



**STANDING COMMITTEE
OF
TYNWALD COURT
OFFICIAL REPORT**

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**ECONOMIC
POLICY REVIEW COMMITTEE**

Future of the Post Office

HANSARD

Douglas, Friday, 20th March 2020

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Members Present:

Chairman: Mr C R Robertshaw MHK
Mr T Baker MHK
Mr J Moorhouse MHK

Clerk:
Mr J D C King

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Standing Committee of Tynwald on Economic Policy Review

Future of the Post Office

*The Committee sat in public at 9.21 a.m.
in the Legislative Council Chamber,
Legislative Buildings, Douglas*

[MR ROBERTSHAW *in the Chair*]

Procedural

The Chairman (Mr Robertshaw): Good morning, welcome to this public meeting of the Economic Policy Review Committee. I am Chris Robertshaw, MHK and I chair the Committee. With me today are Tim Baker MHK and Jason Moorhouse MHK.

5 Please ensure your mobile is off or on silent so that we do not have any interruptions; and, for the purpose of *Hansard*, I will be ensuring that we do not have two people speaking at once.

The Economic Policy Review Committee is one of four Standing Committees of Tynwald Court which scrutinise different areas of Government. Our role is to scrutinise the established policies of the Cabinet Office, Treasury and the Department for Enterprise.

10 We have been concerned now for some time about the future of the Post Office. Last year we produced a report on this which was laid before Tynwald and debated last October. There was a further debate in Tynwald in February and since then we have decided to produce a further report.

15 Today, we welcome Mary Palmer. Mary sent us a written submission a year ago which we published in our report in October. She also came and spoke to us in private back in September when we were working on that report. I am now very pleased to welcome her again to speak to us, this time in public.

EVIDENCE OF Mrs Mary Palmer, Sub-postmaster – Laxey and Peel post offices

20 **Q1. The Chairman:** Now normally, Mrs Palmer, we invite whoever we are speaking and listening to, to start the process with some opening remarks. On this occasion it is going to be me and there are very specific reasons as to why I am going to kick everything off, because the circumstances this morning are somewhat unusual.

25 We were very grateful to hear from you last time, and last time it was very much in general, but now the Committee's thoughts have moved on quite significantly and I will explain in what direction in a moment. That has resulted in us requiring to speak to you again in more specific detail and as such, in order for us to do that, we issued you with a precept – and that, for the public's information, is where a Committee on behalf of Tynwald issues a requirement for you to attend this meeting and to speak to us.

30 So now I want to talk a little bit about where the Committee is in its thinking, and then you will perhaps understand better why we have got you here this morning. In our first report we identified the fact that the Post Office was in what one might call 'managed decline' and the Committee takes the view that we need to challenge that. In order to do so we have come to the conclusion that there has to be a greater separation of the two aspects of the Post Office, which are of course the business side, on Mails; but also as the reporter to Tynwald, Elmar Toime, in his report in April 2016, said:

The Post [*Office*] is part of national infrastructure with social obligations.

35 I think there has been some concern on the Committee's part that the progress of Tynwald engaging with the future of the Post Office has been disrupted perhaps a little bit by the way, to some extent, that Tynwald has approached it. Let me explain that a little bit.

40 If you go back in history, effectively the Post Office came into being as a trusted brand because of actions by the political bodies. In other words, on the Mails side it developed under the auspices of what is called an 'exclusive privilege' and in return for that it had to provide a universal service obligation to deliver mail to all households. On the other side there was the social obligation which was Government establishing the requirement to pay benefits and pensions and goodness knows what, through a medium; and the medium chosen was the development of sub-post offices. For a long, long time that went extremely well and the Post Office year after year produced profits to Government's Exchequer as, effectively, the
45 Government owned the Post Office.

Of late, the world has changed. The Post Office has found itself under increasing pressure and that has resulted in a significant reduction of profits and erring in parts over to losing money. I think the Committee is concerned that the political and governmental reaction to that was one of saying, 'Well, you're no longer providing the Exchequer with funds. It's now a matter for you to sort yourself out and to return to viability'.
50

The Committee takes a different view. The Committee takes the view that the Post Office came into being because of political will and actions and therefore the Government, the political process, must be a partner to this whole process rather than just simply leaving it to the Post Office. I think the evidence is there to show that the Post Office is doing its best within the
55 limited remit that it has got, and not *full* engagement with Government to suppress losses and perhaps try to achieve break even or a small profit. But the Committee takes the view that we have got to examine this in much greater detail.

We have come to the conclusion, and we have been looking at this now pretty solidly for a significant period of time, that in order to do that we need to identify two specific roles; and the
60 two roles are the Mails service and effectively what you might interpret as something of a social enterprise which is the sub-post office provision of services. We are in the process of examining these two parts separately.

With regard to the Mails service, we are re-examining the exclusive privilege and the universal service obligation with an intention to try to reinforce the viability for the Post Office in that regard. On the other hand we also separately want to look at what we see as a social
65 obligation, which is the sub-post office network effectively; and that is more challenging. We are researching a number of options to assist towards the process of trying to make that modernised and viable. It is for that reason this morning, Mrs Palmer, that we have invited you to join us for a discussion as to what might be possible from your perspective as an operator, and a well-respected operator, in that area.
70

I do beseech you this morning that we speak frankly and openly about all the matters that we need to consider, because we as a Committee cannot see into areas that you can, and that is where we need your advice and that is why the precept was presented previously to you, and we are most grateful to you for being with us today.

75 I think we sit on a day where something quite extraordinary has happened, of course, which
is that we have got our first COVID-19 case. I think the Committee is of the view that one of the
outcomes, one of the results, one of the impacts of this paradigm change that we are now
effectively experiencing will be a migration back towards more community on the Isle of Man.
80 And you are seeing it in a variety of ways: you are seeing it in terms of a gentle, perhaps from my
perspective, too slow migration of housing into regional bodies; and we are seeing the migration
of the Health Review looking much more to treatment in the community rather than necessarily,
as has been the case, an awful lot going to the Hospital. And that has brought Members of
Tynwald more and more to the view that we have to consider more and more seriously the
concept of the community hub.

85 I will be frank, I am a passionate believer in the community hub but at the same time I
struggled with what it looked like. And it is only of late that I have become settled in my own
personal view insofar as I was perhaps foolishly considering community hubs as a physical
building and one place to go, when in fact actually a community hub is a state of mind. It is a
number of facilities in an area interrelated and integrated working to the greater benefit of the
90 community.

What we want to examine to start off with is, if you would be so kind, have you a picture in
your mind as to how the sub-post office service could fit into such an environment? Could I
invite you to comment on that, please?

95 **Mrs Palmer:** A lot to take in.

Yes, I have a few things to say as well. I will answer that question, and I am just interested in
your comment about COVID-19 taking us back to the community because I sort of agree with
that. But we are also recognising it as a bit of a threat to the network as it stands, particularly
because the elderly will be self-isolating and will not come out, so our key customer base on a
100 Friday in particular – being a Friday today – is for people to come and collect their pension with
their MiCard. There is a proxy system in place but there is a fear that a number of those will then
go to BACS because it will save them coming out.

I am not sure that solves the problem because I think we discussed when I was here before
with National Federation of SubPostmasters (NFSP) that access to that cash, whether it is in a
105 bank account, still remains an issue in a lot of communities where there are no banks, or limited
ATMs. So whilst it solves the problem as in it is physically there so they do not have to come and
collect it, they still have an issue with getting actual access to the cash. But it is no doubt a threat
to us in the coming weeks and maybe months that we will find a significant drop-off in the use of
the MiCard, and given that the network is already struggling I think a drop in transactions and a
110 drop in footfall is something that is of grave concern to probably a number of sub-postmasters.

Q2. The Chairman: I see the transfer to BACS, as you have rightly said solves the remittance
side of the issue, but it does not solve the issue of transmitting cash into people's hands.

115 **Mrs Palmer:** I know, but I suppose if once they do it and they do it in the short term and they
have someone to access their bank accounts for them, the chances of them then coming back to
a MiCard system are probably less.

Q3. The Chairman: I am asking this out of ignorance, forgive me, but is it possible for people
120 to have authority to bring the MiCard on somebody else's behalf?

Mrs Palmer: Yes, that is the alternative and it is the one that we are encouraging in the
network. We have proxy forms where a member of the family, or a trusted friend, can be
nominated by the individual and they can come and collect it. So, whilst there are still fit and
125 well people in society to come and collect it, that is a solution and they do have cash in their
hands, which I appreciate is a positive, because if they are wanting family and friends to help

with shopping that generation is the one that wants to give cash for it when somebody has done jobs for them.

130 So I think two sides: I agree that it is definitely pushing an emphasis on to the community, but at the same time we do have an underlying threat from this given that there will not be so many people out and about. But that is an aside.

