Banking on a future for posts?

A financial assessment of postal banking and financial services at various postal administrations

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The paper

- Post offices face significant financial challenges due to economic recession, electronic diversion and increased competition.
- One hand -Falling mail volumes and weakened economic viability.
- Other hand - Efforts to bolster, innovate and expand services to improve viability.
- The paper looks at efforts in respect to banking and financial services.
- Six case studies – The paper looks at banking and financial services provided by postal administrations in Brazil, France, India, Italy Switzerland and the United Kingdom.
- It explores the potential for expanding financial services and introducing banking services at Canada's post office

Brazil

- Banco Postal
- Correspondent banking.
- Mandate for social inclusion, economic development.
- 2002-2011 Bradesco
  – 10 million customers
  - 6,300 postal bank branches
- Fulfills universal banking obligation
- Services include chequing, savings, micro-credit, credit cards, insurance, currency exchange, mobile services.
- 2012 -2017: Banco do Brasil (5.5 year agreement).
- Transition, modernization and expansion.
- Financial benefits for Correios.

France

- Banque Postale

- Subsidiary of La Poste
- "a bank as good as the others but a bank like no other",
- 10.4 million individual customers, 450,000 business customers
- Complete range of banking services to individuals, organizations and businesses
- One of “World’s Fifty Safest Banks
- Active customers increased 18% between 2006-2012
- In the last five years it has paid € 1,111 million in dividends to La Poste plus paid fees for use of counters.

France

- Growth since creation in 2006 driven by partnerships and subsidiaries:

  - Local authorities lending
  - Financing for social housing, micro-business, voluntary organizations
  - Banking services to the financially vulnerable
  - Insurance (life, personal risk, health, property)
  - Asset management

- Innovative projects to combat banking exclusion.

India

- India Post (IP) offers a range of financial services but currently has no bank licence.
- Is operated by a government department.
- Sees itself as an engine of social and economic development.
- Has developed partnerships to increase its offer of financial services, especially to impoverished rural areas.
- Has been providing financial services for over 100 years.
- Introduced Post Offices Saving Bank (POSB) in 1882.
- POSB is now the largest banking institution in the county. It acts as an agency for the Ministry of Finance and offers small savings schemes on its behalf. Finance pays an annual amount to the Department of Posts for carrying out the savings bank work.

India

- PI is applying for a banking licence to set up the Postal Bank of India (PBI)
- PI's consultants say the plan is to create a new bank, rather than convert the existing savings bank into a new entity.
- PBI would likely increase revenue and financial inclusion.
- Only 58.7 % of households in India have a bank account.
- PI has the largest postal network in the world.
- 90 % of its branches are in rural areas. Only 36.9 % of bank branches service these locations.
- IP currently spends more than it brings in.
- Total revenue only covered 57.6 % of expenditures in 2011-2012.
- Payments and commissions for financial services brought in 60.7% of total revenue in 2011-12

Italy

- Poste Italiane SpA is a public limited company that is wholly owned by Italy's Ministry of the Economy and Finance.
- Its financial services are provided through BancoPosta and offered at all of Post Italiane's post offices.
- Poste Italiane created BancoPosta in 1999 and launched a chequing or current account service in 2000. It has subsequently added new, innovative account products, and a range of financial services, including loans.
- At first, BancoPosta was a business division of Poste Italiane SpA. In May 2011, it was converted into entity called BancoPosta RFC with separate financial reports and ring-fenced capital to protect creditors and provide stability.
- BancoPosta does not have a banking licence. It acts as a financial intermediary by providing banking and financial products in partnership with third party companies.

Italy

- This postal administration has a long history of providing financial services through partnerships. It has been offering passbook savings accounts on behalf of Cassa Depositi Prestiti (CDP) since 1875.
- The Italian government owns 80.1% of CDP. CDP uses the money from these savings products to finance public investments of general economic interest, such as roads, schools and energy and water projects.
- The bulk of BancoPosta's revenue comes from investing postal current account deposits and from fees for the collection of postal savings deposits
- In 2012, BancoPosta revenue accounted for 60.1% of total PI SpA revenue.
- It made € 343 million, or 47.5% of PI SpA's net profits.

