

# Why Isle of Man Post Office Needs to Change

## To the Isle of Man community

As the way we communicate with each other changes, our business needs to change too. In 2017/18 we made a loss for the first time in our history. The irreversible reduction in letters, (50% over ten years), without a corresponding significant reduction in costs, is no longer sufficiently offset by growth in commercial incomes. This decline has not been compensated for by increased parcel volumes, the market for which is becoming more competitive and sensitive to cost rather than quality of service. The “gig economy” has significantly lowered the cost of entry into this market.

We believe our strategy and the changes we are looking to implement over the next five years will sustain the business in the long-term, creating a modern organisation which is fit for the future, and offers value for money services to our residential and commercial customers. Not implementing the proposals is forecast to lead to a £4.5 million loss by 2022.

Change is never easy and we continue to work with our valued workforce and respective employee unions, our suppliers and customers to adapt services in line with changing customer demands in a financially responsible way, that seeks to avoid requiring a subsidy from public funds in future years. We are committed to being a fair and equitable employer that retains and recruits high calibre employees.

Key elements of our strategy are set out below, including our latest proposed changes to employee terms and conditions, shared with the respective unions and all employees. We continue to remain open to talks to avert the strike action notified by the Communication Workers Union (CWU), due to take place from 14th - 16th February 2019. If an agreement cannot be reached, we will have a robust contingency plan in place to minimise disruption to our customers.

Isle of Man Post Office would like to thank its customers for their loyalty. We remain committed to delivering the best possible services for you.

## Isle of Man Post Office Chairman and Board

### Modernisation

**Reduction in letter mail delivery frequency from 6 to 5 days (parcels to continue 6 days a week)** - This is a natural consequence of reduced letter mail volume. This idea was first proposed by the local union members, was supported by our public consultation and approved by Tynwald. It has been introduced in various jurisdictions around the world to **adapt service in relation to demand**.

**Post Office network** - Counter service use has continued to reduce with digital substitution. Our public consultation provided a useful insight into respondents' views. There is much work still to do, working with retailers, local commissioners and customers to develop **financially sustainable** ways of providing services in local communities. Proposals will be brought to Tynwald for consideration and approval in 2019.

**Changes in ways of working** - Like all other businesses, IOMPO is embracing technology and seeking improvements across the business to **generate efficiencies**, levelling the workload for employees and improving the quality of service to our customers, matching, and where possible, exceeding competitor offerings.

**Growth** - We seek to develop **new service opportunities** with Isle of Man (IOM) Government and the private sector, both in the Island, and in the UK. Retail transaction opportunities include doorstep, post office counter and online services, corporate services include parcels, courier services, document digitisation, and customer mailing.

**Reduction in employee headcount because of efficiencies** - We are not planning any compulsory redundancies.

### Employee terms & conditions

For some time, we have been negotiating with our 2 recognised unions regarding pay and pension reforms. The proposal below has been developed with our valued employees in mind.

**Pay protection for 5 years** - We are proposing 2 years on a fixed pay deal (2018/19 of 1% consolidated plus £200 lump sum, and a 2% consolidated award for 2019/20) with 3 further years of annual pay awards for all employees under collective bargaining.

**Retain the Defined Benefit pension scheme for existing members** - Subject to agreeing a sharing mechanism for the additional cost and gaining approval from Tynwald to close the scheme. We have increased our contribution to 15%, members are being asked to increase their current contribution of 6% and/or change benefits. The new locally procured **Defined Contribution Scheme** will be equivalent to the type offered in the private sector.

**Allowances and holiday entitlement** - We are proposing a **phased buy-out over 2 years** of certain historical allowances (driving, enhanced holiday pay, night allowance and capping annual leave to 30 days) from employees currently entitled to **3 times** their annual entitlement/current day rate. Some of the allowances were introduced more than 40 years ago, and are not available to all employees.

**New pay for new starters** - Aligned to a new organisational structure, and based on benchmarking against different sectors, including the IOM Government, we propose to introduce this from 1st April 2019. IOM Government introduced new pay for new starters in 2016.