135 From a hub perspective, I think that in many towns the Post Office is already considered a hub. So I think, in my view, we are part of the way there. And in the submission that the NFSP made I alluded to the fact that working alongside Government and looking to not just continue the Government services we provide, but expanding those Government services, would be the success story for the Post Office, for the network. So I do not know what it would look like either, but my vision for success would be to be able to expand Government services and also commercial services. By that, I mean things like banking and financial services which up until now, because of regulation, is not something that we have maybe fulfilled as much as the UK
140 have. But then again I would caveat that today with the fact that the interest rates, and what is happening as a reaction to COVID, would mean that it is even harder from a banking perspective to encourage people to have savings or to open bank accounts, or for banks to partner with us as such, because there is no money to be made.

145 I think it is an incredibly tricky situation we find ourselves in. But as far as a hub and offering services in the community, whatever they look like, then I could see the network – maybe not as it is, and maybe not every office – being a suitable starting point to explore what a community hub might look like.

150 **The Chairman:** Thank you very much. Do you want to comment on that, Tim?

Q4. Mr Baker: All I would say is that I think your assessment, Mrs Palmer, is right in the short term around the immediate impact of COVID-19, but we will get through this period and we will come out the other side. I think we should be cognisant of those short-term issues but actually I think we need to look at where we go for the medium to long term.

155 I agree with the Chairman's remarks that community is going to become more important – somebody described this to me yesterday as a reset button for society in *many* ways, and it will challenge a lot of the things that we have assumed or taken for granted. So I think we need to be visionary and creative in our thinking and try and define the future that we want.

160 I think the other thing I would say right now is that Government is going to be forced, whether it likes or not, to become more proactive in mitigating the impact in this pandemic because quite simply things that are very viable will collapse unless Government takes action.

165 So we are seeing, as the Chairman said, a paradigm shift and I think what we need to be contemplating is where the Post Office on the Isle of Man fits into that and what we want it to be. We need to be intentional about it.

Mrs Palmer: I suppose then it takes me back to what raised our concerns in the first place. The two Government contracts that we operate through the network now are SSD and DOI, and when I came as part of the NFSP we were concerned at that point that probably both of those contracts were under threat, and the withdrawal of those services would undoubtedly have a huge impact, if not wipe out the network completely. I am not sure how much further down the road we are about certainty with those contracts and I think that would be the starting point that we have to understand *what* ... And maybe we do not do all of the services that we currently do, or they change, I do not know, but there has to be more certainty over what services we would be doing for those, and that is because they are already there.

175 So the first thing is retaining the existing Government services, in my mind, and then it is looking at what other services we could provide that could complement that.

The Chairman: Yes, would you like to come in there? Jason is desperate, so go on then.

180 **Q5. Mr Moorhouse:** Yes, sorry to interrupt, it was just for the benefit of listeners, those two areas of responsibility you mentioned. Can you just give us a bit more insight into what they are because you referred to them by initials and the listeners may not be sure what you are referring to?

185 **Mrs Palmer:** SSD, the Social Security Department: that contract is effectively the payment of pensions and benefits. We have a wide variety of customers, it is not just pensioners, we have the vulnerable in society and we have people who generally need to receive cash on a weekly basis rather than on a monthly basis. But I think that is partly ...

190 You mentioned social role and in my view that is very much where our social role is not a role that we have been allocated, as in specifically socially responsible. But in looking after these people week after week you build relationships and you start to understand the needs of your local community and society. So I think that, yes, it is cash-in-hand but it is so much more than that. It is cash-in-hand for the individuals, but it might be the only person that somebody speaks to that week.

195 We know their families. There is sort of a little network that goes on where Mum or Dad comes in and then daughter might come in a couple of days later, and we can tell them we have seen them and that they are okay. The same with neighbours and generally people who need somebody to support them. I do think that we fulfil a role like that.

200 Equally, I wrote down some of the comments that Minister Cannan mentioned, because he was referring to going back to local as well, the last day when I was listening, and he was talking about spending cash in the community. Again, that is a point I think I probably made in my personal statement – a long time ago, it feels like! I mentioned then the importance of receiving cash and then having that cash in your pocket to go out and spend in your local supermarkets and your local restaurants and your local businesses. That is hugely important for towns and communities, and I think we have struggled to recognise that maybe.

205 So perhaps from a positive side, if there is a positive side to COVID-19, it highlights the fact that we do need to ... We *will* spend more money in our community, we will spend more time in our community and the Post Office can help stimulate that and stimulate the local economies.

210 **The Chairman:** Thank you for that; and thank you, Jason, for making that point.

Q6. The Clerk: I just want to say that the other acronym was DOI, I think – the Department of Infrastructure.

215 **Mrs Palmer:** Yes, sorry, the Department of Infrastructure, and that is a licensing contract.

220 So at the moment the other work that we do is in relation to vehicle licensing and registration work, as well as driving licences. That is something we have discussed over a long time as to whether it will become all online. Again, I have been fairly vocal about that in the past because I think we should not follow suit of the UK for the sake of one single Department making a decision that may bring it some savings, when actually if you look at it wider or across a Department as a whole it would have far-reaching ramifications.

225 In the UK that is certainly the case and we discussed that when we came with the NFSP, and the sheer size of the loss that they have made in an attempt to put it online and get rid of physical disks, they have ended up creating what is regarded as a failure because of the losses that it has resulted in.

Q7. The Chairman: Thank you.

230 I would like to go back to my opening remarks a little bit when I was talking about how Tynwald pushed back on to the Post Office the responsibility of 'fixing' things, and you may or may not have listened to exchanges between Members on the floor of Tynwald and the Chairman of the Post Office where, quite rightly, she was doing her best to present the

operational response to Tynwald's requirements. She also, quite rightly, addressed the issue, yes; but with regard to services that would sit within the Social Security side of issues *et al* Government has a responsibility.

235 The Committee struggled with that because it seems to us that there is an imbalance there
somewhere. If the Post Office has got to deliver viability and, quite rightly, focuses on the Mails
services, and we respect that absolutely, but then is trying to reach out to Government to get a
response on the other side. We struggled with that and we are migrating towards the concept
that maybe we need to see the two parts of the Post Office more clearly defined, as I described
at the beginning. We are starting to explore the concept of the sub-post offices as being
240 somewhat removed from Isle of Man Post, and perhaps sitting in a frame of being, shall we say –
I know I am throwing an awful lot at you, so forgive me – a social enterprise; and perhaps, as it
were, arranging contracts with Government Departments itself as an organisation.

So either refuse to answer the question now because it is too complicated, or tell me that
you will write to the Committee afterwards with your thoughts on it. But do you see any mileage
245 in establishing more coherence with the two component parts of the Post Office, with particular
specific regard to being able to build up direct contracts with elements of Government, between
a body representing the sub-post offices and the various components of Government?

If not in detail, just in principle, would you give us your knee-jerk reaction to that question –
if you can!

250

Mrs Palmer: My immediate thoughts are that there is an intrinsic link between the network
and the Post Office. I think there are things that would need to be worked through because
immediately I think of things like equipment and everything is tied-in together, so I think that is
quite tricky and would need some thought.

255 I am attracted to the idea of contracting directly and the reason for that is I think at the
moment the negotiation is directly between the Post Office Board and the Government
Departments, but the network actually carries out the work. So perhaps as a bit of a control
freak maybe – or an accountant, I do not know – I struggle with that because I do not have a
seat at the table. I am not really able to understand the workings of the contract and it is just the
260 way that it is.

How we get paid and remunerated for that is something that has been set in stone for a long
time and generally does not change. That is one of the reasons why I think the network is
challenged in how it is running its business, and financially challenged, because you have to
increase volume to increase income – and that is across the board. So being able to retain good
265 staff and being able to invest in the buildings – and that becomes harder and harder because
your income is static but your costs are rising.

So that is one side and I personally would value being able to discuss things more directly,
whether that is three parties or two parties, or however it works; but I am not sure how that
would work because a lot of the network is individual businesses. You would not be able to
270 contract with every individual business, so you would need to have some kind of –

Q8. The Chairman: Well, I am going to be very mean and ask you if you would give it more
thought because I have thrown a hell of a lot out at you, and if you will write to us on that ... ?

275 **Mrs Palmer:** Yes.

Q9. The Chairman: The two questions then are: how you imagine it might work in practice;
and how the links would have to be established to ensure that the intimate relationship
between the two component parts worked successfully.

280 You will, I am sure, understand that the Committee is looking at the development of the two
component parts in the UK – the separation of mail from the sub-post offices – and also how the
Irish are doing it as well. So perhaps I might encourage you to look at the advantages and

disadvantages, if you have got the time, of how those systems are working and how in response to our questions it might possibly work here. But we are particularly interested in how quick the interaction between the two would work at a practical level but also at a higher board level approach. So if you would be kind enough to give us your thoughts on that I would be most grateful.

