

4.1. Post Office (Amendment) Bill 2013 – Second Reading approved

The Speaker: Item 4, Bill for Second Reading: Post Office (Amendment) Bill.
I call on the mover, Mr Ronan.

Mr Ronan: Thank you, Mr Speaker.

I am pleased to be able to move the Second Reading of the Post Office (Amendment) Bill for the Department of Economic Development.

Firstly, I would like to remind Members that the Department of Economic Development acts as the link between the Post Office and the Council of Ministers. As such, it falls to the Minister of the Department to lead and take through any consultation and legislation changes.

Turning to the background for this Bill, I must advise that the current legislation relating to postal services on the Isle of Man, namely the Post Office Act 1993, is now over 20 years old. We all know that the world has moved on a long way in that time. When Tynwald last considered the powers and duties of the Post Office, letters were still the main method of written communication.

Electronic mail started to emerge around this time, and changes since have transformed the world we live in and the postal industry. Customers' expectations over the type and sophistication of products offered by a modern post office have radically changed the postal industry. New technologies, not least of which is the introduction and the continuing development of the internet, have revolutionised communication means and methods. These, together with e-commerce, have effectively removed the geographic physical boundaries postal operators traditionally had.

As with most change, the changing environment and technology in use poses a threat and an opportunity. Postal services around the world have faced significant challenges to their profitability. Some of the largest postal services in the world have posted losses – for example, Royal Mail and USPS.

To highlight how this is affecting us on the Island, in the last five years Isle of Man Post Office have lost 22% of the volume of mail posted on the Island. In round numbers, this equates to a shortfall in revenue of over £2 million.

Postal services around the world have therefore had to change. To protect their universal service obligation, they have sought to modernise and seek to extract more value from each piece of mail they handle and seek new opportunities.

In order to maintain profitability and to be able to support services on the Island, it is vital that our Post Office is able to continue its strategy of diversification and expansion into international markets.

In view of the changing environment and to protect future service delivery, the Post Office board made representation to the Department, to take forward a Post Office (Amendment) Bill. This was drafted and the Department published a consultation document on 24th August 2012, for which responses closed in October 2012. The opportunity was taken to consider the draft Bill further and the Bill amended.

Moving on to the main points in the Post Office (Amendment) Bill itself, the Bill clarifies the main duty of the Post Office and its powers. The main duty of the Post Office remains conveyance of letters, as provided for in the 1993 Act. This ensures that the focus of the Post Office remains on this vital area and that the provision of other services, as noted in clause 2, is available to the Post Office to allow it to introduce new products and services in a similar manner to other postal services around the world.

The Bill also proposes to modernise the powers of the Post Office to take account of technologies introduced over the last 20 years, including such areas as digital communication and

data management, hybrid mail solutions to production management of physical mail from electronic data and vice versa, and other similar services and products.

The amendment of powers of the Post Office Bill has been introduced to allow the Post Office's legal duties or powers to be updated in the future without the need for further primary legislation. Tynwald approval is required for such changes.

The Bill therefore provides the Post Office with the tools it needs to effectively seek new revenues to protect the universal services it provides. By removing the uncertainty over the Post Office's ability to seek revenue outside the Isle of Man, it enables the Board to access much larger markets to retain and bring work to the Island, reversing the trend over recent years where the work has migrated to the UK and elsewhere as multinational businesses rationalise their operations.

The introduction of this Bill is brought forward now to allow revenues to be sought whilst leaving open future potential options for a review and operating model of the Post Office, such as corporatisation. Consideration of the future operating models of the Post Office will be a matter for the Council of Ministers to consider and ultimately Tynwald Court. It is not a matter for this Bill.

It is essential that wider issues on the future of the Post Office do not delay opportunities to increase revenues and that the universal service obligation – a duty to provide service for the conveyance of letters – continues to be viable.

