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Committee

**Post offices—securing
their future**

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The Business & Enterprise Committee

The Business & Enterprise Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Business, Enterprise & Regulatory Reform.

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Summary

The post office network has been established for nearly 400 years. From the beginning, a combination of state service and private enterprise ensured that first mail services, and subsequently a wide range of government services, were available throughout the country, without the Government having to provide those services directly. At its height in 1964, the post office network contained 25,056 branches. However, the network has been reduced so that now there are no more than 12,000 post offices and outreach services. Nonetheless, the Government has set access criteria for the network to ensure that it covers the whole country.

We all want a thriving post office network. As it is, Post Office Ltd has made losses in the past, and has only made a profit in the current year because of government financial support. Accordingly, the Government asked us to look at what services could be provided by the network to ensure its future viability. In turn, we ourselves consulted widely to find out what people wanted from their post office network. This Report sets out what we have found. There are real problems. The network has been losing both public and private business to other delivery channels. Post Office Ltd delivers services through many partners. It must make sure that both sides benefit from these arrangements. Many of our witnesses criticised the standard of service in both Crown post offices and other branches. This must be improved. The use of technology must be improved. However, the Post Office is also trusted and even loved. People depend on it as a community hub. In many areas, the post office and the local shop are run by the same person, from the same premises, and if one fails, so will the other.

There is no shortage of demand for more services. The network can and should provide:

- Mail services;
- Financial services;
- Local authority services;
- Central government services; and
- Broader community services.

We should not underestimate the need for mail services. The internet may be reducing the number of letters sent, but technology has enabled people to set up businesses in remote areas, and increased the demand for packet and parcel services.

The post office network is far greater than that of any retail bank. For this and other reasons, we have no doubt that the post office network should be used to provide access to significantly enhanced banking services. However, there are different models available to achieve this outcome and we have insufficient information to choose between them at this stage. The Government must act urgently to resolve this issue. The Government should also act quickly to encourage negotiations between Post Office Ltd and individual banks to improve access to their services through the network; specifically, the Government should encourage those banks in which it has shares to make sure their accounts are widely

available.

Local authorities offer a wide range of services through the post office network, and some are taking a lead in sustaining post offices directly. However, there is no consistency in what is offered; we believe that more could be done to benefit both sides, and urge Post Office Ltd to take the lead in developing services that can be easily accessed by local authorities.

Many of the problems facing the network are a consequence of the Government moving services online, and so reducing Post Office Ltd's income. But people see the post office network as a public service, and expect the Government to support it. We believe the Government has seriously underestimated the potential of the network to serve as a link between government and its citizens. Although some departments are seizing the opportunity a truly national network offers to allow easy access to their services, many government departments are woefully unimaginative about the needs of their customers, and show too little respect for members of the public's right to choose how to deal with the Government.

The *Digital Britain* report sets out ambitious proposals for a Digital Switchover of Public Services in which the internet would be the primary means of access to public services, rather than one of many. We wholeheartedly support e-delivery of public services; it can be more convenient for the user, and more cost-effective to the taxpayer. But however much the Government may want to encourage digital inclusion, it also needs to prevent social exclusion. The British public believes that post offices are essential to the fabric of our society. Those who contacted us were eloquent in their belief that the post office closure programmes may have saved Post Office Ltd costs, but had displaced those costs onto individuals, and onto society as a whole. They were also sceptical about the extent to which online services were desirable. We note that 40% of households do not have access to the internet. Members of the public can be encouraged online — they should not be driven there. Social exclusion and isolation can often best be countered by encouraging face-to-face services.

It makes no sense for one arm of government to recognize the importance of the network, while another makes policy proposals which do not recognize people's right to access services in ways which suit them, not the state. The Department for Business, Enterprise and Regulatory Reform was clearly committed to the success of the post office network; however, the new Department for Business, Innovation and Skills and the Government as a whole need to share that commitment.

The Post Office has been used to provide public services and private services in partnership for nearly four centuries; we have no doubt that with will and imagination, and wholehearted government support, it can continue to do so.

1 Introduction



Figure 1 - the Committee visit to Kennerleigh post office

This inquiry

1. The future of the post office network and the viability of that network have been closely followed by the House for many years. The Business and Enterprise Committee has published five reports on postal matters over the past two years, and before that the Trade and Industry Committee, our precursor, regularly reported on post office related matters. Accordingly, when the Government agreed¹ that there should be a task force of MPs "to work with the Government to identify new services to help secure the long-term viability of the post office network" the Secretary of State for Business, Enterprise and Regulatory Reform invited us to take on this role. We agreed, although we made it clear that the precise terms of reference for our inquiry would be for us to determine.

2. We launched our inquiry on 10 December 2008. We know the public values the post office network, but we wanted to make sure as many people as possible had the opportunity to contribute, so that they could tell us exactly why it mattered. In addition to our normal methods of collecting evidence, we circulated our original press notice via the Parliamentary outreach service. We ran a web forum. We also visited Devon, Essex and Wales to look at ways in which post offices were being supported by local authorities or the Welsh Assembly Government, and to talk to ordinary post office users. In addition, we took oral evidence from Post Office Ltd, the Communication Workers Union, Unite the Union, the Co-operative Group, PayPoint plc, Consumer Focus, Age Concern/Help the

1 Letter from Lord Mandelson to the Chairman of the Committee, 10 December 2008

Aged, Citizens Advice, the National Federation of SubPostmasters (NFSP) and the Federation of Small Businesses. We are extremely grateful to everyone who contributed to our inquiry, including our Specialist Advisers: Maureen Kearney, Naomi Nardi and Howard Webber.²

Post Office Ltd and the post office network

3. Britain's network of 12,000 post offices is ultimately part of Royal Mail Group. Post Office Ltd, which is a wholly-owned subsidiary of Royal Mail Group, operates the post office network through 373 Crown post offices, which it runs directly, and in partnership with other providers in the private sector, who are responsible for the vast majority of the post office network (see Table 1, below). This report focuses on the post office network, rather than Royal Mail Group as a whole.

4. Post Office Ltd is a limited company, owned by the Government. Although in the past it has been profitable, it currently receives considerable government financial support. This funding has included £176 million to pay for the cost of the Network Change programme (mainly to cover the costs incurred when offices were closed); £750 million over five years for the Network Subsidy Payment;³ £620 million to cover loans that Post Office Ltd owed to Royal Mail Holdings and future losses; and £150 million for initiatives to improve Crown offices and reduce central costs.⁴ Unsurprisingly, the public thinks of it as a public sector body.

5. In 1979, the network was more than 22,000 branches strong. By early 2009, this had been cut nearly in half to 11,952.⁵ Most of the closures have happened this decade, around 5,000 of them in two planned programmes — Urban Reinvention, which took place between April 2003 and March 2005; and Network Change, the bulk of which took place between late 2007 and the end of 2008. The need for a rationalised, and smaller, network was clear, given the loss of business which post offices had suffered. Much has been said about whether that loss of business was inevitable, and whether the rationalisation was well planned, but this report does not revisit those issues. Whether the trend of decline can be reversed — so that the remaining network can be sustained and even expanded — is the subject of this report.

6. As part of the most recent closure programme, the Government set stringent criteria for access to post offices, as follows:

- 99% of the UK population within three miles and 90% of the population to be within one mile of their nearest post office outlet;

2 The Advisers' interests are as follows: Maureen Kearney is a Board member for Consumer Focus Post; Naomi Nardi is the spouse of a subpostmaster.

3 The Network Subsidy Payment is a government grant used to finance the loss during the year of providing the network of public post offices, which would not otherwise be provided.