Mrs Palmer: Yes. I think what is important there is that we have talked about the Government services we provide. But if you looked at how our income is broken down you have got your Government contracts, you have got your effective community pay and you have got more the commercial side – the banking contracts – but then you have got mail as well. I am not sure that the mail side has been explored really in the strategy or in Tynwald, but there has been focus on the Government contracts because they are the ones that are under threat.

So my head is saying I would need to think, just from my personal perspective, how all of that works; because at the moment, as I say, you are there as a counter and the collection of mail and the services we provide are intrinsic, and the equipment that we use to deliver the Government contracts – everything. So I think there are a few things to think through as to how that would practically –

Q10. The Chairman: Well, if you have got any thoughts on that ...

Because of course on the other side of the issue the Committee is looking very closely at the whole issue of exclusive privilege and how that would enable the Isle of Man Mails service to be as viable as it possibly could be. So perhaps we might understand incoming mails and parcels quite quickly, I am not sure we yet quite understand how parcels are going the other way out. I do not know if you can give us some advice on that, but that would be helpful from the sub-post office perspective.

Could you comment on that now?

Mrs Palmer: Yes. I think the biggest difference in opinion between the Post Office Board and the network has potentially come over the use of kiosks, and also the public I suppose when we look at Ballasalla and the reaction to having the kiosk. I think what that has done is highlight what we can do at a counter that you cannot do at a kiosk.

Actually, somebody made a comment to me the last day – and this is an aside, just as I remember – about the potential of COVID-19 again with everything, and the fact that nobody will want to touch a kiosk at the moment because you do not know who has touched it beforehand. The whole sanitisation of that becomes an issue when it is automation, which is a really interesting point, actually.

The Chairman: Can I just let Tim come in?

Q11. Mr Baker: Could I ask, just from a practical point of view, who is responsible for sanitising that equipment?

Mrs Palmer: I presume whoever hosts it.

Q12. Mr Baker: So that would be a retailer or a garage, or – ?

Mrs Palmer: Wherever it is, yes.

It is not something I would even have considered but as I say somebody said – (**The Chairman:** Neither would I!) No. And I suppose it is all this talk about hard, shiny surfaces and all the rest of it, and people would just say that they do not know who has touched it beforehand.

335 But prior to that issue in itself, for me this fundamental difference between the kiosk and the
services it can provide and the services we provide on the counter, there are a number of things,
I think. We do a lot of training all the time about the contents of parcels, so 'Safe to Fly'; then
there are all the different services and from that I mean special delivery, recorded delivery,
international tracked and signed, etc. They all have different price bands, they have different
limitations depending on weight and contents, and we have to label all the parcels and
340 everything appropriately.

I suppose a couple of things come to mind: one is Brexit, if it now is even relevant, because
global society may look somewhat different; but we have to do that because you could not
expect a member of the public to have the amount of knowledge that is required to label them,
to question the contents and to price them correctly. So I think there are a number of issues
345 around mail out and I suppose whether that is from delivering it through a kiosk or delivering it
separate to us. So if you were splitting that, that would concern me, because I think that is an
important rule of the network for us and for the Post Office, and that training is important.

So I think parcel collection is easier to have somebody else not trained to deliver that service,
but I am not sure that mail out of the Island is in the same position for the reasons I am
350 outlining. And it is just off the top of my head, so there may be other thoughts ...

Q13. The Chairman: Thank you very much.

You will appreciate that there has been – and this is a broad point that I am going to make
and then I will come down to the specifics of today's engagement – and that is that one of the
355 marked changes in this particular House has been the movement of Government away from
siloes operation delivery at a strategic level, up to one where Government as a whole ...

I am famous for talking about this subject, so forgive me – that strategic matters are dealt
with at a higher level, effectively. We have seen it with the Steam Packet purchase; we have
seen it with Health; we have seen it with the climate change issue; and we are now seeing it
360 with Education, where the independent review has been moved away from the Department.

What the Committee is concerned about is that we effectively threw a strategic matter at the
Post Office and expected them to do everything, and so they rightly came back with an
operational strategy for the Post Office. Our duty, as a Committee, in submitting our thoughts to
Tynwald for onward consideration by the executive, is that we have to think at a higher strategic
365 level. We are concerned about protecting the mail service as a strategic facility in terms of the
importance of the Sorting Office, *et al*.

But we are also concerned about, for example, cash handling; and what has come to forceful
attention with regard to the Committee has been what has happened in Sweden. The migration
was enthusiastically and very determinedly to go digital and it pursued that faster than anybody
370 else and is known to be about 10 years ahead of everybody else. Then they suddenly had a heart
attack a few months ago, or whatever it was, when they realised that actually they had made
their whole society capable of being subject to cyber-attacks, and that actually what they had to
do was to be sure to make a protective shield around the unseen but relevant, or real, existence
of cash infrastructure – the concept of being able to handle cash, and whatever.

375 So we have got that report from the FSA – it is called Access to Cash – and if you get a chance
to read it, that would be interesting. One of the issues we will be considering is that as we
migrate more and more to a digital service we will be examining how we might want to identify
the sub-post office network as the unseen infrastructure for continued cash handling, because if
we lose it completely it is now deemed in strategic terms to be the wrong thing.

380 Now, I know you touched earlier on the issue of banking and cash handling. How long is it
since the Post Office ran the Post Office Savings Bank?

Mrs Palmer: I have been involved for eight years and it was finished then. So I do not know
the answer to that – some time ago.

385 Certainly over the years there are always questions linked into Premium Bonds, and all the
rest of it. There are a number of things that the Post Office used to do that they no longer do –
Premium Bonds are online and we have not had a savings account for at least the eight years I
390 have been involved. But it was always seen as a safe brand and so particularly I suppose when
interest rates fell, even though you may not be getting the best interest rate, your money is
secure; and when there were lots of issues over deposits, I think that is the sort of thing where
the public see the Post Office as a safe pair of hands to put their money into. It is also an ideal
place for children’s savings accounts and encouraging the savings culture rather than the ‘beep-
beep spend’ culture, in my view.

I think that is an interesting point and I think when the Post Office introduced a cash
395 transmission service last year that was as a result of what was going to be a problem again for a
lot of our cash-based businesses, and it highlighted the importance of what the Post Office does
and how it stimulates the flow of cash. So that was around when Santander were pulling out.
We had a large customer who has a number of outlets on the Island and who used the Post
Office to bank their cash and to receive change; and, with the withdrawal of that, you had
400 businesses that would have been building up cash that had no way to get them deposited, and
banks who did not want to deposit that cash. But what is more interesting is that cash comes
into us in that form and then we redistribute it back out in the form of pensions and benefits.

So the role of the counters in the flow of cash in our communities and society is massively
405 important because either that or you get risk – you have got cash moving around the Island, and
insurance will not allow that to happen. But you have also got banks not wanting cash so this
facilitates cash coming in and cash coming out. Certainly the post offices I run are nearly self-
sufficient, they are not quite at the moment, but there is not that need to order a lot of cash in
to satisfy the payment of cash and benefits because of what you are receiving.

Now, if you could encourage more businesses to bank with us, which is what the UK have
410 done, then that flow of cash becomes even more – (**The Chairman:** Significant.) Yes.

I think the NFSP, when Calum was here previously, provided a link to a banking framework
and I think it did pass that on the last time, and that banking framework basically allows access
to virtually every high street bank through a system. So you come into the Post Office and you
have a card, but I do not know how that links with pensions ...

415 So then I suppose even if you had your pension paid into a bank account you withdraw it at
the post office through a terminal that accesses all bank accounts. If we look at our villages that
do not have a bank branch any more or only have one ATM or whatever, then you could have a
post office counter that could provide access to whatever bank account they had.

420 **The Chairman:** Right, thank you for that.

I am hogging this, and I am sorry. Tim, over to you first. I am sorry.

Q14. Mr Baker: Just as I listened to you there, Mrs Palmer, the sense I got was that the Post
Office potentially could step in to a situation of what I would term ‘market failure’. I interpret
425 what you are saying there is that the banks have done two things in their pursuit of commercial
outcomes for themselves as privately owned businesses. The first is they have withdrawn
services which have value to some customers – perhaps not the mainstream customers, but
certainly businesses that are handling cash. So they have withdrawn services and left a gap
there.

430 Secondly, they have physically withdrawn. So they have become more and more centralised
and we have seen it in recent months with branches closing in areas outside Douglas, and that
has been a trend for quite some time. So essentially there are two aspects there, both
withdrawal of services and physical centralisation, which leave a huge gap – and particularly in
my own constituency which is over 35% of the physical area of the Isle of Man and obviously
435 very sparsely populated. That is acutely evident but what that effectively leaves is that people

are disenfranchised and they tend, in my view, to be the most vulnerable, particularly those who need the discipline of something to help them control their finances.

So if you are on a limited budget, if you have got cash, when it is gone it is gone. If it is just a number on a computer in cyberspace somewhere, frankly, where is the discipline around that?