Members will be aware that a presentation on this Bill was planned in November but was regrettably cancelled. Invites to all Members have now been circulated for a presentation on 15th January 2014 in advance of consideration of the clauses reading, which is expected to be on 28th January 2014.

Mr Speaker, I beg to move that the Post Office (Amendment) Bill be read for a second time.

Mr Speaker: Mr Shimmin.

Mr Shimmin: I beg to second and reserve my remarks.

Mr Speaker: Mr Karran.

Mr Karran: Vainstyr Loayreyder, I will not be opposing the Second Reading, but it does greatly concern me.

I understand it has been out to consultation, but this is supposed to be the parliamentary assembly. We have a situation where we have to wait until 15th January for the presentation and then this Bill will be back in this Hon. House on 28th January.

If people have substantial new clauses to this Bill, then the problem will be the difficulty of actually getting those new clauses or amendments being drafted up; and I do feel that we need to see the presentation. If there is to be a presentation, it should be before the Second Reading of a Bill, so that Members can have a broader approach as far as the contents of the Bill.

One of my deepest concerns about this Bill, Vainstyr Loayreyder, is will it be just used as an excuse to pay excessive fees to people on a Statutory Board. What I would like to know from the Hon. Member is how are we going to make sure that we do not end up with the gravy train scenario, and how are we going to safeguard the taxpayers' interests so that we do not then find there is a reason to vastly inflate fees for people who are selected to be Members of the Statutory Boards in the future. I would like that assurance.

I have raised this issue. I have written to the Post Office Chairman that this is what concerns me. It concerns me in light of the issue that we now see with the MEA. It concerns me greatly with that issue – with the MEA – where we ended up with this spending spree; we ended up with directors on unrealistic amounts; we had staff who ended up on unrealistic amounts at the top end of the scale.

What assurances can we have that – whilst the hon. mover, I believe, is one of the most well-meaning Members in this House – he actually has a grip of what he is actually going to end up bringing in, if we are not careful? I do ask for that because I will be looking for safeguards on fees, on the safeguards that... We end up with far too many top management. They want private sector pay, but they do not want private sector accountability as far as being able to be got rid of when they do not do their job. We saw that when we were talking about Question Time today, with other Departments.

The other thing that is important, which to be fair to them they should be applauded for, and maybe we should have tried to get the issue as far as the pension is fully-funded at the Post Office, which I think is something we should be proud of and we need to follow ourselves, even though some of us have tried to bring in the odd initiative years ago to try and help the newer Members having to face, and the future Members in this Hon. House, the liabilities of that.

What safeguards will there be as far as this pension fund... cannot be damaged as far as its fine record – that I must give praise to the predecessors of the Post Office Members in the past – allowing for the fact that now I find that, in the Water Authority, where we went out on a limb to bring a principle as far as a sinking fund for the rates so there was no debt for future generations when it is paid off, is now being sidled off in order to try and sort out the mess of the MEA? What assurances can we have that there is going to be some protection, there is going to be some way of making sure that that is not another feeding-frenzy situation as far as the Post Office pension scheme?

I am just asking these points. These are the points I will be asking at the presentation.

I see this Bill as actually a glorious opportunity. Post offices should be used as local hubs for the community, and I do not think – this is not a criticism of the mover or of the present Chairman of the Post Office authority – but I think we are missing a trick as far as this is concerned.

One of the things that I have got next week is the issue of whether we should be expanding the Post Office more into a small business bank and a penny bank, like it was once – the opportunity there of the local hub again, working with local schools, trying to get kids involved in saving.

I see this as a way forward, as far as the Post Office is concerned, and what I would like to see is whether there is a need for some sort of statutory undertaking to put this sort of facility in, as far as the Island is concerned.

We have only seen in the adjacent isle the other day that they are now trying to put more priority on how they are going to create more money for small business to try to get jobs. The self-employed and small businesses are going to be our backbone if we are to make sure we do not end up experiencing the horrors of high unemployment in the future.

