the scores given for customer service. This is further evidence of the strength of the post office network and the level of trust and satisfaction that our customers place in us.

We welcome the huge level of goodwill towards the post office network and are heartened by the level of support for the post office network in Dáil debates. We particularly welcome the Government support, illustrated by the establishment of the Bobby Kerr and Minister Ring initiatives.

We are very aware of the challenges facing both communities and businesses in rural Ireland and recognise that difficult decisions have to be taken at times which impact on local communities. We

believe that a national policy needs to be developed for rural communities which might result in extended services, including post office services, being available at a lesser number of locations.

We are ready, as always, to work with Government, Postmasters and our customers and business partners to generate extra business for our post offices, and to identify a financial sustainable model to ensure the success of the national post office network.

We have attached some slides showing the key activities that take place in our mails and post office businesses. These slides show the level of business in the post offices by size of office, by county, and some information on business trends.

Thank you