4 National Audit Office, *Department for Business, Enterprise and Regulatory Reform: Oversight of the Post Office Network Change Programme*, Report by the Comptroller and Auditor General, HC 558 Session 2008-2009, 5 June 2009, p12

5 Royal Mail Holdings plc, *Report and Accounts, Year ended 29 March 2009*, 14 May 2009

- 99% of the total population in deprived urban areas across the UK to be within one mile of their nearest post office outlet;
- 95% of the total urban population across the UK to be within one mile of their nearest post office outlet;
- 95% of the total rural population across the UK to be within three miles of their nearest post office outlet. ; and
- in addition, the following criterion applies at a local level to ensure a minimum level of access for customers living in remote rural areas: 95% of the population of every postcode district to be within six miles of their nearest post office outlet.⁶

Post offices offer the most extensive retail network in the United Kingdom. However, the access criteria could still be met with a substantially smaller network, so we cannot rely on these criteria to sustain the network.

What is the post office for?

7. This may seem a strange question to ask, but it goes to the heart of the actions needed to sustain a modern network. For generations, a lack of competition and cross-subsidy from the payment of benefits and pensions enabled a large network to thrive. The world is now a very different place and we cannot simply assert that there must be post offices. But the Committee does believe that the services provided through post offices — and other services that could be provided through them — are important. We must be sure that the post office network is the appropriate vehicle to deliver them in the 21st century before developing a strategy to sustain the network. Having looked afresh at the role of post offices, we are confident that they both serve a vital role and could offer even more services to communities throughout the nation.

8. As the Secretary of State said, the post office has the advantages of a trusted brand and a wide network. The Government says that it wants to deliver more through the post office network so that it becomes more profitable, and therefore, more viable. This policy is driven by two considerations.

9. The first is financial. The post office network has made significant losses in the past. The recent National Audit Office report on the closure programme showed that there have been operating losses each year from 2000-01. At its highest, in 2002-03, that loss reached £206 million. In 2000, the Cabinet Office Performance and Innovation Unit (PIU) noted:

As well as maximising revenues from new business opportunities, the Post Office needs to improve the efficient running of the network. In particular it needs to address the poor profitability of branch offices, which currently lose around £50 million annually.⁷

⁶ HC Deb, 30 January 2008, col 417W [Commons written answer]

⁷ Performance and Innovation Unit, *Counter Revolution - Modernising the Post Office Network*, 2000, p6

Although Post Office Ltd technically made a profit in 2007–08, this is only because the Government provides a direct subsidy through the Network Subsidy Payment⁸ of some £150 million each year. Moreover, there can be no confidence that the post office network will remain in profit. The mail market, which provides 35% of Post Office Ltd's revenues,⁹ is declining; electronic service delivery is replacing many services which the post office network used to provide; and revenues from government services provided through the network are decreasing.

10. The second is the recognition that the network itself is an important public service, even though neither it nor the services it provides were planned. As the short history of the post office network annexed to this report (Annex A) shows, the network had its origins in Royal Mail services offered through 17th century coaching inns, which could not only collect mail from the public, but provide fresh horses for the riders transporting the mail. It has always been a mix of state and private enterprise. Indeed, it can be seen as an early example of a public private partnership. Those offering postal services did so as part of a wider private enterprise. The post office network then provided a ready made network through which new government services could be offered, more efficiently and cheaply than if a separate system was set up. The revenue from those services then sustained the private business, which helped both the business owner and the community. Earlier this decade, Post Office Ltd attempted to reduce costs by reducing the number of post offices. Public reaction to the two closure programmes — the Urban Reinvention programme, and the Network Change programme — has put it beyond a doubt that the British public considers the post office an essential part of our social fabric.

11. There is nothing new in the recognition that the post office network has wider social benefits than simply providing access to postal services and some government services. The Government has always recognised the social value of the network; at the beginning of this decade it operated a policy of no avoidable rural closures; the Network Change programme set in place the access criteria described above. Separate studies earlier this decade by Axon and the new economics foundation have even attempted to put a value on those benefits.¹⁰ We have also been struck by the extent to which proposals made to us in the course of this inquiry echo those in the 2000 PIU report, *Counter Revolution*.¹¹ At the time of that report there were 18,400 post offices in the UK. As a result of the closure programmes, we are left with a network of fewer than 11,500 branches and some further 500 outreach services — a reduction of 35%. It is understandable that the Government wishes to ensure the network is financially healthy in future, and does not dwindle further.

12. Earlier work on the post office network has been concerned with what the network does do and *could* do; we believe we need to look first at what the network *should* do. We support the Government's aims of a healthy and sustainable post office network, but we believe that it will not be achieved without a strategic look at the network, and what we expect it to deliver. In this introduction, we wish to tease out the reasons why the public

8 In 2006–07, the Network Subsidy Payment replaced the Social Network Payment.

9 Mail revenues include retail and lottery. Source: Postcomm, *Annual Report on the Network of post offices 2007/08*, 2008, p 27

10 new economics foundation, *The last post: the social and economic impact of changes to the postal service in Manchester*, Guy Rubin, Polly Raymond and John Taylor, 4 December 2006

11 Performance and Innovation Unit, *Counter Revolution - Modernising the Post Office Network*, 2000, p6

cares so much about the post office network, and establish some fundamental principles which will underpin our examination of the network's future.

13. First of all, though, what are the specific benefits which the public thinks post offices bring? The public comments about the network, both from our web forum and from written evidence,¹² are extremely revealing. The services identified can be divided as follows:

Postal services:

There still needs to be a post office network as people still need to post letters — I think that has been missed somewhere!

There are many alternatives for other services but no alternative for me when I need to send a client a letter or parcel recorded or special delivery.

Access to cash and bill payments:

The unique financial benefit of the Post Office is being able to access cash in TOTAL SECURITY and comfort - no machine that can be tampered with, no fear of having one's PIN stolen.

Post offices play a vital role in ensuring consumers have fee-free access to cash.¹³

The nearest Paypoint to our village is a 30-minute bus ride away. With one bus a day, and two hours to wait for the bus back, that is hardly convenient!

Our only cash machine is in the Post Office — supplied by the Post Office, and filled with Post Office cash!

Access to government services:

The post offices in rural areas are a lifeline for accessing cash, pensions, child allowance, disability benefits.

Sustaining associated retail premises:

In small communities the post office can help maintain other services which might not be viable on their own.

All too often when the Post Office closes in a small community so too does the local shop as both businesses are run from one outlet and provide complementary services. Being located within a convenience store ensures a post office is more viable and secures the role of the local shop within the heart of the community it serves.¹⁴

12 All quotations are from the web forum, except where otherwise noted.

13 Ev 100 [Consumer Focus]

14 Ev 191 [Scottish Grocers Foundation]

Many post offices are general stores like the one where I live. Without the PO many of these stores would not provide a living for a family. A village store is a huge bonus to those of us who live miles from a town.

14. Although everybody who contributed evidence identified particular services, our evidence showed that people really cared about the role of the post office in the community. **The importance of post offices to poor, elderly or otherwise disadvantaged people is frequently mentioned, but what comes through very clearly is the sense that the post office is important because it provides services to the total community, not just to disadvantaged people. It is an instrument of social cohesion or, to put it differently, it preserves the fabric of our society.**

The benefit of a Post Office in a rural community is greater than the prescribed service it offers and is an essential component of the vitality of the local community.¹⁵

We 'find out' what is going on in our local community through our post office.

Our post office and village store is the hub of our village.

Although I live in an urban area I still want to meet and talk to my neighbours and hear local news. My post office is a great place to bump into people and the staff always know what's going on locally.

A post office is a social community centre...A social community is what makes a city work.

A post office has intangible values.

I live in rural South Wales and our post office is absolutely essential to life here. It is the hub of the community, for some it is the only place where they receive any human contact — their weekly trip to the post office is a lifeline for them, sometimes the only place where they are missed if they are ill or worse.