So I would be interested to know whether the mover has any views as far as the idea of developing its banking services, because I think we have something here that could be of real use, real benefit as far as the Island is concerned, especially with the fact that we have got them as local hubs throughout the community.

The last thing that I am really thinking about is we have the problem that many in the adjacent island... local authorities are paying to fund welfare rights organisations for the likes of benefits. The problem we have over here is obviously it is all one situation. I am considering whether we should be making the Post Office able to have the right to develop an agency, a welfare rights organisation... whether it is done within house or outside house, being independent of Social Care, to make sure that our citizens are actually provided with the benefits they are entitled to. Far too often it is not that the benefits are being given out too much; it is benefits not being applied for, and I see the idea of the Post Office as a valuable hub for that organisation being throughout the Island.

I think I have spoken enough (**A Member:** Hear, hear.) in this House, but somebody needs to be asking these sorts of questions.

This is about primary legislation. I am interested in these amendments. I do not expect the mover to have answers for me, but I would like to see those sorts of things being considered, because I do feel that... We have seen the presentation from Government, as far as reorganisation of Government. This Post Office (Amendment) Bill could be a valuable resource for helping Government in these fraught times, as far as trying to bring about changes and services not directly employed by Government, as far as the Island is concerned.

The Speaker: Mrs Cannell.

Mrs Cannell: Thank you, Mr Speaker.

I will not be as long as the previous speaker, but I think scrutiny of legislation is an important role for every Member of this Hon. Chamber. That is our primary function and we all should do more.

I am a little bit disappointed that the mover is going for the in-principle reading today and waiting for a presentation before clauses stage, which is rather unusual. Normally speaking, if a Bill comes forward to the House and the mover feels that there should be a presentation, that presentation is usually before the Bill gets to the floor to debate whether or not to accept the principle of what that new law is going to contain.

Today we are being asked to accept the principle, or an amended principle to the 1993 Act, before learning about all the potential scenarios that might flow as a consequence of adopting this particular Bill to go as an Act in the future.

So I am disappointed at the planned process. I do not blame the mover, but then perhaps in hindsight and going forward the Member might consider in future not agreeing to take Second Reading until he has held his presentation, thereby making him feel confident in the House feeling confident that what he is proposing is workable and is good law for the Island.

Really, without being able to flush out the meat on the bone... because of the lack of a presentation, one cannot really say very much about it, other than I appreciate that it is to bring up to date the legislation, bearing in mind that we are in the digital and computer era. I can appreciate that, so I will give him support; but I cannot guarantee that I will give him support post-presentation (*Interjection*) when he gets to the nitty-gritty of the legislation. I wish him well.

The Speaker: Mr Thomas.

Mr Thomas: Thank you, Mr Speaker, and to the mover.

I want to associate myself with the remarks of both the previous two speakers inasmuch as scrutiny is valuable and the timetable is unfortunate.

I just wanted to put down on record two points I would like to follow up with the mover in the coming weeks.

The first one is about the definition of banking services. Perhaps we can talk about that and perhaps we can visit the Treasury together, because there might be two 1993 pieces of legislation that could be amended at the same time: the Credit Unions and also the Post Office.

The second thing I wanted to say is that we are now in the situation in this Island where the majority of Manx Telecom is now owned by a private equity investor, HgCapital, alongside Telecom's management company, CPS Partners. From April 2013, Sure is owned by Batelco. I wanted to see whether this legislation could be used, in some senses, to make sure that we could include telephone in the future as a contingency strategy, if we ever needed to do so.

The Speaker: Mr Cannan.

Mr Cannan: Thank you very much, Mr Speaker.

I will be brief, but again I too want to associate my comments to a degree with what has been said before.

I am concerned that we have not had a full presentation for this, and although I am going to give my support today to this reading, I am just highlighting my concern now that we are giving the Post Office powers that are going to directly interfere with private enterprises on the Island to such a degree. I do not agree and I will not be in favour of giving a Government-run body such wide powers that they will directly interfere with commercial enterprises that have been developed and started up outside of Government, because I do not believe that it gives a level and equitable playing field.