Switzerland

- Swiss Post Ltd. (SP Ltd.) has a legal mandate to provide adequate universal postal and payment services throughout the country.
- It offers financials services though Post Finance (PF).
- PF's foundation was laid over a hundred years ago when National Councillor Carl Koechlin of Basel introduced the first postal checking account in Switzerland.
- Postal financial services have evolved significantly in the last decade and a half.
- It has built its business, primarily by partnering with other companies and keeping pace with technology.
- PF has been campaigning for a bank licence for over a decade and is about to get one.

Switzerland

- SP Ltd. is being converted from a federal public institution into a public limited company that is state-owned.
- After conversion there will be three subsidaries operating under the umbrella of SP Ltd, one being Post Finance.
- PF will be granted a banking licence once this changeover occurs (likely the end of the second quarter of 2013).
- It will not be able to independently offer loans and mortgages because of a prohibition on such activity in the postal legislation.
- This has quieted concerns of Swiss Bankers Association.
- PF would ultimately like to be in the lucrative loans and mortgages business.
- In 2012, PF had operating results of 515 million Euros.
- This represents 70.5% of SP's operating results.

United Kingdom

- Financial services provided by Post Office Ltd.
- Provides counter services for Royal Mail.
- Separated from Royal Mail in 2012 with 10 year service agreement.
- Ownership and operations in transition
  - Plans for a mutual ownership structure.
  - Restructuring retail outlets.
  - Offering new current account in 2013.
- 11,500 offices: 375 directly owned.
- Provides “Front Office” for government services.
- Manages 3 million Post Office Card Accounts
- In partnership with Bank of Ireland for financial services including savings accounts, mortgages, and insurance policies.

United Kingdom

- Commercial arrangements with many of the largest banks to provide access to their current accounts through the Post Office network.
  - 14 banks for withdrawals
  - 10 banks for deposits
- 86% of bank account holders in UK can access current accounts through the post office.
- April 11, 2013 Post office announced plans for its own current account in association with Bank of Ireland.
- Not a Post Bank as advocated by Post Bank Coalition
- Profitable with subsidies for modernization

Canada

- Offers very limited financial services.
- Had a savings bank from 1868 to 1968.
- Provides banking services in association with financial institutions in some remote communities.
- 1981- Former CPC President Michael Warren argued in favour of increasing financial services.
- 2005- Library of Parliament research paper argued in favour.
- 2010- Former CPC President Moya Greene said she was giving serious consideration to providing “a more traditional and generalized banking offer ”
- Currently- CPC President Deepak Chopra is opposed because the corporation does not have the "expertise".

Canada

- Many groups pushing for financial service improvements.
- 2822 bank branches closed between 1990 and May 2013.
- Concerns about access, fringe financial institutions, high fees, huge profits.
- Financial service corporations made an average 23% profit margin during the last decade. Non-financial firms made 7%.
- Support for expanding financial and banking services to generate needed revenue: New Democratic Party, CUPW, Universal Postal Union.
- Many options or models. All that is needed is a willingness from CPC and a plan to deal with possible opponents (e.g.banks)
- There are options banks might like. All options need to be considered for sake of service, financial self-sufficiency and financial inclusion.

Conclusion

- No one size fits all model of postal finance.
- Possible explanation for the diverse nature of postal finance: Postal banks and financial units may have evolved around the different banking systems in the various countries, and are filling needs that are not being met.
- Would not succeed if private sector banks were meeting the requirements of all groups within society.
- But they are succeeding if profits and revenues are a measure of success.

Revenues or profits from postal finance

In million of Euros

Country/ Revenue or Profit from Postal Finance	2007	% of Total Revenue or Profits	2012	% of Total Revenue or Profits
India: Revenue	€404	53.4%	€681	60.7%
Italy: Revenue	€4,709	51.6 %	€ 5,319	60.1 %
Italy: Profits	n/a	n/a	€ 343	47.5 %
France: Profits	€539	n/a	€574	n/a
Switzerland: Operating Results	€261	36.7%	€515	70.5%

Conclusion

- Results suggest that postal administrations in the six countries are meeting needs, which may include the need for economic development and financial inclusion.
- Financial inclusion is a shared goal at most of the postal administrations.
- There is a need for financial inclusion in Canada.
- Any study that examines the feasibility of expanding financial services and introducing banking services at Canada Post should consider financial inclusion.
- The case studies also suggest that it would be important to look at feasibility in the context of Canada's banking and financial system, and also consider the potential for partnerships.