15. Another theme which comes through clearly is that post office closures have had external costs, in customers' time and in carbon output. There is a strong sense that the closure programme has not reduced costs, but has displaced them onto individual citizens, and often on to those least able to support them.

Cost-effective? For whom? It is more cost-effective for me to walk to my local Post Office rather than drive and pay car park fees or pay a bus fare in order to get cash from my bank or pay my Council Tax.

I do not believe it is essential that the Post Office needs to be cost effective, although of course it would be nice if it could be. I do believe that the Post Office is an essential service that needs to be provided universally, regardless of cost.¹⁶

15 Ev 197 [South West ACRE Network (SWAN)]

16 Ev 135 [Mrs Marjorie Lewis]

Over four million UK residents are unable to operate Bank Accounts. The Government has a responsibility to ensure they have access to Post Office services. Many are disabled, or elderly, or unemployed, or single parents, or sick. They should not have to incur additional costs, or painful journeys to enjoy the services others are accustomed to.

Do you take into account all the petrol that is now being used as rural Post Offices are shut down? Do you cost the additional support required by pensioners who cannot access their Post Office anymore?

I have seen an elderly disabled woman have to travel two miles to our nearest urban post office in a taxi and get the taxi to wait just to fill her gas card because she could not use the bus. Then she would have had to wait up to 20 minutes (whilst paying for the taxi) because of huge queues into the street.

There are people here who would simply fail to cope without the support of the Post Office and its staff. Pensioners who would be unable to withdraw their pension, disabled people who would need a carer to come and do their weekly business for them because the Post Office is more than a bank or a place to buy stamps, tax a car etc it is a place where people come to receive help and ask for help from the wider community.

16. It is also clear the public is deeply sceptical about the extent to which it is acceptable to offer services online only. It is notable that this message is very consistent, and is reiterated in research that has nothing to do with the post office network. A February 2009 Communications Consumer Panel report for Ofcom on the consumer preferences for digital technology found that:

There was a widespread concern expressed that certain disadvantaged groups in society might be further disadvantaged because of their inability to utilise the online options. Particular reference was made to older people who do not know how to use the internet and to low income groups who may not be able to afford a computer and internet connection at home.¹⁷

17. Even assuming widespread access to the internet, “some degree of personal interaction needs to be protected”,¹⁸ and some people would choose not to use the internet for financial or retail transactions because of security concerns. Our web forum produced two types of responses: postings pointing out the drawbacks of internet-only access to services, and letters protesting that the existence of the web forum suggested that more traditional ways of responding would not be heeded. Many people expressed the view that there is a legitimate demand for people to conduct transactions face-to-face rather than always being forced to do so remotely. Indeed, Essex County Council went so far as to identify this as a key way to counter isolation in communities.

The older generation are still not very familiar with computers and banking on line. They can get help for forms, etc. at the post office counter and their questions can be answered straight away instead of spending time on the telephone listening to some boring music.

¹⁷ Communications Consumer Panel, *No one should miss out: consumers say what they want from the digital future*, Research Report, February 2009, p16

¹⁸ *Ibid*, p4

The internet will never be able to serve the public like a face to face meeting.

People in rural communities — particularly the extremely elderly and those on low income are not getting into the urban areas to libraries etc, and are frequently not on the internet. This means that those who may be most in need of information about help available are not getting it.¹⁹

Many people in this village do not even have a PC, never mind internet access!

I always pay my (self assessment) tax at the Post Office: the immediate proof of payment is essential to me. This is much more reliable than sending a cheque to the Revenue directly.

I have used computers continuously since the mid sixties, but do not wish to be forced to do all transactions over the internet: I want an alternative for when I am not convinced of the security of a site.

Post offices in my area are the centre of the community. Our local office is run by two people who provide a fantastic service to residents and people passing through the village. The post office is part of the village shop, and their services includes deliveries and help to those who can't get out of their houses, local advice and information, and a friendly face. How can you cost that or put it on the Internet? There is also the consideration of those who do not have their own computers, or who are not confident in them; or those who do not hold credit cards so can't purchase items on line anyway.

18. It is clear that the public thinks that the post office is a public service and accepts that society should pay for such services.

Public services cost. Budget for it, Government, do right for the population and stop whingeing about cost.

The economics of the service provision has not been looked at in the round. As a country it might cost us £150m to subsidise the post office network but are we sure that this takes account of the additional costs users would face if the system was modified to eliminate the subsidy?

How do you measure cost-effectiveness? Do you include the hidden costs of extra travel, effects of loss of personal contacts for lonely people, and all the other benefits to people that do not show up on the bottom line?

Every single transaction that the post office network currently performs could be delivered using an alternative channel. But in a more cost effective way? Cost effective for whom? it certainly would not be cost effective for the users of PO Counter Services for reasons that so many people responding to this Forum have already expressed.

19. The next broad theme which emerges from the public is a strong belief that general public services should be provided through a single outlet, and should be provided consistently. It is clear that people include everything provided directly or indirectly by the

state in this definition of public services. For example, there were numerous complaints about the inability to make television licence payments through the post office.

The Post Office can provide a unique all-in-one solution to personal finance. Access to my bank is virtually entirely through my post office. I'd like to pay ALL my bills at a post office — why should I need to visit different places (even different villages or towns) to pay a water bill and somewhere else to pay my TV licence? I could pay by direct debit, but then I can't afford to pay in advance for my utilities especially when it is so hard to recoup the overpayment that is made.

20. Although the public put forward many different reasons for supporting post offices, we believe that there are general principles which underlie this support, which can be distilled from public input. They are:

- the Government has a responsibility for the social and economic well-being of local communities;
- however cost-effective it is to provide services online, it is not always suitable; and
- insofar as it is possible, it benefits the public if services are provided through a consistent single outlet.

21. The same principles recur whether the public is invited to consider the role of the post office network as a whole, as it has been in this inquiry, or the role of their local post office. The reactions to the Network Change programme demonstrated the importance the public attaches to having a post office close by. The evidence in this inquiry is entirely consistent with that we received in our inquiries into the Network Change programme.

The impact of post office closures

Impact of closures on the vulnerable

22. The impact of the closure of post offices, particularly in rural and deprived urban areas and for older and disabled people, has been well documented. For example, Citizens Advice conducted a survey of its advisers in 2007, which found that 97% of advisers felt that vulnerable people in the community would suffer if their local post office were to close.²⁰ Citizens Advice also gave the Committee anecdotal examples of individuals affected by the closures:

A CAB in Worcestershire reported a case in which their client, who is unable to walk and uses a mobility scooter and whose husband is blind, have experienced difficulties as a result of the closure of their local Post Office. Previously, the couple could manage to get to their local Post Office to conduct a range of transactions, but following its closure, a trip to their nearest post office now involves a climb of three flights of stairs which is impossible for them. The nearest Post Office with disability

access involves travelling 1.5 miles along a main road with no footpath. There is no bus service and the client does not wish to undertake this trip on her scooter.²¹

Impact on retail facilities

23. Subpostmasters frequently supplement sub-post office income by maintaining retail premises alongside it. Research done by the Commission for Rural Communities before the Network Change programme showed that almost 80% of subpostmasters run an associated business — one that would fail to provide an adequate living if the post office closed.²² Shop viability would be affected both by the loss of income from post office services and from the loss of footfall.²³

one of the big concerns we had over the network change programme[...]we are particularly seeing where it is the last shop in the village, that if the income stream from the post office declines, the viability of the whole business falls, and that service is lost to the community.²⁴

Business impact

24. Post office closures can also have a substantial impact on neighbouring businesses. The Committee heard on its visit to Essex that with the closure of one post office (since reinstated with Essex County Council funding), nearby businesses saw their own turnover decrease by 25%. The Federation of Small Businesses estimated that 14 to 16% of local businesses were damaged when post offices were closed.²⁵ A study of the local economy impacts of post office closures in Manchester, by the new economics foundation, found that businesses within a half-mile radius of a post office that closed could lose up to 1% of their total turnover.²⁶

25. Post office closures caused difficulties for those running small businesses, requiring them to travel to more distant services and contend with longer queues. Also, closures increased costs for small businesses because of the additional travel time and the need to pay for additional staffing. In many cases, this led to small businesses seeking alternatives that avoid long queuing.²⁷ For example, we heard in Essex that closure of the local post office led some businesses to use door-to-door courier services. While reasonable, these actions could in turn further jeopardise the sustainability of the network as post offices lose some business to service providers that are perceived as easier to access.