So, in giving my support for this, I do warn the mover that I have a lot of questions about the whole issue of the Post Office and that I will not be giving my support to the next reading unless there are substantial reassurances about how the Post Office intends to develop and the framework that it intends to develop within.

Thank you, Mr Speaker.

The Speaker: Mr Quirk.

Mr Quirk: Thank you, Mr Speaker.

On a similar vein to the other Members, it is a shame we did not have the presentation.

Although the Post Office does great sterling work – or the Isle of Man Post Office does – there are synergies to be had, and the corporatisation element... although the mover of this particular Bill says it is not part of it, it has to be in the back of Members' minds, and I am sure it is in the back of Members' minds... *[Inaudible]* that I would say too the concerns that other Members do have.

I give it tentative support, but reserve my judgement and encourage, hopefully, that either the mover or the Minister of that particular Department encourages a presentation, which could be quickly done, I am sure, within this House.

The Speaker: The mover to reply. Mr Ronan.

Mr Ronan: Thank you, Mr Speaker.

A lot to go through here. Firstly, Mr Karran... I think a couple of the Members said that they were disappointed that the presentation is not before the Second Reading. I can only apologise for this. I am sure you are aware there has been a lot going on within Council of Ministers and in the Departments. I cannot give you the exact details of exactly why this has not come to you before now –

Mr Quirk: Have you been influenced?

Mr Ronan: – but what I will say is that there is still time to come and speak to the Department of Economic Development and speak to the Post Office if you have got any concerns. There is nothing getting hidden; I can absolutely assure you of that. I would, please, encourage any of the Members who have got concerns to come and see me, the Chairman, the Chief Executive or the Minister for the Department. I am sure we can answer satisfactorily any concerns that you have.

If I just move on to Mr Karran, he said about the taxpayers' interests and he is also concerned about the possible excessive fees which could be paid to board members. I think the fees paid to board members are set in statute; there is set legislation. There is nothing we can do about that.

What I will say is that, as someone who has served on the board for two years, I think what we have got to do is take our eyes off the minutiae here and concentrate on the bigger picture. We can get caught up in this... what will individuals get out of it? What we will get out of it is what we set in this Hon. House, and what we have got to focus on is the growth and well-being of the Post

Office and the Isle of Man in general. It is something which, in my time with the Post Office, we have been absolutely keen to deliver home, and I am totally satisfied that the Post Office can move forward in the right way and certainly in a modern world.

We touched on... the Bill is over 20 years old, and I think what we have to say to ourselves also is that we have got to give credit to the original drafters of this Bill, (**A Member:** Hear, hear.) the people who formulated this Bill, because it has stood the test of time. Let's go back 20 years and think what we were doing: writing letters everywhere. Now, mobile phones... This Bill has stood the test of time in this period, but the time is coming now where we have got to move on – the Post Office has got to move on, the Isle of Man got to move on.

So I would, please, ask Members to think of the bigger picture and also think about the opportunities which the Post Office can get with this – not just for itself... We need inward investment in the Isle of Man. This is the whole idea now of what we are trying to bring forward. New inward investment will not just help the Post Office but will help the Isle of Man in general, as will other businesses, so we have got to have legislation that is flexible and nimble – to use a phrase from my Chairman here – to enable us to bring new investment to our shores; and whereas the old Act has done well, it has certainly had its day and we are playing catch-up with our competitors.

I will also give Hon. Members a little bit of information, really, regarding something that has fascinated me in my time at the Post Office: our competitors Europe-wide. A map of Europe came up and it showed all the postal... basically, all the countries around Europe. It was coloured up, and the Isle of Man, Gibraltar and Cyprus were the only three post office networks left within government ownership. The rest were either privatised or corporatised. So you have got to ask yourself... We are lagging behind here and we have got to be able to... and I know this Bill is not about corporatisation in this fact, but we have got to think where we are going to go, and this Bill certainly enables the Post Office to, hopefully, move forward.