440 I am interpreting what you are saying there is that the market left to itself creates voids and the Post Office, potentially – whether it is a social enterprise or a statutory board as it is at the moment, or whether it is actually any other form of publicly owned entity – stepping in to address that market fairly, which is a legitimate role of Government.

445 **Mrs Palmer:** I think that goes back to what I was saying before about the vulnerable and our relationships, the people who come weekly to collect cash, and whether that be child benefit or it is Income Support or it is Jobseeker's Allowance, it is done in a way where it is weekly or twice-weekly.

450 I think for some of our members of society, if you put that into a bank account it gets lost with everything else and it disappears into perhaps an overdraft or weekly expenses. But being able to give them cash means there is cash there for school dinners and weekly spend, and I think that is hugely important and completely supports what you are saying, that in a way providing that money week-to-week provides a structure and a mechanism to control the spending.

455

The Chairman: Jason, you wanted to come in?

Q15. Mr Moorhouse: Thank you very much.

460 I have been waiting to go back to your first question where you actually made reference to the Post Office across and subsequently reference was made to Ireland. If you could cherry pick, what type of things do you think we should be getting hold of and incorporating into the sub-post offices to really make them viable? If you could wave the magic wand and had the money and the power, which road should we be going down and saying these are the things that potentially could increase the footfall – which you made reference to as being really important – and allow you to have a really viable business?

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Mrs Palmer: I think retaining the Government services that we have currently got is hugely important. So back to the pensions and benefits. That is a lot of footfall and it is spread over a week. So we have got to look at it not just being one day a week that we are busy, it is important to encourage people and that is what that system does. On different days people collect different pensions or benefits, and that works quite well.

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475 It would be, again, the licensing and that is more on a monthly basis rather than weekly, but obviously there is still quite a flow of change of vehicles. I think actually there is more to the registration work than meets the eye and I have argued this a lot – I do not know that it would be as easy to put online as we perhaps think. I think it could be quite complicated with the moving of numbers and all the rest of it.

480

485 So perhaps the most obvious thing that we would lose would be the automatic tax discs, but I do feel that the loss of tax discs is tied into going down the same route as the UK and not displaying UK tax discs, and paying in a different way. That would be a big hit to the Post Office so I would want to try and look at that again to make sure it is the right thing for the Island. We are a small Island – economies of scale – and I am not sure that we already have a huge amount of lost revenue, that it is worth putting in something similar to the UK? As I said, they put it in to try and save money and it ended up costing them money. A lot of that is to do with the fact they changed the payment process from 12 months or six months, to direct debit. So you had an immediate hit where you were receiving a monthly amount instead of an annual amount. So it is clawing back but it is still in a loss position.

490 If you had asked me a few days ago I would have said banking without a doubt, because that has been a big success for the UK and it is the thing I am most familiar with in the UK. I have to admit there is so much going on in life that I have not got a hugely detailed knowledge about Ireland or the UK and the differences, and it is certainly something I am going to have to go and look at now, to answer some of your questions! But I mean, again, I can probably get access to some UK-based information through the NFSP and I think that could prove quite helpful.

495 But the banking free market is something I am familiar with because when Calum was over last, as Chair of the NFSP, we discussed in some detail how the banking framework works. For me, that is hugely attractive because it would not just bring in your pension and benefit customers it would bring in a community that needs access to cash ... I had an ATM on the wall in Peel, and if it is out of order we are down to one ATM for the whole town of Peel, and it empties very quickly and then there is no access.

500 So we find ourselves doing cashback, or for anybody that is a Barclays personal customer we can access cash, but we cannot for anybody else. So if you could take the personal banking that we do for Barclays and spread it across all of the personal banking, you would suddenly have a huge flow of people and footfall that you would not have had.

I caveat it because I sort of link the banking to the savings accounts and all of that, and that is a tricky area I think in a position where interest rates are virtually zero.

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Q16. Mr Moorhouse: I think you are right, but at the same time people want security. I think what the brand has got to offer and the backing of the Government would enable you to have a basic savings scheme, even at a low interest rate, that people could feel safe with.

510 In 2009 there was the issue with Northern Rock, and at the moment it is affecting the way the economy and banks could be affected again, so potentially to have that secure place to put your money is more important than the return.

515 **Mrs Palmer:** I think the need for a savings scheme, I can back that up – we sell £5 saving stamps and you put them on a card and you collect the card up to the value of £100. There is no return on it whatsoever because it is just a piece of paper, but you save them up and then they can be cashed in just for cash or to pay bills. That is hugely popular and growing because people use it as ... It is very similar to how you would have a savings account, and there is no return on that.

520 **Q17. Mr Moorhouse:** Is that administered through the post office, yourself?

Mrs Palmer: Yes.

525 **Mr Moorhouse:** Brilliant. Thank you.

Q18. Mr Baker: Can I just ask on that? Is it a particular sector of your customer base that uses that sort of product?

530 **Mrs Palmer:** Well, I would have said before that it was more pensioners that would do, because they are a generation where they like to make sure they can pay their bills as soon as they come in. They would save weekly – they would collect their pension and they would buy a couple of savings stamps, and they would not really miss it when we are handing out the weekly amount.

535 However, we have a *hugely* growing younger generation that do it for a number of things as well. They do it to save for their holidays or they are saving it for various events or things that are coming up. So I would say that that is across the population now and not just necessarily ...

Q19. Mr Baker: For clarity, when you say ‘younger generation’, do you mean young adults or children and teenagers?

540 **Mrs Palmer:** Young adults.
I think it is a harder push to get teenagers involved.

Q20. Mr Baker: But that is all about education and nurturing those habits.
I know when I was young it was the normal thing to open a building society account and even
545 as a child I was saving up for something – it was a car and then it was a house. I am not sure
what sort of a car or house I was going to get with the amount of savings I had, but that savings
culture was ingrained. Okay, I was brought up in Yorkshire so that perhaps may have resonated
as well, but we have lost a lot of that infrastructure. It was the building societies and it was the
post office.

550 **Mrs Palmer:** There was your pay-in book, I had one as well!
I just think there is something about watching it grow, isn’t there, with the little stamps in the
book and all the rest of it. But I agree that it is lost, and I think not only is it lost but we are
teaching our society that you can just tap a card and you do not physically think about how
555 much you are spending, and it is not until a week or 10 days later that you look at your bank
account and think, ‘Oh, I’ve spent x amount’ – particularly because there is a delay in that going
off your account.

So I think there are two sides here: it teaches us savings and it also maybe discourages some
of this ‘ping ping’.

560 **Q21. Mr Baker:** I think also there has been, for many years, very much an easy credit, ‘Have it
now, worry about it later’ sort of culture. And I think one of the things that we will see going
forward – this is a personal view and I cannot prove it – but I think we will see people taking
much more of a back-to-basics approach to life. Actually some of these things that we have lost
565 will be recognised: whether it is localism, whether it is the quality of food that people eat or
whether it is actually, as Minister Cannan said, supporting your neighbours and businesses in
your community; or whether it is people’s travel habits ... Everything is going to change and we
have to be intentional about trying to position the things that we can influence.

570 **Mrs Palmer:** I could not agree more with that. I do think that with teenagers, everything is
disposable. They expect that they can just hop on a plane and go wherever, at any moment in
time; and also the same outfit is never worn twice, so fashion and clothing, and the amount of
money that is spent and how it is spent, clothing has effectively become disposable. I think that
will change dramatically.

575 So I do agree with you.

Q22. Mr Baker: And that is not just the obvious COVID-19 thing, but that is the whole climate
agenda. I actually think it is far wider than the teenagers, and in fact I think actually many of our
young people are very much more switched on to these sustainability issues – (**Mrs Palmer:**
580 Possibly, yes, I do not mean to ...) than some of the rest of us.

But the world is changing, and it is changing rapidly; and what we have to do is preserve the
things that have value and repurpose them.

Q23. The Chairman: Well, what I did, because I have to declare an interest here, I think I have
585 still got a little old blue post office savings book at the bottom of my man drawer – (*Laughter*)
I have admitted it, yes, it is true!

Can we move on yet? Okay.

I do not want to dwell too long on the MiCard because, firstly, I am *incredibly* prejudiced towards supporting it, as somebody who was involved in its implementation in the first instance; and secondly, because we are imminently awaiting a report from Noel Quinn of Escher, who is going to provide us with a written document to show what the MiCard can achieve and how it can be expanded and become a very significant player. At least that is the form of the report that we are anticipating and I hope I am not proved to be wrong.

We are also seeking out evidence from Departments about how many cards are actually in issue round the Isle of Man at the present time in a whole guise of different forms and ways, and whether significant consolidation under a trusted Post Office card, or an app, or whatever it ultimately becomes, can work.

But would you like to take the opportunity to make a few comments about the MiCard from your perspective?