26. The impact of closures extends well beyond the small businesses within walking distance of the post office in question. The Federation of Small Businesses conducted a

21 Ev 91 [Citizens Advice]

22 Ev 95 [Commission for Rural Communities]

23 Ev 196 [South West ACRE Network of Rural Community Councils]

24 Q 140 [Mr Jones]

25 Q 192 [Mr Davenport]

26 new economics foundation, *The last post: the social and economic impact of changes to the postal service in Manchester*, Guy Rubin, Polly Raymond and John Taylor, 4 December 2006, p 30

27 Ev 119 [FSB]

survey of 5,500 of their members in February 2009 that showed that 88% of them use the post office to buy stamps and send letters, and 77% use it to send parcels. Almost half (47%) visit the post office a couple of times per week, and 19% visit it daily.²⁸

27. The reliance of small businesses on the post office network is especially marked in rural areas, where there is a high proportion of home-based small businesses that use postal services. According to the Commission for Rural Communities, in rural England 17% of the workforce are self-employed and 12% work from home, compared to 11% and 8%, respectively, for urban districts.²⁹ Crucially, the growth of the internet provides increasing opportunities for smaller businesses to operate from more remote communities, but only if broadband speeds are adequate and if they have access to a reasonably local postal service to enable the despatch of parcels and packets.

Impact on social cohesion

28. Research commissioned by the National Audit Office found that vulnerable residents had been seriously affected by post office closures and that “for this group, the loss of the post office really does mean the loss of an inclusive, social, community hub”. Surprisingly, the research found that “these losses are even greater in the cities where there are fewer alternative facilities available”.³⁰ It would be very easy to consider vulnerable people in isolation, but it would be wrong to do so. As one contributor to our forum said:

post offices are maintainers of social capital, reducers of inequality, anchors of viable communities and means for reducing car travel and car dependence.

Focusing on the vulnerable misses one of the very real advantages of the post office network, namely, that post offices offer a place where vulnerable and non-vulnerable people alike share services.

Is the network still necessary?

29. Our evidence suggested that the public expected five types of services through the network:

- Postal services;
- Central government services;
- Local authority services;
- Finance and banking services (including bill payment); and
- Wider community services (including sustaining retail outlets in remote or deprived communities).

28 Q 199 [Ms Diallo]

29 Ev 95 [Commission for Rural Communities]

30 National Audit Office, *Department for Business, Enterprise and Regulatory Reform: Oversight of the Post Office Network Change Programme*, Report by the Comptroller and Auditor General, HC 558 Session 2008-2009, 5 June 2009, p 30

It is notable that many of these services are available through other sources: they can be provided on line; they can be provided by post; some, such as banking services, are available through private networks. However, they are all seen as core post office services.

30. Even if post offices are a well-loved institution in the UK, government does not support every service that the public loves. **In setting the access criteria, and in asking us to undertake this inquiry, the Government has accepted that while the truly national retail and government network that post offices provide may be an accident of history, it offers a complex of services which cannot be replicated by other institutions, even though most individual services are available elsewhere. One of the most important features of that network is that post offices are found throughout the country. And although there is some variation in the services on offer, there is an irreducible core that people have come to expect will be provided across the country: access to post, access to cash, and, at the least, access to government information. Also, the public expects that, where appropriate, that core will support associated private sector services.**

31. We examine the proposals for services that ought to be offered through the post office network in more detail in subsequent chapters, but here we have two guiding principles:

- activities offered through the network should, wherever possible, increase the financial viability of the network, rather than reduce its resources; and
- proposals for new services have to take into account the realities of the network, which varies from centrally-run Crown post offices to sub-post offices run by sole traders.

32. **By chance rather than design, the Government has ended up supporting local economies and providing information and services to its citizens through the post office network, in which a publicly-owned company works with a variety of private enterprises. It is unlikely that anyone would have invented this system; nonetheless, it exists and it is effective. It is possible that the network can be sustained in a way which generates revenue rather than consumes it. However, any decisions on the company's operations or the services it offers must recognize that the nationwide post office network needs to be sustained, and sustaining it will meet the wider objectives of any government.**

2 The network and its services

33. Unplanned closures since the end of the Network Change programme mean that the post office network now has fewer than 11,500 branches, with another 500 outreach services. Services are delivered through eight different models:

Table 1: Post office network delivery models

Model	Description
Crown post offices	Directly managed by Post Office Ltd
Sub-post offices	Run by a subpostmaster
Outreach	
Partner post offices	Service provided in a shop under supervision of a subpostmaster of a sub-post office
Mobile post offices	Service provided through a van visiting a set location at set times each week
Hosted post offices	Post offices operating in other premises; for example, a pub or church hall, often for a set period each week, using portable post office computer equipment
Home Services	Postal service provided directly
Post Office Essentials	A pilot scheme, based in shops, that provides a limited range of post office services from the same till and counter as shop services

Post Office Ltd also offers some services by internet and phone, such as travel insurance and foreign currency.

34. The service availability associated with each model varies. Indeed, some post offices are only open for a handful of hours a week; the Mobile post offices move from one community to another, visiting each at set times and days each week. Home delivery services do not have set hours of operation at all, but allow customers to order from a reduced range of services and products over the telephone for home delivery or central collection. Nonetheless, most Crown post offices and sub-post offices are open regular hours, six days a week.³¹ Some services are available beyond post office opening hours because Post Office Ltd has introduced new equipment such as Combi Tills and Paystation terminals. However, even where post offices and sub-post offices have relatively extensive

³¹ 1,300 branches are open less than 20 hours per week; the vast majority (9,275) are open 30-50 hours per week, and 175 branches are open more than 60 hours per week. 10,500 post offices are open on a Saturday. [WEB126D]

opening hours, there have been calls for longer and more convenient hours from many customers and postal service providers.

