

Financial Services in the UK Post Office

Presentation to Canada Post



Summary

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Background and company structure

- Postal Services Act 2011 legislated for the separation of Royal Mail and Post Office Limited (POL), with Royal Mail to be privatised and POL to remain in public ownership and to move towards becoming a mutual.
- In April 2012 POL ceased to be a subsidiary of Royal Mail Group and began operating independently as a sister company.
- The UK is the only country to have split its mail and post office operations in this way.
- Subsequently 60% of Royal Mail was sold on the London Stock Exchange in October 2013.



Financial services available at the Post Office

- The Post Office offers a comprehensive range of financial services through partnerships with third-parties, such as the Bank of Ireland.
- As the largest retail network in the UK, with 11,780 branches, the Post Office can offer convenient and accessible banking services to everyone, including those in rural locations.
- Recent growth plans include the introduction of a Post Office current account and new agreements with HSBC and First Direct so that 95% of all UK debit card holders can access their money from a Post Office branch.



Financial services available at the Post Office

- Personal banking
- Business banking
- Bureau de Change
- Travel insurance
- Travel money card
- Moneygram
- Automated bill payments
- Paystation and charging of electricity smart cards
- Mortgages
- Credit cards
- Personal loans
- Online bonds, Growth bonds and NS&I premium bonds
- Savings products such as Reward Saver, Instant Saver and ISAs

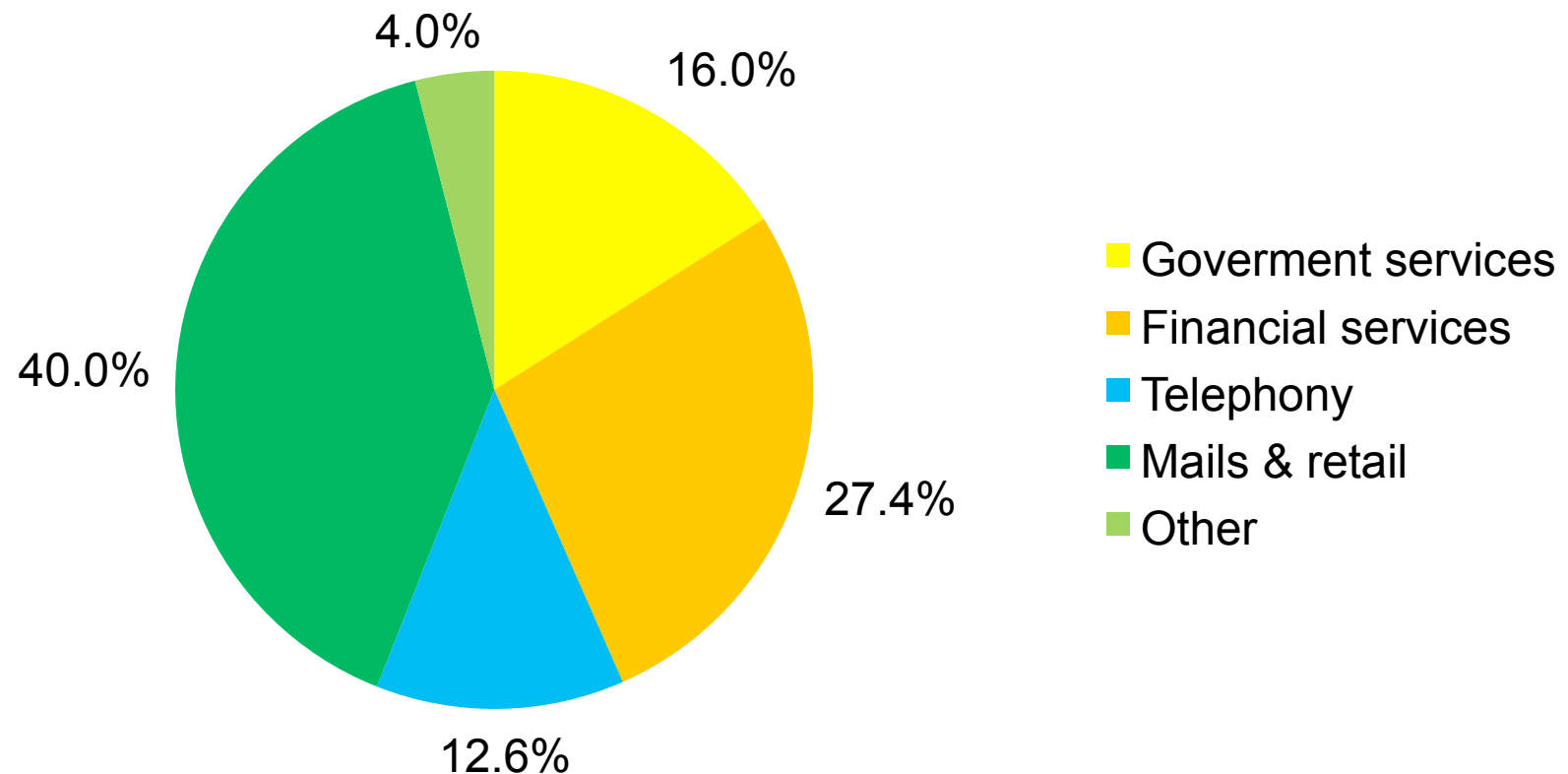


Financial services as a share of POL revenue

- Over time the Government and Post Office identified financial services and ‘front office for Government’ as key areas for growth.
- However growth as a share of total revenues has stagnated. Although there was a 6.4% growth in financial services revenues in the year to 2012/13, this stream currently comprises only 27.4% of total POL revenue. In 2004/05 financial services comprised 26.1% of POL’s total revenue.
- Meanwhile reliance on mail revenue has increased. It now comprises 40% of POL’s revenue, compared to 27.8% of its revenue in 2004/05.

Financial services as a share of POL revenue

Post Office revenue streams 2012/13





Concerns about reliance on mail revenue

- In 2012 Royal Mail and POL signed a 10 year agreement for Royal Mail products and services to be accessed over Post Office counters.
- However the agreement allows for changes in commercial circumstances and terms can be reviewed after 5 years.
- There are concerns about POL's reliance on mail revenue. A privatised Royal Mail concerned only about shareholders may seek more cost-effective outlets for its products and the Post Office network would be at risk.



Future plans

- Despite Government and POL having recognised the potential for growth in the use of financial services, action to move things forward has been slow.
- The introduction of a Post Office current account has been discussed for years but only recently trialled (in East Anglia in 2013).
- There is also little progress towards the long-promised development of small businesses banking and a children's bank account.
- The CWU will continue to make the case for urgent action to boost financial services at the Post Office.



Questions and Comments