

Statement by David McRedmond Chief Executive, An Post to the Oireachtas Committee on Communications, Climate Action and Environment on Tuesday, September 17th.

Chairman, members of the Committee thank you for your invitation to appear before the committee and give you an update on An Post and giving me the opportunity to outline where we are on our journey to transform the company to meet the challenges we face.

With me here today are Debbie Byrne MD of An Post Retail and Garrett Bridgeman who is the MD of An Post Mail and Parcels.

I am conscious that you have made reference to two particular issues, the post office network and the closure of the Cork mail centre.

I have previously outlined to the committee how An Post has been changing to meet what are existential threats to the key pillars of our mails and our retail businesses. We have taken a series of tough but decisive decisions and we have embarked on a process of change and transformation to build a sustainable place for ourselves in this economy.

Over the past two and a half years An Post has transformed from a rapidly declining, loss-making entity into a growing, profitable business with a sustainable future.

TURNAROUND

In April we were able to announce a strong return to commerciality for An Post with Operating profit at €41m up from €8m in 2017 and Revenue at €897m, up 7%.

This remarkable turnaround was achieved through -

- Improved core economics thanks to appropriate pricing and new international agreements
- Our Two core businesses established with talented, energetic management teams
- The Post Office network set on firm foundation with a deal agreed with postmasters
- Real change and efficiencies achieved in our Mails & Parcel network

An Post now faces into the later part of 2019 with a completely refreshed brand and with Digital transformation and the customer at the heart of our business.

This is the second year of solid financial improvement, bringing An Post out of its loss-making position of €12.4m in 2016.

But all of that has not been achieved without some tough but necessary actions.

CORK MAIL CENTRE

The most recent of which was the announcement in June of the closure of our Cork Letter Sorting Centre on a phased basis to March of 2020. In many ways that announcement was a powerful reminder of the scale of the challenges we face and the extent of the actions we must take in response.

Our plan involved us consolidating and reducing our letter processing capacity in line with global industry trends, and switching investment into an e-commerce/parcels network for Cork City and County.

That's stark decision will result in the loss of 216 jobs (affecting 240 people).

As I said on the day we made the announcement "An Post is responsible for its own finances and has worked hard to return to profit and growth: the Company's task now is to develop long-term sustainability. Closing the Cork letters' facility is a tough but necessary step as we invest in the new world of parcels for our customers. I want to be sure of two things: first, sustainability is about decent work and we will look after our employees as well as possible; and second, I want Cork to be the first city in Ireland to benefit fully from the new parcels infrastructure for customers."

That Wednesday night/Thursday morning was a tough day for the staff at Cork Mail Centre and tough for the An Post family. Our staff in Cork have delivered a consistently high level of performance over the years. The closure is not their fault, simply the consequence of the global trend of mail volume decline.

It is worth pointing out that the Cork plant had operated at below 25% capacity as mail volumes decline at about 7% per annum as customers move from the old world of letters to the new world of parcels and e-commerce.

We are looking after our people as best we can, this includes -

- A strong exit package of 6 weeks per year of service up to a maximum of 2 years' pay;
- Redeployment opportunities within An Post's networks in the Cork area (currently employing nearly 1000 people)
- Further education / re-skilling grants up to €3,000 per person
- Help to secure jobs with new employers; a Jobs Fair and outplacement support.

An Post has worked with the Communications Workers' Union (CWU) to ensure the best possible outcome for all the CMC staff. The closure of a mail centre was considered by the Labour Court in its Recommendation of September 2017.

The €11m annual savings from the plant closure will enable An Post to invest more rapidly in its parcels infrastructure nationally, locally, and in the automation of parcel sorting. Parcel volumes have grown by 60% since An Post actively re-entered the parcels market in 2017.

We now plan to invest over €15m in parcels infrastructure across Cork City and the wider region over the next three years:

- 1,040 parcel lockers are being installed across Cork City and County to make collections more convenient for customers
- Major upgrade of Cork delivery infrastructure to enable ongoing growth in parcel
- A new, all electric fleet, with zero emissions will be rolled out for deliveries and collections in Cork City, extending to Kinsale, Bandon, Midleton and Mallow from next year.

- A new €750,000 delivery unit to serve the Skibbereen area will open next month
- Cork's GPO in Oliver Plunkett Street is to undergo a major refurbishment reflecting the rapidly growing range of services being developed for customers.

We have a significant footprint in Cork, 1,451 people work in An Post's Mails and Parcels operations across Munster. And it is important to stress that there will be no impact on service quality to customers.