Financial viability

35. This debate must start with an acknowledgement that post offices provide many services, and many of these are available at virtually every office. Currently, services available include the following (those listed under “Bill payments” are only available where the local authority, utility or service provider have agreed to allow payment through post offices):

Postal services

Standard 1st and 2nd class post
Overseas postage
Recorded delivery
Express postal services
Philatelic
Redirection

Licences

Fishing licences
Game licences (Scotland)

Pensions and benefits

Post Office Card Account
Exceptions (cheque) service

Money management

Personal banking
MoneyGram cash transfers
Postal Orders
Savings stamps
Christmas Club

Bill payments

Telephone, cable TV
Gas, electricity, water
Mail order
Council tax
Council/housing association rent
Inland Revenue self assessment bills
Insurance

Financial services products

Credit card
Personal loans
Post Office Instant Saver
ISAs
Growth Bonds
Child Trust Fund
Access to National Savings and Investments products

Insurance products

Car insurance
Home insurance
Travel insurance
Life insurance
Lifestyle Protection
Over 50s life cover
Van insurance
Motorcycle insurance
Pet insurance

Business services

Business banking services
Cash collection service
Post office payout

Travel

Bureau de change

Telephony

Homephone

Broadband

Phonecards

Mobile top-ups

36. The full suite of services currently offered is much broader. Post Office Ltd provided us with a full list of products and services available, which can be found in Appendix A of this report. However, the NFSP also provided us with a list of available services, and these lists do not precisely match.³² Some of the more notable services are listed below, along with the number of branches in which Post Office Ltd tells us the services are available:

Paystation bill payments³³

Bureau de change — on demand (1,629 offer a range of currencies on demand; nearly 6,000 offer Euros or Euros and dollars on demand)

Vehicle and driving licence applications (DVLA) (4,600)

Travel insurance (available on demand in 9,000 branches)

Passport applications and check and send (2,500)

European Health Insurance Card (2,500)

Lottery (4,849)

Post office ATM (1,653)

Driving licence checking (743)

Local Collect (10,800)³⁴

37. Postcomm gave the Committee the following breakdown of income for Post Office Ltd:

financial services represent 29.3%, mails (including retail and lottery) 35.3%, government services 26.4% and telephony 9% of Post Office Ltd's total income when excluding the Social Network Payment.³⁵

The most recent Postcomm network report includes the following breakdown of Post Office Ltd's revenue, showing how this has changed over the last five years:

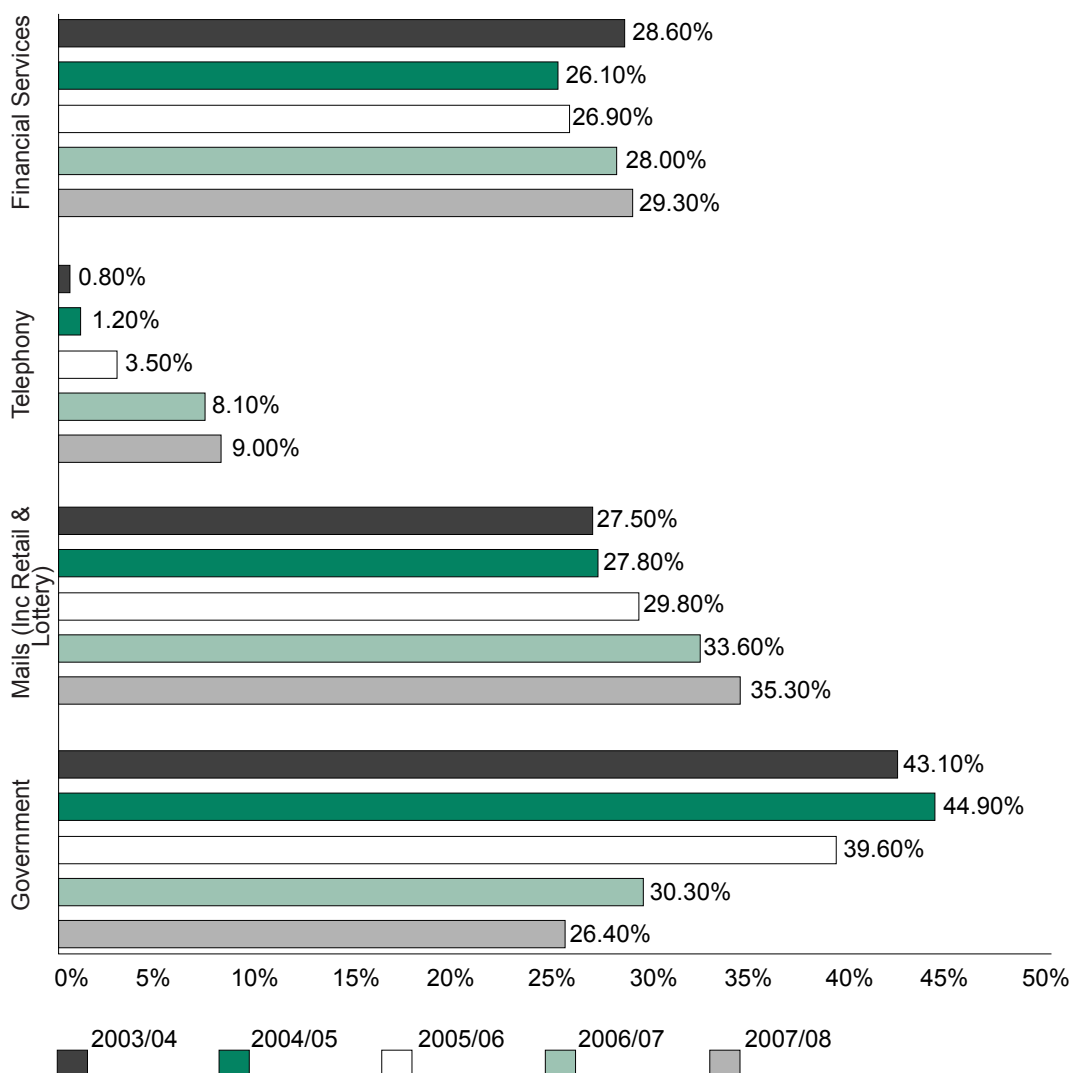
32 Ev 148 [NFSP]

33 Note that the NFSP reports that Paystation is only available in 10,896 branches; however, Post Office Ltd states that the aspiration was to have Paystation in all branches by April 2009.

34 Ev 177 [Post Office Ltd]

35 Ev 174 [Postcomm]

Figure 2 – Post office revenue by pillar, expressed as a percentage of total Post Office Ltd revenue excluding the Social Network Payments



Postcomm, Eighth Annual Report on the Network of Post Offices 2007/08, 2008

38. The National Audit Office said in its recent report on the Network Change programme:

The main reason for the decline in the number of post offices has been that the volume of business handled by the network has declined. The decline in business reflects several factors, including the payment of most state pensions and benefits directly into customers' bank accounts, and increased online use of services that used to be provided mainly over the counter, such as car tax disc applications, as well as competition from other suppliers. Government business as a proportion of Post Office Ltd revenue fell from 43 percent (some £550 million) in 2003–04, to 26 percent in 2007–08 (some £294 million). This decline has been only partially offset by growth in other services such as telephony, which represented nine per cent of

revenue in 2007–08 (some £100 million), and financial services, such as the sale of foreign currency, representing 29 percent of revenue in 2007–08 (£326 million).³⁶

39. Royal Mail Group’s Annual Report and Accounts for the year ended 29 March 2009 show that Post Office Ltd made an operating profit of £41 million in 2008–09, compared to a loss of £34 million the previous year. Post Office Ltd’s revenue position thus improved by £75 million over the previous year. However, these results depend on a Network Subsidy Payment of £150 million. An additional £152 million payment was made to Royal Mail Group under the Industrial Development Act 1982 to “compensate Post Office Limited for the other net costs of providing certain specified ‘services of general economic interest’”.³⁷

40. Post Office Ltd’s improved financial performance was attributed to “strong growth in Financial Services; Post Office Ltd now has around two million customers for these services, while the award of a new contract for the Post Office Card Account (POCA) underpinned the branch network’s role in the provision of cash to millions of customers”.³⁸ Specifically, financial services and Homephone revenue streams increased, offsetting declining revenue from government services. Royal Mail explains that POCA customers moved to other banking services, and revenues from the Driver and Vehicle Licensing Agency (DVLA) declined as more customers used online applications. Retail income also dropped. At the same time, Post Office Ltd was able to reduce costs by renegotiating key supplier contracts.³⁹

41. The approach taken by Post Office Ltd to improve financial performance is in line with what Postcomm suggested was needed to sustain the network: “a combination of cutting costs and increasing revenue”.⁴⁰ However, **Post Office Ltd’s current profitability depends on the Network Subsidy Payment, which runs until 2011. Further payments would depend on clearance under European Union State Aid rules. We believe that such payment, if necessary, would be justified, but clearly, it would be better if the network could be self sustaining.**