Mrs Palmer: I think it is much more the domain at the moment of the Post Office; they created the MiCard wheels that the NFSP shared with you, (**The Chairman:** They did, yes.) which I have to say when Calum from the NFSP in the UK saw it he thought it was a great idea, a *really* valued idea. And it definitely fits in with what I was saying about starting with the services we provide, but then being able to expand it.

I see things like, if I think about my customer base, I have somebody coming in to collect child benefit, then I would like to be able to have a card where they could collect the child benefit, top up a bus card, top up a school dinner card and then leave. It links the use of that money and what it is being used for and it is a one-stop shop.

I listened with interest, actually – I do not know if it was this morning or yesterday – because all of the Heritage sites are closing down, they took the paper bus tickets off the Post Office about four or five years ago to create a plastic card but we were not given the opportunity to continue to provide that. So now in Peel, for example, with the House of Manannan closing down, there is nowhere to get a bus ticket. (**The Chairman:** Oh, right.)

So it is demonstrating again that even if we were just a back-up – I think there are some services that we did that we could have back, that did not seem to be hugely significant financially for us, but they add to the footfall and they start to fit in with this MiCard wheel. I suppose the concern I have got is that the Post Office has tried that, they have gone to a number of Departments who have got their own card and therefore they want to promote their own card and not necessarily change over to a different card. The only thing that may change that is if there is this overview of Government and the less-siloed effect, which is music to my ears, that if we could have that approach then again I think there are savings to be had within Departments by putting it altogether.

I do think it is something that is definitely worth exploring. I think it is clever technology and it is better than most of the – well, okay, I cannot say that for definite, but the other Government cards seem to be just a plastic card as opposed to a smartcard, whereas MiCard has got potential to do smarter things than maybe some of the others that have been issued.

Q24. The Chairman: Yes, absolutely. I absolutely will *not* disagree with what you have just said. But I think one of the other areas we are examining is the concept of a card, not just being something which is linked to expenditure, but actually has the capacity to be a source of revenue stream insofar as the Island has struggled for some time now with the concept of what means testing is and how it can be applied.

We are hopeful that we can deliberate on Noel Quinn's report with regard to the MiCard being a source of revenue and means testing, which in turn would make application of cost to our more vulnerable elements of society much more sensitive. So we are hopeful there, and it might just break this barrier that we have had about talking about means testing and not getting anywhere with it. So it will be interesting to examine that further.

Had you concluded your remarks on the MiCard there?

640 **Mrs Palmer:** I think so, yes.

Q25. The Chairman: Okay, fine.

Just back to the cash issue, and perhaps it is not a particularly contemporary issue right *now*, and the whole idea of holidays abroad – ha, ha, what were they? And that is: could you talk to us about, because I am not clear, forgive me, how foreign exchange works with regard to the sub-post offices?

Could you just walk us through that, please, Mary?

650 **Mrs Palmer:** There are a number of ways to order foreign exchange, you can do it online, you can order it at any post office counter and have it delivered to that post office counter for collection. And then there are a number of offices that operate Forex bureau-style, those ones hold euros and dollars but would order in any other currency, but they have a more formal system and they can buy back currency from the public as well – so an expansion of the services that the other counters do, that you can just deliver.

655 **Q26. The Chairman:** Is it popular?

Mrs Palmer: Of the two offices that I run, it is more popular in Peel, but I suppose that is a population thing. It has proven very popular, yes.

660 **Q27. The Chairman:** Would you know what the turnover on that is?

Mrs Palmer: Not specifically, we get paid on a commission-type basis for that as well, so that is all centrally organised and operated by the Post Office.

665 **Q28. The Chairman:** What do you mean commission? How does that work?

Mrs Palmer: Similar to our other transactions, what we do is we just get paid an amount per transaction for carrying out the transaction.

670 **Q29. The Chairman:** That is not commission. You do not get paid related to the volume of cash, but just the number of transactions?

Mrs Palmer: Some of the transaction pays are volume related and some of them are cash value. We became a bureau but the system did not change, so I would have to go back and look at it. I am not 100% sure whether I get a value percentage on that as well.
I am not sure.

680 **Q30. The Chairman:** Would you do that for us, please, and then would you write to Jonathan with that?

Again, I am ignorant on this, but how many sub-post offices operate that facility? It is quite sophisticated, really. But how many do it?

685 **Mrs Palmer:** I think it is four or five who do it.

Q31. The Chairman: Four or five?

Mrs Palmer: Yes.

690 **Q32. The Chairman:** And they are where, please?

Mrs Palmer: Peel, Laxey, Douglas, Ramsey, Port Erin – I think.

Q33. The Chairman: So they are spread across the Island? (**Mrs Palmer:** Yes.) Oh, that is interesting.

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Mrs Palmer: I am a chartered accountant, so I have to say when I took over Peel I had it in my business plan because I could see the potential for it, particularly on the buyback side where you can make a bit more money.

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Q34. The Chairman: Oh, is that where the money is? I see, it is the money coming back in that people just want to get some cash? I get it, yes.

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Mrs Palmer: So it is successful, and the Isle of Man Bank for a little while was offering a service in Peel but they used to only do it over TT. But because the post office has now become the place to go and the word has spread, they do not do it any more – so we have been successful in competing against them and delivering.

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Q35. The Chairman: Obviously one of the things we have – and particularly with regard to Tim’s constituency and to some extent Jason’s – is the concept of senior sub-post offices and other services. It is one that we are struggling with – this concept of what we describe as ‘hub and spoke’ – and how that is going to happen, if we move into the model we are starting to favour.

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Have you got any thoughts on that? It is a difficult area but we have to focus on it. But the presumption is that we cannot have *all* the sub-post offices that we have got at the current level and that there may have to be senior and junior facilities; and it is understanding the interaction between the junior, simpler facility and the more sophisticated regional sub-post office. Any comments?

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Mrs Palmer: It has been discussed before and as part of the NFSP we have had brief discussions with the Post Office about the potential for that as well. I do not know where they got to in deciding whether that was something that could work or not. I do think that you have that concept in other jurisdictions, but again I would not be familiar with what jurisdictions.

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I think the concept would work because I think different communities have different needs and I suppose that is where we are going back to again – going back to this focus on local. But not every community is the same.

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I think it could work but it needs more information and understanding of what the existing post offices do in each community. I think Ballasalla maybe is a good reference point because it would be about gathering information to understand what specific service is used more. Maybe I could use Laxey as an example: it is an affluent town and therefore there is more demand for things like parcel returns, a lot of online shopping. So on a Friday all the parcels come in and then over the weekend things get tried on and deciding if they are keeping them (*Interjection by the Chairman*) and everything goes back again on a Monday!

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The Chairman: Wash my mouth out with soap, sorry!

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Mrs Palmer: So I think that might look different in different post offices. The same with, I suppose, looking at demand for pensions or certain benefits.

I think if you were doing a hub and spoke it would be fairly obvious where you would put hubs, just based on how everything is working and the size of the sub-post offices. But from a spoke perspective I think you would need to consider the communities and what they needed and you would have to do some further work around that.

I think what is quite interesting actually, and this is a completely separate comment, but again from Laxey's perspective I was involved with the DED, who are doing some rebranding –

745 **Q36. The Chairman:** Sorry?

Mrs Palmer: The Department of Economic Development –

The Chairman: Oh, DED, yes – the Department for Enterprise.

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Mrs Palmer: Oh, is it? Sorry, I always call it the wrong thing!

They are doing a project, of which I am sure you are aware, around eight towns and villages where they are rebranding those towns and villages. It is focused around tourism but when I saw what they were doing and the money they are investing and how they are trying to draw out unique features, one of the things that we talked about was all the services.

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You asked me the question about what would increase footfall and a while ago I took on a tourist stand in Peel to see if I could get more people coming in to get tourist leaflets, which would give me a flow during the summer. It does work, and it does not work, mainly because I probably do not put as much time into as it should.

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But the thought process, when I was listening to the development of the towns, was that when you are a sub-postmaster in a local village or town you know what is going on so you know what events are happening. Obviously you know where the buses are and how to get them to the Laxey Wheel, for example, or down to the mines, or down to the beach, or local businesses that people are coming in to. It felt like – and I think Garff mentioned this as well – they were being encouraged to boost their economy on one hand and develop an identity for Laxey, but they were worried that if that then happened and the post office closes because of financial pressures and Government contracts going, that you are feeding in with one hand and taking out with the other. And actually the industry and the people and the visitors that we are trying to attract would need the facilities that the Post Office can offer, particularly if we are talking about the banking and the facilities for cash and all the rest of it. And Forex even, for that matter, depending on ...

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Now, obviously we are not going to have that this year but it is a good example, and with those eight towns and villages I thought potentially there could be some form of alignment with understanding what they are trying to do, and encourage those I think – do they all have facilities, do they all have bank accounts? I do not know exactly which eight; I just went along to the Laxey one but it was interesting.