POST OFFICE NETWORK

It is difficult to ponder the extent to which the mails business is changing. Equally difficult to ponder the extent to which we must change our own operations to match the reality of the new world of e-commerce. We have worked hard to deliver on the three pillars of our strategy for the future of the post office network, on financial services, on e-commerce and government services.

The national post office network now stands at 953 offices in every part of the country. Since July 2018 we consolidated 152 post offices nationwide and have begun a €20 investment programme in the post office network and in the range of business done in post offices.

That consolidation plan has resulted in increased level of business in neighbouring post offices and in money across the counter. Some 60% of those offices have experienced double digit growth in their business.

Six out of ten post offices nationwide are co-located with another retail business. We have successfully relocated 42 post offices with a further 21 in the coming months. On average the knock-on effect has been an increase of business of 5% along with increased and footfall for the partner business. Next come new flagship post offices in Thurles (opened just yesterday), Newbridge, Limerick, Cork and Dublin St Andrew's St.

These actions have saved and reinvigorated a vital network. The creation of minimum coverage standards is, we believe, a first for rural Ireland. For rural citizens the Post Office is now frequently the only place to conduct financial and government transactions. Already 522 Post Offices are in communities with no bank. An Post is recognised by Government as an essential financial service across the State, having recently launched An Post Money with a full

range of products including Current Account, foreign exchange, consumer lending and credit cards.

You will remember that when we last attended this committee we signalled our intention to become a force in financial services. There was much talk of the need for an alternative financial services presence. We are now competing with the pillar banks in serving local communities.

A SUSTAINABLE FUTURE

Part of our strategy lies in building a sustainable future for ourselves in every aspect of our business.

In February we announced our An Post Eco Plan which will result in all postal deliveries in Dublin City Centre will be carried out by zero emission vehicles by year end. I am happy to tell you that we have completed that first phase of our plan nearly three months ahead of schedule.

Zero emission deliveries will now be extended to Cork, Galway, Kilkenny, Limerick and Waterford by 2020. And 750 Electric Vehicles will replace our urban fleet by 2022. 200 on the streets this year

Watch out too for a number of other initiatives including public charging points for electric vehicles outside post offices as well as installing solar panels on our buildings and sharing the financial benefits with local community-based environmental initiatives.

Our strategic approach to sustainability reflects a rapidly changing Ireland. We recognise the shift in aspirations of government, business and Irish communities, as well as the major challenges facing our country. We are committed to providing sustainable, long-term social, environmental and economic benefits that support the government's Project Ireland 2040 plan.

More broadly, our strategic priorities are aligned with those outlined by the United Nations Sustainable Development Goals (SDGs) considered most material for the postal sector, namely:

Climate action (Goal 13)

Sustainable cities and communities (Goal 11)

Decent work and economic growth (Goal 8)

Responsible consumption and production (Goal 12)

Industry, innovation and infrastructure (Goal 9).

BUILDING FOR THE FUTURE

But the headwinds we face are strong: mail volumes continue to decline 7-10% per annum, requiring An Post to find an additional €40m revenue each year just to stand still.

The gradual decline in cash services and social welfare also continues to threaten the Post Office network which relies on temporary top-up payments from An Post (ending in 2021).

So the transformation of An Post needs to accelerate and be seen as a core active element of Government's strategy for the renewal of Rural Ireland.

A shared commitment between Government and An Post should see:

A much wider range of services for citizens such as drivers' licences, car tax, digital identification etc all being available in every community delivered in an omni-channel environment across the State; which in turn strengthens the network. This strengthens the roll-out of e-government by ensuring every citizen can access services even in areas awaiting broadband rollout.

An Post provides the nationwide footprint to make e-commerce a real choice for every citizen in-home and out-of-home. Investment is required to transform the network from a mails-centric to a parcels-centric service; and good collaboration between An Post, its Union and Government will be required to create a network that works for customers and staff.

The combination of digital services and physical delivery is an essential service in Rural Ireland. An Post is uniquely positioned to provide this integration through its network of offices, sorting centres and thousands of staff.

To ensure a sustainable future for An Post and continue service the needs of Ireland An Post must be viewed as both a digital and physical service.

CONCLUSION

In essence we at An Post operate multiple points of service for local communities, including our 953 post offices.

Why not use that network as the basis –

- for the delivery of services to citizens,
- to tackle rural decline
- to combine digital and human interactions for social inclusion
- be an enabler for local business and commerce.

An Post is pushing ahead in securing our sustainable future. We note the repeated commitments of many stakeholders towards the goals we have set. We also note the aspirations of many to maintain, in particular, the local post office. What we have not seen is real engagement and support for the building of that shared future.

Thank you.

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