Subpostmasters and other providers

42. The financial picture for Post Office Ltd as a whole is only part of what must be considered when assessing the post office network’s financial sustainability. Post Office Ltd’s finances depend on cross subsidising services. Some of the profit from new services offered either by particular branches or by Post Office Ltd centrally may go to support the wider network. Many post offices are in remote areas where custom is scarce, and three quarters of the network’s branches do not make a profit.⁴¹ Post Office Ltd clearly needs to cut costs — and to increase revenues — as much as possible, but the company is

36 National Audit Office, *Department for Business, Enterprise and Regulatory Reform: Oversight of the Post Office Network Change Programme*, Report by the Comptroller and Auditor General, HC 558 Session 2008-2009, 5 June 2009, p 9

37 Royal Mail Holdings plc, *Report and Accounts, Year ended 29 March 2009*, 14 May 2009, p 13

38 *Ibid*, p 5

39 *Ibid*, p 14

40 Ev 174 [Postcomm]

41 *Modernise or decline: policies to maintain the universal postal service in the United Kingdom*, an independent review of the UK postal services sector, Cm 7529, p 82

sustainable only if the independent businesses that provide many of its services are also profitable.

43. Since 2006, business transferred from offices closed through the Urban Reinvention programme or the Network Change programme should have improved the profitability of surviving post offices. Even so, sub-post offices continue to face difficulties:

many subpostmasters are finding it really hard to survive, and there is a growing database that subpostmasters, the ones that are meant to be stable, are actually handing the keys in and are walking away.

[...]

On the evidence I have, it looks like one post office a day is closing as we speak, which is very, very worrying, after a closure programme.⁴²

44. Even after the Network Change programme, the profitability of sub-post offices continues to concern us. Sometimes the problem does not lie with Post Office Ltd. The NFSP has expressed concern that actions to improve Royal Mail Group's efficiency and reduce costs overall might affect sub-post offices. In its report, *Six Steps to a Sustainable Post Office Network*, the NFSP points out that there are 900 post offices, mostly in rural areas, that provide local sorting office facilities on behalf of Royal Mail. In our recent inquiry into the Postal Services Bill, we heard that pay for providing these additional services represents about one-quarter of a sub-post office's total income from postal services.⁴³ The NFSP stated:

the post office and mailwork aspects of the business are inter-dependent, to such an extent that many mailwork sub post offices would be forced to close through loss of income without their mailwork contracts.⁴⁴

The Government response to our report indicated that mailwork centres "will not be affected by the proposed changes to the structure of the Royal Mail group of companies."⁴⁵ Nonetheless, it must be possible that measures to improve the profitability of the letters business may adversely affect the post office network.

45. There are still more pressing problems in the relationship between Post Office Ltd and its retail partners. What is efficient for Post Office Ltd may not be good for subpostmasters. Indeed, some of Post Office Ltd's efforts to improve its financial position may be directly against the subpostmasters' interests. This is obviously the case when Post Office Ltd changes contracts so that they are driven more by the number of transactions carried out, rather than fixed payments, or introduces new ways to access post office services, such as outreach, where limited services mean limited payment for the provider. A move from a fixed payment to transaction-based payments clearly disadvantages those post offices that

42 Q 122 [Mr Thomson]

43 Business, Enterprise and Regulatory Reform Committee, Fifth Report of Session 2008-09, *The Postal Services Bill*, HC 172-II, Ev 58

44 *Ibid*

45 Government Response to the House of Commons Business and Enterprise Select Committee Report on the Postal Services Bill (Fifth Report of the Session 2008-09: HC 172-I), Cm 7623, p 35

have fewer transactions. Post Office Ltd's reported demands for back-dated fees from 400 branches that restocked cash machines with post office cash over the past two years is another example of an action that might make sense for Post Office Ltd, but damages its subpostmasters and other providers.⁴⁶

46. The way in which individual services are promoted can also affect sub-post office profitability. Subpostmasters complain that Post Office Ltd's efforts to give consumers more choice can undermine them. One subpostmaster told the Committee that Post Office Ltd offers better rates for such products as foreign currency and travel insurance if customers purchase the products online or over the telephone. He added: "For example, turnover in foreign currency in my own branch is down £70,000+ over the last year, as customers desert us in droves to place their orders on-line. This is having a huge impact on the viability of sub-post offices across the country".⁴⁷

47. Post Office Ltd explained to the Committee that if customers are introduced to a product in a sub-post office and then later purchase it online, they are prompted to refer to a subpostmaster, who then gets a commission on the sale.⁴⁸ Post Office Ltd also remunerates subpostmasters for other online transactions as long as the consumer identifies the sub-post office that referred them to a service. Nonetheless, subpostmasters are only remunerated for introducing customers to a new service. They are unlikely to benefit from repeat business, and payment in the first place depends on the customer's acknowledgement of the role of the subpostmaster.

48. The issue of paying subpostmasters for additional services is not easy to resolve. Post Office Ltd currently pays sub-post offices for transactions, but also provides infrastructure and investment. There is also the question of what is a fair price for these services, given that a post office attached to an associated business brings in additional custom to that business. Indeed, the payment services company PayPoint has been able to offer bill payment services to its customers at very low price because retailers are happy to accept low returns for PayPoint business since they benefit from the extra footfall generated. However, this business model depends on offering its services through existing businesses. Post Office Ltd has to sustain a network that meets government access criteria, and moreover, if the conclusions of this Report are accepted, needs to accept that sustaining the network at its present level is one of its core tasks.

49. Even if this is accepted, there are difficult issues about how to divide the amount subpostmasters receive through their basic contract and how much through individual transactions. A fixed sum payment makes it easier to assess the value of the post office to a wider business, but it will reduce the incentive for the individual postmaster to increase the activity of his or her branch. While lower rates of activity will not affect individual income, they will affect the profitability of the network as a whole. Currently, the NFSP considers that the remuneration subpostmasters receive for the services they provide is inadequate.⁴⁹ A recent NFSP survey of its members showed that most subpostmasters earn nothing from

46 "Branches could face big bills after post office cash error", *Western Morning News*, 6 May 2009

47 Information submitted in confidence.

48 Q 314 [Ms Vennells]

49 Ev 146 [NFSP]

the sale of some of Post Office Ltd's financial services. While 81% of subpostmasters made income from bank account withdrawals, an average of only £32 was earned from Link Card and Alliance & Leicester card withdrawals in March 2009. Only 1% of subpostmasters surveyed earned more than £50 for vehicle insurance in March 2009, for example.⁵⁰ The extent to which this matters depends on the extent to which the pay of those providing services to the post office, be they subpostmasters or franchisees, relates to the number of transactions they make, rather than being a fixed sum. If transaction-related payments are set at too low a level they could endanger the viability of the network, particularly if volumes are lowered by increased use of online services.

50. The National Federation of SubPostmasters told the Committee:

The key to this is not necessarily the average subpostmaster's remuneration is increasing, the key to this is profitability is falling, and we need to recognise that only 45% of gross income from Post Office Limited actually flows down to subpostmasters, who actually conduct 80% of the work, and simply by giving contracts to Post Office Limited does not necessarily mean that you are creating a viable network for the future. We need to ensure that not too much of that contract price sticks in the pipe, but flows down to subpostmasters to enable them to invest for the future and generate an income.⁵¹

51. The NFSP caution that the viability of the network depends on adequate payment for services,⁵² and suggested to the Committee that a line might be added to subpostmasters' payslips that showed the allocation of the Network Subsidy Payment for that sub-post office to reflect the services being provided.⁵³ This would require Post Office Ltd, in turn, to divide the payment between branches rather than treating it as a lump sum, as now. We are not convinced by the NFSP proposal. In the longer term, the subsidy should be replaced by increasing the services to be provided through the network, including government services, and paying for them properly.