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The Chairman: Thank you.

Do you want to come in on that one?

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Q37. Mr Baker: Yes, thank you, Chris.

As you mentioned, Mrs Palmer, where you were referencing the tourists, it is almost that the sub-post office could be branded as the go-to place in any community for visitors. In some sense we have the concept around the Sea Terminal with the Welcome Centre where, my understanding is, that is intended to be the go-to point for visitors and locals, and that is obviously a publicly funded thing that must have a significant, or certainly a fair amount of cost around it and it is providing a service to both visitors and locals. It sounds as though the sub-post offices are effectively doing that in a slightly more *ad hoc* manner, but effectively unremunerated, and that could be seen as part of the package of services they provided in exchange for some form of payment.

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So that was one thought, and the second was just around the hub-and-spoke model. I am very familiar with that in other business contexts and what I would see is very much the spokes being supported by the hub. And again, potentially, if there is value being created then that

795 could and should be remunerated because if you do not do that, I think collectively there is a
less good outcome than could possibly be achieved. The only way you would get around that, if
you did not make some sort of remuneration between the two, would be to have them all under
common ownership – but that is putting barriers in the way and it might be that, in my own
area, somebody just wanted to run the Jurby post office and needed support from the Ramsey
post office owned by a company or an individual, completely separate.

800 We need to create the circumstances whereby they work together for the best collective
outcome for the people of the Isle of Man and some sort of service framework or governance
arrangement around that I think would need to be there.

Mrs Palmer: I think the affinity with that at the moment, then, is community pay. We have a
805 community support payment that is a historic thing. I do not have much information about how
it all came about but certainly related to the type of work you do and where you do that work. I
think the UK does have a concept where it separates them, whether you are a community post
office or you are in a busier area. So obviously larger towns, by the nature of it, should have
more volume and should have a more varied element of transactions, and the likes of some of
810 the more community ones would maybe have less and would become more, as you have talked
about, just a community hub Government service-type.

So I suppose it would depend on how you looked at how, or if, those Government
Departments remunerated for those services; or if you could do an additional payment. I think
the aim would be to make these commercial, they are all private businesses so they are
815 commercial enterprises as they stand. If the footfall is there and the work can grow and there is
a difference – so tourism being an example of a different aim for some of them, because it is
services provided and they do all do that – you would end up having a growth in revenue that
actually you may not need the same sort of ...

I think it would need support initially but you could build up, if we could expand and grow
820 and introduce different services and, like the banking framework, eventually you could have
something that could operate on a –

Q38. The Chairman: Could I just interrupt for a second, Tim, before your next question?
So where does that community payment come from in the UK. Do you know, Mary?

825 **Mrs Palmer:** I presume that it is the Post Office.

I presume it is similar to what we have here, that it is just part of our monthly ... You get a set
amount which is your community pay and then the rest of your income comes from the type and
the volume of transactions that you carry out.

830 **The Chairman:** Sorry, Tim.

Q39. Mr Baker: If one was to have visibility of all the community support payments across
the different post offices on the Island at the moment, would there be any obvious methodology
835 behind what they are? Or would it simply be that that, as dated, since this particular date, and it
was agreed at a point in time, and there is absolutely no clear science behind it?

Mrs Palmer: No, I think there was a methodology applied. There was a calibration, but it was
before my time so I do not quite know. On a high level I think there used to be paperwork that
840 was done based on the number of transactions and the community payment was assessed
behind each month depending on how many transactions. So there were calculations that had
to be done all the time to work out how much payment you would get.

I think at one point rather than having to do this monthly process, which was fairly onerous,
that there were criteria set based on transactions at that point in time as to who should then get
845 paid what. I suppose the problem with that is, however many years down the line, that has not

since been recalibrated and things have changed and moved on. I think that is the case, to be honest, not just for community pay, it is a case for probably the Government contracts and for the commercial contracts.

850 In my view, just as a business person, everything needs to be looked at with fresh eyes and looked at with knowledge that things are done differently – communities are run differently, they have different needs, public needs are different; and the time that it takes. There is a lot of compliance now that there was not, even when I started – whether that is GDPR, or it is money-laundering, or it is filling in forms if they deposit a certain amount of money. For me on the Forex there is a lot of time taken to order the money, reconcile the money every night and
855 report in the system. None of that really has evolved with what we are paid.

Q40. Mr Baker: So that is the payment side and the other side of it is, I would assume, your service obligation. So you are effectively getting a payment of an amount which is historically based and against that you are responsible for delivering something, which presumably is in
860 terms of operating from particular premises, certain hours of operation, perhaps certain dedicated resources – I do not know. But those two things have to marry otherwise it is not viable.

I would assume that there is a fairly high fixed-cost element that needs to be covered. Certainly, I spent 11 years in the retail sector and whether you have got zero revenue coming
865 through in a week or you have got £20,000 coming through in a week there is a basic fixed cost of actually being open – your rent, your rates, your utilities, somebody on the till, somebody bringing goods out and putting them on the shelves. Those are driven by how many people you need and how many hours you have to be open, and of course the rates of pay that you are required to pay. (*Mrs Palmer:* Absolutely.)

870 You will be very familiar with how that has moved in the last few years on the Isle of Man. So is there anything you could enlighten us on, as complete outsiders, in terms of how that other side of the equation works?

Mrs Palmer: Well, I think it does not work any more, and that is partly why we are looking at
875 sub-postmasters within the network who are struggling. You could align it to any business but if you have got static income and rising costs, for me over an eight-year period, then you have to find ways of getting income. So I have diversified sources of income – I run a holiday let, I have a retail outlet and I run the counter – but I think the problems it creates, because obviously you have got bills continually increasing and rates have increased significantly, and my income can
880 only increase if I can attract more people. So transactions have to go up, because the transaction rate is static and the community pay is static.

It is very difficult to increase income from the Post Office side of things – it is down to the shop or the holiday let, or whatever it is, to bring more money in and that money is needed for the rising bills. But it is also needed, in my view, to retain the right staff. I feel an obligation that
885 we have to present the right professional manner across the counter. It has to be somebody who is knowledgeable, it has to be somebody who is accurate and it has to be somebody who is efficient. If you do not have that then you, as a sub-postmaster, suffer from losses because if mistakes are made that is our responsibility. So if you had somebody who was not paid properly and was not sufficiently trained or you do not have enough staff on, there is additional risk.

890 I suppose that is where I was getting to before, that banking has changed and even with the Forex there is an element of risk to what we do day-to-day. I am not sure that how we get paid is commensurate with that risk and that needs to be looked at.

So I think you have got a number of businesses that are no longer financially viable, because they have had this static income but they have got an increase in costs and demands on them.
895 Staffing inevitably is an important one when you are a bigger office. You need to be able to retain those staff and if you cannot pay them the right amount you cannot retain them, and then you are in an issue of staff turnover because they will not stay.

900 So it does become very much about loyalty and, to be honest, an enjoyment of the job. I am very fortunate with staff; they genuinely have an interest in serving the community and looking after the people. They get attached and therefore they stay, even though it would be nice to be able to pay them a bit more.

The Chairman: If I may just come in for a second, Jason? (**Mr Moorhouse:** Yes.)

905 This increasing complexity and need to find new revenue streams does increasingly suggest that we have got to rethink how a community payment would be made and where from, and also the reporting lines. I think we are going to have to address that quite carefully.

Jason, I am sorry.

910 **Q41. Mr Moorhouse:** Just thinking back to the payments you receive, you have the community payment that has been fixed and you get the transactions payment as well.

Given the change over the past eight years, presumably the transaction payment will have also fallen. If that is, or is not the case, is there a third payment in terms of supporting the business, or is there just those two?

915 **Mrs Palmer:** There is no third payment.

Any additional revenue I generate is from private business working alongside the post office counter, so the model from my perspective is that if you have a post office you attract footfall and if you have the right products in the shop they will spend money when they are there at the same time. So they are quite intrinsic again – your retail to your post office counter, and they all do different things.

920 The UK has done lots of different things and a lot of the successful ones run cafes and things, so there are different ways to do it. For me, I am fortunate that the building has a flat so we have been able to turn it into a holiday let which normally supports the business, but obviously this year is going to be difficult. But you are increasingly relying on getting income from additional sources outside of the basic transactions and the community pay that we receive.

925 You are right about transactions. We have lost quite a lot of different areas of business over the years, so that obviously impacts your transaction pay – things like a fall-off of MiCard customers affects transaction pay. That takes me back to when we talked about COVID-19, the immediate threat we have is that week-by-week transactions will be reducing and therefore transaction pay will be reducing because you have not got as many people coming to the counter because of the threat of the virus.

930 So you have to keep your volumes and your numbers up and it depends on the type of business you are doing. The transaction pay is designed that it is supposed to address things like more complicated transactions but they have evolved, and that is just the way it is, and it is not something that is assessed on a regular basis – and it perhaps needs to be assessed on a more regular basis.