Mr Karran also mentioned pensions – the fully-funded pension the Post Office has got. Again, I am pretty confident that the pension set-up at the Post Office is good. I cannot give full details on that to him – I am not fully briefed on that – but again, if you have got any concerns with that, I drag you back to what I said before regarding coming to speak to the Post Office or the Department. We can give you information on that.

You also touched on small business banks. Again, I think we are all aware... There have been many questions raised in this House regarding what the Post Office could and could not do, but this Bill – I have got to be honest with you – is not really what this is about in that area. It could take part of that in future.

I think what we have got to say to ourselves is why this Bill is necessary. As I said before, credit must be given to the people who drafted the Bill. It has served the Post Office very well.

We have got to also say to ourselves... I draw you back to what I said in the speech regarding the growth of the internet and related technology. It means that the Act had to be updated to ensure that the Post Office can take opportunities to generate new revenue in today's and future businesses, and we must not take our eye off that. I know certainly Mr Karran raised concerns. I would hope in the next couple of weeks and months we can certainly satisfy his concerns on this. I certainly know Mr Karran is forward-thinking enough realise that the Isle of Man cannot stand still, and I would hope that we can move with this.

He also mentioned about the threat to private enterprise, and this is something which I can assure you I share. The Island's postal market has fallen over recent years, and as I indicated in my speech, the Post Office's main focus is on expansion outside the Island, therefore providing economic growth in the Isle of Man. The Post Office strategy is to provide services which extend the postal value chain. This Bill provides the clear vires for it to attract new customers by providing new competition solutions to them.

Inward investment like this can only lead to opportunity for our Island, and as I said before, we have got to be careful. Certainly in my two years... we have got to be careful the detail of things

does not get in the way of the bigger picture. What I will say to you, as a Member of the Post Office – and the board share this with me – is this is about opportunities not just for the Post Office. The Post Office can feed others as well.

Mrs Cannell talked about scrutiny. We all agree with that, and I am sure in the short time you have known me... I totally agree with you, Mrs Cannell. Again, I can only apologise for the presentation not being before the Second Reading. I will take on board your advice, certainly in future. I suppose I have still got a bit of an L-plate on my back – I would like to think it is an R-plate now – but I certainly... She shakes her head, but I certainly take your advice on that and thank you.

Again, I think we have touched on the banking services with Mr Thomas.

Regarding Telecom and Sure, I am not in a position to expand on that, but again the offer is open to come and talk. I think this is for the future, really – where the Post Office goes and how broad it gets and what services it delivers. I think one thing is clear – that it can be a mechanism for a lot more things. Time will tell with that, and it depends on what happens in time with that as well.

Just again, finally, touching on Mr Quirk, he said that corporatisation has to be in people's minds. I think we can say that there is corporatisation... We were talking about the buses before. It is the general topic: do we go, or do we not go?

As I say, this Bill is very important. This Bill is to enable the Post Office to move forward as it is now. Corporatisation is not part of this Bill. Corporatisation would be ultimately for the Council of Ministers and ultimately for Tynwald Court to decide.

Thank you, Mr Speaker.

The Speaker: Hon. Members, I put the question that the Post Office (Amendment) Bill be read for the second time. Those in favour, please say aye; against, no. The ayes have it.

A division was called for and electronic voting resulted as follows:

FOR

Mr Karran
Mr Ronan
Mr Crookall
Mr Anderson
Mr Singer
Mr Quayle
Mr Teare
Mr Cannan
Mr Cregeen
Mr Houghton
Mr Henderson
Mrs Beecroft
Mrs Cannell
Mr Robertshaw
Mr Shimmin
Mr Thomas
Mr Cretney
Mr Watterson
Mr Skelly
Mr Gawne
Mr Speaker

AGAINST

Mr Quirk

The Speaker: With 21 votes for and 1 against, the motion therefore carries.