Allocation of costs

52. The NFSP told the Committee on its visit to Wales that subpostmasters provide infrastructure and all but the most basic technology, and that Post Office Ltd spends highly disproportionate resources on refurbishing Crown rather than sub-post offices. The Committee also heard in Wales that Post Office Ltd charges for moving terminals and other equipment in sub-post offices are extremely high. The subpostmaster is contractually obliged to have Post Office Ltd move equipment, and one subpostmaster the Committee met in Cardiff showed a bill of over £1000 for simply moving a terminal from one part of the post office to another. The subpostmaster subsequently reported that Post Office Ltd later agreed to pay the moving costs. Nonetheless, the example demonstrates that Post Office Ltd's practices may not always be in the best interests of its subpostmasters.

50 Ev 150 [NFSP]

51 Q130 [Mr Jones]

52 Ev 146 [NFSP]

53 Q144 [Mr Jones]

53. Private sector partners must pay for the staffing of their post offices themselves from the payment they receive from Post Office Ltd. They must also contribute towards the fixtures and fittings of the post office themselves; only basic facilities are provided directly.

54. The NFSP suggests that income must be increased for those post offices that remain following the closures. Also,

bringing additional and improved services into the network and ensuring that the payment for existing and new services to both POL and subpostmasters themselves is sufficient. Contracts that give work to POL and subpostmasters, but at cut-throat prices, will leave the network needing additional government funding from other sources or risk further widespread post office closures.⁵⁴

55. Small businesses are unlikely to continue providing a service if they cannot do so profitably. It is clear that unless the interests of partners are taken into consideration in Post Office Ltd's corporate decisions, the network itself is in jeopardy. As the NFSP states:

For the post office network to be viable there has to be a stable, critical mass of post offices. It is essential for subpostmasters to know their offices have futures, both individually and as part of a wider thriving network; and for POL's clients to know the number of post offices is stable. Fears of an ever diminishing network are not likely to bring in new business or renewed contracts if there are alternative networks or methods of service delivery. The strength of the network lies in its depth and reach; an ever reducing network would inevitably undermine its future viability.⁵⁵

The Committee heard from the NFSP that in 2006, "40% of subpostmasters made a loss and were unable to cover their post office staff costs, overheads and personal drawings from the net post office pay".⁵⁶ **We recognise that subpostmasters are self-employed; nevertheless, when the state provides services directly, it pays its workers at least the minimum wage. Post Office Ltd, a state-owned company, should ensure it treats its subpostmasters and Outreach operators no less fairly.**

Other network partners

56. It is not just subpostmasters that are critical of the way Post Office Ltd has worked with them. The Co-operative Group expressed concerns about the restrictive policies of Post Office Ltd:

Post Office Limited currently operates a restrictions policy, which restricts the ability of partners to offer services such as mails, bill payments, national lottery, financial services and foreign exchange other than over the Post Office counter [...] For example, we have a contract with Paypoint to offer bill payment services in nearly all of our retail outlets. In many cases, where these services are restricted to the Post Office counter by Post Office Limited, there is limited access due to the opening

54 Ev 146 [NFSP]

55 *Ibid*

56 *Ibid*

hours of the counter, as opposed to the more flexible consumer choice at the store's kiosk or at the till.⁵⁷

57. Similarly, the Association of Convenience Stores pointed out that Post Office Ltd cannot offer customers a full range of bill payment services, and the restrictions policy therefore reduces convenience for the consumer. Furthermore,

It is also not taken into account if the shop into which a Post Office is co-located may have offered range of products and services such as bill payments prior to having a Post Office. To then try and remove this service does not provide a basis for a mutually sustainable partnership, nor is it in the best interest of the customer. The Post Office should not be allowed to use the restriction policy if they introduce a new service which the retailer already has in operation via existing channels. At the very least, businesses should be able to offer customers access to bill payments from other providers which Post Office does not have.⁵⁸

58. Post Office Ltd undoubtedly uses contract restrictions to protect the strength of the products that it offers, and in turn the profitability of the network as a whole. However, their restrictions may instead reduce the viability of a given branch, and therefore the integrity of the network itself.

59. Subpostmasters are represented by the NFSP; other operators have no single voice. Here, too, there are complaints that Post Office Ltd does not try to ensure that its interests and those of its partners are compatible. The Co-operative Group operates more than 500 post offices, but notes that Post Office Ltd:

only has a statutory responsibility to negotiate with the National Federation of sub-Postmasters (NFSP), and, as we are not members of NFSP and they do not represent our interests, we have no input into these negotiations. We believe that the Government should encourage Post Office Limited to negotiate with all operators, not just the NFSP.⁵⁹

60. The Co-operative Group complained that, while its partnership with Post Office Ltd is largely strong, their potential "as a true partner remains untapped":

In some cases Post Office Limited working practices are inappropriate for a large multiple retailer such as ourselves. For example, Post Office Limited has invested in their own business development resource, which aims to provide all operators with support for Post Office sales campaigns. However, these campaigns are often inappropriate for our business and conflict with our own planned sales activities.⁶⁰

57 Ev 103 [Co-operative Group]

58 Ev 86 [Association of Convenience Stores]

59 Ev 102 [Co-operative Group]

60 *Ibid*

The Co-operative Group submitted that it would like to work with Post Office Ltd to resolve conflicts, and that it seeks “an opportunity to become involved in the strategic vision of the Post Office at a much earlier stage to avoid those conflicts”.⁶¹

Conclusion

61. Post Office Ltd has done a great deal to improve its financial situation. It is to be congratulated for facing up to difficulties, and introducing new services. Centrally provided services, such as insurance or financial services, are welcome in so far as they increase the financial viability of the network as a whole. However, we need to be absolutely clear that the health of Post Office Ltd matters primarily not because it can provide a profit to the Government, its shareholder, but because it sustains the post office network. We believe that it is time for Post Office Ltd to pay more attention to the viability of its commercial retail partners, who are essential to providing that network. This does not simply mean negotiating more with the NFSP, important though that may be. It means recognising the legitimate interests of all its retail partners.

62. Post Office Ltd must consider the impact of its decisions on its sub-post offices and other network providers as it seeks to secure the sustainability of the network. There is no doubt that the company has a very difficult balancing act to perform in ensuring that the company as a whole is as profitable and efficient as possible, while acknowledging the needs of its partners to make a profit. We are not convinced that balance is currently correct; there is a danger that a drive for efficiency could result in a rise in unplanned, voluntary closures because the needs of subpostmasters and other providers are not adequately met.

Technology and infrastructure

63. It is remarkable that the post office network's Horizon IT system was not introduced until 1999, and rollout was continuing in 2000.⁶² On its visits, the Committee heard from subpostmasters that transactions needed to be simplified and streamlined. If post offices make greater use of barcodes and automation, more business can be transacted faster, which will help to reduce queues. The Communication Workers Union and Unite the Union told us that post offices need to make better use of electronic terminals for routine processes, such as stamp sales, to free up staff to provide other services.⁶³

64. Transactions with the Horizon system, which links all post offices, are more complex and difficult to use than they need to be - even the total number of keystrokes needed to complete a transaction through Horizon could be reduced. Unite the Union told us post office technology needed to be improved.⁶⁴ Post Office Ltd told us that the Horizon technology is being upgraded in a project called 'Horizon Online', which it expects to

61 Q 6 [Ms Wood]

62 Performance and Innovation Unit, *Counter Revolution - Modernising the Post Office Network*, 2000, p 26

63 Ev 107 [CWU/Unite the Union]

64 Q 255 [Mr Scott]

produce a fully automated system,⁶⁵ and that it would start to implement this upgrade at the beginning of September.⁶⁶ Consumer Focus believes that the technology upgrades will make Post Office Ltd much more competitive when bidding for contracts like TV licences.⁶⁷

65. It is clear that Post Office Ltd has, in the past, not been as innovative in information technology as it should have been. The Committee welcomes the Horizon technology upgrade, but views it as only a critical first step. Post Office Ltd should continue to seek technological innovations that make it more competitive at bidding for contracts, and simplify and speed up transactions in post offices.