935 I appreciate the commerciality from both sides of the business. So if we are looking at something completely different, this is relevant just to understand how we make it sustainable going forward, and how we make it something that is not just financially stable now but can grow and develop whether that be on commercial, or it is additional Government work, or whatever it is.

940 **Q42. Mr Moorhouse:** From what has been said from your side and the post office side, given there is a loss, it is suggesting that the community payment for the post office side is too large. If there is any attempt to reduce that, would that just destroy the post offices?

Is that core to your survival?

Mrs Palmer: Absolutely. I could not see what justification there would be to reduce it because it has not changed – as I say, whatever the reset button was, however many years ago.

950 If there was to be a re-addressing of it on how we should be paid, I think there are so many factors that have changed that I could not see viably how the end result would be to reduce that payment – and it would *definitely* affect the viability of postmasters going forward.

955 **Q43. Mr Moorhouse:** Proportionally, is the community payment you get significantly larger than the transaction payment? Or is it balanced?

960 **Mrs Palmer:** It changes. So as we lose services or you reduce transactions then there is more reliance on the community pay, perhaps on some of the smaller offices. I cannot speak for others, I do not know the detail of their balance, but my understanding would be that originally there would be a lot more income through transactions. But transactions are changing and reducing, and again if there is no increase in the transaction value payment and it is static, then by its very nature that is going to become of less value to you than it was.

965 So, yes, lots of things to consider, which is why the threats at the beginning and the reason the network in my view is in the position it is in, is that there is the threat of the lost income from the contracts. When you are already on such a thin balance of income and expenses any contract going, never mind a major contract like the licensing work, is the tipping point that takes you over. But equally that refers to your Mails work as well.

970 I think you would need to look at all of the post offices and look at how their income is split between all the different sectors that they do. That would help you analyse what is important to that community as well as to what spoke services perhaps, if that is what you were thinking about, that you would need.

975 **Q44. Mr Baker:** Thank you, I have got a small collection of further points and I will deal with the last one first, actually.

980 As you mentioned there, Mrs Palmer, about the other services, one of the things that came into my mind was where I have been in other parts of the British Isles where the tourist information place has a number of different services that are very useful – (**Mrs Palmer:** Yes.) for example the ability to go and book theatre tickets or cinema tickets. Surely that would be something that would actually really enhance the Isle of Man to be able to go and do that locally, to have somebody guide you through that to help you choose the seats. (**Mrs Palmer:** Yes.

985 Now, some people will want to do it over the phone and some people may want to come into Douglas to do it, but actually something like that which is a service which has value to people then that would be an area where I think we could –

Mrs Palmer: Definitely.

990 **Q45. The Chairman:** Can I interject before you reply, because obviously there is clear enthusiasm for that, I can see it in Mrs Palmer's face. But one word we have not even used this morning, and we should wash our mouths out with soap, and that is the whole issue of climate change and how consolidation of service provision in the community reduces travel miles, doesn't it? (**Mr Baker:** Yes.)

995 So I just thought I would throw that in because I thought it needed to be said at some stage!
Mrs Palmer.

1000 **Mrs Palmer:** Yes, I think from the tourism side as I say, I attempted it a few years ago, and the Post Office were involved in discussions with Tourism to get us a stand, to pay for that and to then have a way to order leaflets. We were put on the Tourism site to tell people that we were available for that information. I think it could have been more successful but I just did not, in the end, with everything that was happening, give it as much time as it perhaps required.

1005 But again when I was at the event where they are rebranding the villages and towns it focuses your mind on what there is to do in those communities, and the attractions that there are to visit and what is going on. I very much agree, that if you have got a busload of tourists – hopefully, in the future – or a tram load of tourists coming, and you are located nearby where you can suddenly enthuse about what is going on and where to visit, and give them the leaflet and offer them a bit of advice and point them in the right direction, you are stimulating a movement around the towns, which feeds the businesses and the restaurants and you are getting people to perhaps ...

1010 Now, obviously, some of these are organised tours but there are others that are not, particularly in Laxey when they are coming off the tram, and you can encourage people to go and spend money in the community and visit things that they may not otherwise have done. The same goes for Peel. I think every community has something that it is promoting, or has an event on and it is back to what we were saying about focus on community and local events. I think it fits really well what we are talking about.

1015 **Q46. Mr Baker:** And even for local residents. It always amazes me how many things go on in the Isle of Man that you find out about usually the day after they have happened! (*Mrs Palmer:* Yes.) There is no one-stop shop to say, ‘Do you know what? What is there going on in Peel this Friday?’ It might be a whist drive or it might be an open-mike night at the Creek, or whatever.

1020 Now, some people will know that intuitively, particularly those who were born and bred and have lived in the community for a long time, but others who are perhaps not as connected to the community, sat in the house perhaps on the edge of the town and not necessarily as integrated into society, might not feel that they have got that accessibility to some of these things – ‘I wouldn’t go there because I’m not part of that group’. (*Mrs Palmer:* Yes.)

1025 So I think there is some something in there and also it helps broaden the appeal for those groups which are often working for charitable purposes or community purposes.

1030 *Mrs Palmer:* I think we can also then start linking that around the Island. We used to do travel tickets and generally if you have got visitors to the Island they need advice whether they are having a day ticket or a two-day ticket, or whatever, and we used to do that service with the paper tickets and then it was removed.

1035 But if you have got visitors coming to one part of the Island and then the next day they are going elsewhere you are able to give them the travel tickets that they need and you are able to encourage them then to go and visit whatever sites are in the next village, and so it grows. So you are not just building your local community and giving advice, you are then pushing them into other communities and getting them to spend money there as well.

1040 **Q47. Mr Baker:** Okay, that was the last of my points so working back in reverse order. (**The Chairman:** And the winner is ...!) (*Laughter*)

1045 We have focused very much on the network, which obviously is your side of the business, but clearly however it is structured there are intrinsic links between the two sides. The one piece that seems to be talked about almost in isolation is parcels. Is there anything you can educate us on around that?

1045 We have seen a facility open in the Castletown area for people to come and collect parcels, yet there is a post office in Castletown and there is one in Ballasalla currently. What is really going on there? I appreciate those things might not be within your influence, because the Post Office management and board move may have gone down that path. But, to me, a parcel is just a bigger, heavier letter. I know I am simplifying but I do not get why it is that different.

1050 *Mrs Palmer:* I suppose not all of the sub-post office network has the space to facilitate a parcel collection facility. It is common in Peel, and it is a facility that has always been there,

because we have a sorting office that the Post Office uses, that we operate from the back. So we have always been a parcel collection point for the entire west of the Island.

1055 That is important from a green perspective because you are not driving into Douglas to collect your parcels. It is important from the sub-postmaster's perspective because it is footfall, so retaining or being able to have that as a new source ... You get paid for each parcel that is collected and, more importantly, it is one of the few growth areas within the network because of internet shopping.

1060 So you have got your parcels out that we talked about being important because we have the knowledge to make sure they are done properly, and if they are not done properly you have got the possibility of lost revenue and you have got administration of errors if they are mislabelled, or there are the wrong contents in them and they have to be returned. But equally for parcels coming in it is a growth area and there are higher volumes which helps counter the loss in letters, certainly from a counter's perspective. So you may be posting fewer letters out, but you
1065 have got this parcel business growing around you.

I think Peel has a fairly successful model because it has parcel collection, it does all of the services, it has the Forex bureau and I have diversified income through the shop and the flat, but not everybody in the network is in the same position. So it is finding ways to get footfall for them and increase revenues through Government services, and recognising what we do in the
1070 communities and the social value of that that is hugely important.

Q48. Mr Baker: Linking this to the previous part of the conversation around hub and spoke, you could perhaps have the hub post office which would be the one to have a parcel collection, and maybe the spokes would not necessarily have that, if they are perhaps in more remote
1075 villages or small locations. At least then, if that is on a regional basis, there is regional accessibility.

Mrs Palmer: I think a study has to be done on that, definitely. It is about the communities. As I say, in somewhere like Laxey there is a lot of parcel volume. I think it depends on the
1080 community and you may have a need for it in some but not in others.

I think that goes for all the services that we provide, and a good way to start is to look at how the revenues are generated for the existing post offices and then you would understand what services are used in the communities.

1085 **Q49. Mr Baker:** It is quite an interesting analogy from my retail days where retailers tend to talk about chains of stores and that tends to mean pretty much the same thing replicated. (**Mrs Palmer:** Yes.) Whereas a very influential colleague who I worked with actually described the business I worked in as being more of a 'necklace of individual jewels on a chain' and that they were very much bespoke to the needs of the local community in terms of the product range, the
1090 size of the stores, etc. And actually it was fine to have things that were different (**Mrs Palmer:** Different, yes.) but that had some commonality linking them together.

Mrs Palmer: I think that is hugely important and it is not just for the post office services that you are going to provide, it is the products you have in your shop. So Laxey, again, would be a
1095 good example. It is a relatively small community with not that many shops in it and what I did when I was setting that up was look at everything that was *not* in the village and try and provide products that were not already there.

So I think if you can have a retail network of post offices that deliver the postal services and the Government services that the community needs, but in addition have a retail outlet
1100 matching that that also picks up on requirements of that community, based on what is or is not already there, then you start to have a successful model.

Q50. Mr Baker: Yes, interesting. And if I could, just in case I did not describe that correctly before, the phrase was ‘a necklace of individual jewels’ and I thought that was a really helpful analogy.

1105 So my final one – and I will make it the final – **(The Chairman:** Carry on!)

Your letter, a couple of pages, Mrs Palmer, that you wrote and that was circulated with our papers – I got very much a sense of two phases of your life which I think makes you uniquely qualified to enlighten the Committee and the Isle of Man more generally, that you had very much a digitally included, professional high-end working life, if I can describe it as that? Then
1110 you took a step-change into this world of the Post Office and the community. It seems to me as though your perspective is very influenced by the contrast between those two, and your perspective has perhaps changed over time as to what is right for the Isle of Man and the people of the Isle of Man.

I would just be really interested in a sense of perspective just to, from my point of view, wrap
1115 things up on that.

Mrs Palmer: Yes, totally.

I am a chartered accountant and I worked as an accountant and then specialised in tax, for nearly 20 years. I live in Douglas, I worked in Douglas and I did not really ever have cash. I was
1120 typically what the Post Office I guess is fighting against. *(Laughter)* I did a lot of things online and I was not all that happy, as I was leaving consumerism and value, and having personal ...

It did not make me happy, so I realised that something was missing and I gave up and I did not really know what I was going to do. Again, the control freak, I wanted a bit more control about what I was going to do with my life and the post office sort of happened. I will be honest
1125 and say that when I started it I did not really appreciate exactly how hard it was going to be and how hard I work all the time! I gave up to a better work/life balance – and that is not the case. *(Laughter)* But my husband is more involved, bless him, whether he likes it or not and we work a lot together.

But there is much more reward in what I do, and a better understanding and feeling for our local community and how important it is. I agree wholeheartedly with what you were saying
1130 about COVID-19 and what it will do, but we already *have* close-knit communities and it is heart-warming to watch how people support each other and how much they care, and how different communities are as well, which is the same relevant comment about having your own little jewel in your community, because each community needs something slightly different.

I would not change back, however hard it is at times, and I think quite a few people thought I was completely and utterly bonkers – I probably was and I think you do have to be a little bit
1135 crazy to run a post office. But I think that I can see both sides financially and I can see from a Government’s perspective how easy it is to miss what is going on in the community because most people live and work in Douglas; and unless you are part of that community you do not fully understand how important it is to support and retain those community characters and
1140 community services.

So I suppose that is what I have learned the most from moving from a finance-based employment to being on the counter.

1145 **Mr Baker:** Thank you very much.

The Chairman: Jason, do you have a final question?

Q51. Mr Moorhouse: Yes.

1150 With retail one of the key elements is the environment and I think it would be at the end of the last century when Havelock came across and did all the counters and we had an attractive post office environment. In the past 20 years it has become more mixed, less attractive to a certain extent and less of a place where people want to be.

1155 If you were wanting to upgrade your post office counter and your environment, would there
be anything within the process to help you do that, to encourage you to move forward? I think
we see the brand and we say, 'Yes!' and then we see the environment and say, 'What has
actually happened?' It is a bit like *Open all Hours* still, and people want that flashy, interesting –
'Come and see me, and see what is available'.

1160 Do you have any thoughts on that?

Mrs Palmer: I have upgraded both of my counters and I took away the screens – it was the
way the Post Office was going and it is a similar feel to what they have in Douglas and in Ramsey,
as well, a more modern, slick counter without the little docketts and all the rest of it. So a more
personal service because you are closer to them, although that is not particularly helpful at the
moment!

1165 But I think as far as investment, very much at the moment it is clear that there is no spare
cash. So I would very much doubt that, if there was a move ... So Laxey was moving from an old
building into a new building and there was a set amount, and then I personally decided to invest
a bit more because I wanted it to look a certain way, or I am fussy and I wanted a colour scheme
that would match, etc., so things like that. I think aesthetically Laxey is very pleasing, it is very
modern and it has a big range in its shop – or as big as I can accommodate in the space that I
have got.

1170 Yes, I agree there are others – but I think if this is going to get legs and we are looking at
splitting it and trying to have two separate organisations, it would be important to give the
necklace some common branding or link, so that it keeps that public goodwill, as such, and trust.
(**The Chairman:** Trust.)

1175 So most of them, despite what the counters look like, they do all have boards behind them
with all the Post Office services and the coloured branding and all the rest of it, and that is
important to the public coming in to see what we do. It could possibly be improved but it is
down to money.

1180 **Mr Moorhouse:** Thank you.

The Chairman: Jonathan, have you got a question before we close?

1185 **Q52. The Clerk:** Thank you, Chairman, just a couple of administrative points from me.

The letter which Mr Baker referred to a minute ago, just for the record, that *is* published.
That is one of the appendices of the report that the Committee published in October. So if
anybody wants to read that, it is there.

1190 A couple of times during this morning's discussion there has been mention by Mrs Palmer of
things she said last time with Calum – that is Mr Calum Greenhow from the National Federation
of SubPostmasters. I think it would be useful for the Committee if you could at least think about
whether the transcription of that private conversation could be released. The Committee has
not discussed this yet, so I just mention it as a thought. It was a private conversation and I am
sure the Committee will not release it without the consent of everybody who was there, but it
was also a conversation which was quite significant.

Q53. The Chairman: Fine. I think you need the opportunity to read it and consider if you want
it released or released in parts, and then you would have to discuss that with Calum as well.
(**Mrs Palmer:** Okay.) So, if you thought it was relevant.

1200 Now, I have concluded my remarks but there is just one question I think I have failed to ask
and I have no clarity on it. We have talked about these various changes happening and different
sub-post offices serving different communities in different ways. We have seen recently the
removal on the Isle of Man of Crown Post Offices and reverting to another form. Are all the sub-
post offices on the same contract; or do you know anything about that?

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Mrs Palmer: I do not know much about it but I do think that the ex-Crown Offices are on different contracts. I am not sure what I can say or I can't, so I suppose I should leave it at that. But they are not the traditional contracts that most of the smaller, private community post offices are on.

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Q54. The Chairman: Thank you. Perhaps we need to explore that a little bit more carefully?

Mrs Palmer: I think when we talk about contracts, the other thing that irked me a little was the introduction of S&S Motors. We talked about that as well when I came with the NFSP because I do feel that is a dilution of potential business for the network, but there was not really an opportunity to counter that, as such. I suppose in the event where you have a sub-postmaster who does not have space and could not carry out the service, the Post Office felt that they were within their rights to advertise for a service partner and take that business outside of what was the existing Post Office network.

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The Chairman: Thank you very much indeed. I think that brings us to a close. It has been a fascinating meeting.

Jason did you have one more question?

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Q55. Mr Moorhouse: There is nothing additional that you want to tell us that we missed asking, is there?

Mrs Palmer: There is nothing really, because I was not sure exactly what you were going to ask me, so I had made some notes and I just wanted to refer back to Alf Cannan's speech yesterday.

1230

Although COVID-19 is a global crisis and I agree with Tim and the Committee in saying that it will continue to highlight the importance of community spirit in the next weeks and months, and the post office counters are at the heart of those communities. I think the reaction of Ballasalla and the wider community demonstrates this. But Alf Cannan in his speech the last day, said 'Spread your money around'. I like the fact he said 'money'.

1235

'The Post Office assists and supports local communities by distributing cash to residents to spend in local shops cafes and businesses'. As we have discussed, cash is needed in a crisis.

'I call on the community', he said, 'the Post Office counter in many towns is the hub of the community ensuring our elderly and vulnerable are safe at all times, keeping communication lines open with neighbours and family. Spend local, think local and act local'.

1240

The Post Office network fully supports this.

So I suppose for me it is about, we were on the brink of potentially losing this national asset and I hope that the Committee and its recommendations will be considered by Tynwald, and thinking about where the existing strategy is taking us, which is online and away from face-to-face communication. Is that really what we want for our communities, because losing our Post Office network will put our communities into further crisis?

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The Chairman: Thank you very much indeed, that is a fine call to arms; and on behalf of the Committee thank you very much indeed for spending the time with us this morning, and you have given us an awful lot to think about.

1250

Thank you very much indeed.

Mrs Palmer: Thank you.

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The Chairman: We will now go into private session.

The Committee sat in private at 11.06 a.m.