66. The Committee heard complaints, particularly through the web forum, about post office infrastructure and access. Some problems related to post office presentation and layout stem from the fact that most subpostmasters are unable to refurbish their post offices to the same standards as Crown post offices. However, we also note that some witnesses felt that Crown post offices themselves were not sufficiently efficient.⁶⁸ There are also concerns about access; for example, we were appalled to learn that the main post office in Torquay is now located on the first floor of a W H Smith whose lift will not accommodate wheelchairs. We were told the nearest parking is more than half a mile away.⁶⁹ This is not the only example of post offices in inaccessible and inappropriate locations; for example, the Crown post office in Worcester is now located on the first floor. Similarly, many contributors complained about the inconvenient locations of those post offices which survived the Network Change programme.

67. Post office branches are housed in a wide variety of locations and buildings — a legacy of the evolution of the network. This has inevitably meant that not all post office branches are ideally sited or arranged. There is, however, no excuse for poor access either in relocated or new branches. The Committee expects Post Office Ltd's new Code of Practice to ensure that any future branch developments provide full access, particularly for those with mobility concerns. Post Office Ltd must actively improve all branches, not just Crown post offices, as necessary, to take into account technological change and new services. In some cases, it will be reasonable to expect Post Office Ltd's retail partners to bear part of the costs, but this depends on a proper share in the associated revenue.

65 Q 273 [Mr Furey]

66 Q 322 [Ms Vennells]

67 Ev 97 [Consumer Focus]

68 Ev 190 [Paul Saunders]

69 Ev 203 [Torbay Council]

3 Sustaining the network

68. The network has long been valued for more than just the provision of mail collection and delivery:

We all go straight to the post office when in a strange place, if we are in the slightest difficulty. The post office is there ‘on his Majesty’s service’ to get us out of trouble.⁷⁰

According to NFSP research:

the two factors the public say are most likely to make an impact on their future use of post office services are the ability to access the high street banks (62% said this would increase their use of post office services) and the availability of more goods and services (58%).⁷¹

Virtually all of the submissions to the Committee reflected the huge demand for still more services to be provided through post offices. However, we recognise that people may like having access to post office services, but may not actually use them. The challenge for Post Office Ltd will be not just to offer the services discussed in this chapter, but to do so in an environment that is attractive and efficient enough to attract customers.

69. Each of the new services identified over the course of this inquiry is explored below in more detail under each category of ‘core service’: postal services, central government services, local government services, financial services, and community services. Some are examples of services currently offered in a few post offices that represent good practices that could be emulated throughout the network; some are entirely new ideas; and some are inventive but may be impractical. But they demonstrate clearly that the network’s potential is far greater than has so far been realised.

Postal services

70. Post Office Ltd received £358 million from Royal Mail Group in 2007–08 for providing mail services. In an earlier report the Committee expressed concern about the lack of clarity over the extent to which this sum was related to the cost of providing those services.⁷² For example, it is not clear whether the payment includes any consideration of the exclusive access to the network that Royal Mail Group has enjoyed up until now. We are encouraged that the Postal Services Bill, in recognition of the need for appropriate oversight of Post Office Ltd’s funding arrangements, proposes to improve transparency with a statutory requirement for Post Office Ltd to lay its accounts before Parliament each year.⁷³

70 Edward Bennett, *The Post Office and its Story* (London Seeley, 1912)

71 Ev 145 [NFSP]

72 Business, Enterprise and Regulatory Reform Committee, Tenth Report of Session 2007–08, *Post Office finance: matters arising from evidence taken on 10 June 2008*, HC 662

73 *The Future of the Universal Postal Service in the UK*, Cm 7650, Feb 2009, p 17

71. The most commonly requested new postal service is for the post office network to act as a mail or parcel delivery and collection service for all mail operators and couriers, not just for Royal Mail.⁷⁴ The growth of e-commerce, coupled with changing working patterns, has meant that private individuals and businesses need a place to send and receive parcels. Postcomm notes that in 2007, £46.6 billion was spent online, an increase of 54% over the previous year.⁷⁵ Increases in online commerce represent a huge opportunity for Post Office Ltd to increase parcel receipt.

72. Postcomm submitted that “Post Office Ltd should have complete commercial freedom to handle packets from other postal operators than Royal Mail”.⁷⁶ Postcomm claimed that there was an exclusivity agreement between Royal Mail Group and Post Office Ltd.⁷⁷ However, CWU and Unite the Union told us that “the facility already exists for competitors to request and agree access to the network”.⁷⁸ Post Office Ltd confirmed that Royal Mail Group must make the post office network available to any mails competitor.⁷⁹ But although the mechanisms are in place for Royal Mail’s competitors to use the post office network, until recently, they have not been acted on.

73. When questioned about the lack of deals with Royal Mail’s competitors, Post Office Ltd told the Committee that it had just signed a contract with DX Group to provide a local collection service for DX Group parcels.⁸⁰ While the Committee welcomes this development, it raises the question: why is this the first such deal?

74. The largest single source of Post Office Ltd income is Royal Mail Group. As we have noted, there is little clarity about how this is calculated, and we welcome the Government’s proposals to introduce more transparency into this. Given the wider social role of post offices, we believe that it is appropriate to allow any mail operator who wishes to negotiate with Post Office Ltd to use the network. Post Office Ltd should do everything it can to secure contracts with Royal Mail’s competitors. However, such contracts should be properly priced; any such arrangements should “pay their way” for Post Office Ltd and its partners.

Central government services

75. The post office network has become increasingly disassociated from government over time. According to *Six Steps to a Sustainable Post Office Network*, government-related services represented 26% of Post Office Ltd’s revenue in 2007–08, a sharp decrease from 43% in 2003–04. This is a worrying development, because the network represents an invaluable opportunity for central and local governments to reach citizens.

74 Ev 160 [North Yorkshire County Council]; Ev 175 [Postcomm]; Ev 87 [Association of Convenience Stores]; Ev 144 [National Federation of SubPostmasters]; Ev 132 [Intellect]; Ev 191 [Scottish Grocers Federation]

75 Ev 175 [Postcomm]

76 Ev 176 [Postcomm]

77 Business, Enterprise and Regulatory Reform Committee, Fifth Report of Session 2008-09, *The Postal Services Bill*, HC 172-II, Ev 51

78 Ev 109 [CWU/Unite the Union]

79 Q 334 [Mr Cook]

80 Q 333 [Mr Cook]

76. The NFSP stated that one of the reasons behind the decline in the provision of government services through post offices:

has been government departments or agencies seeking to achieve narrow short-term cost savings. The loss of this work has directly led to other arms of government paying to prop up the network. This approach has been widely criticised, and was described by the then House of Commons Trade & Industry Committee as “taxpayers’ money going round in circles”.⁸¹

77. As we explored in the introduction to this report, post offices have a vital role in sustaining the social fabric in local communities, rural or urban, and the public considers that the Government has a responsibility to ensure they continue to do so. The more that useful services can be offered through post offices, the greater their role will be in sustaining communities. Pursuing individual departmental objectives through the network will contribute to wider policy.

78. Unfortunately, government departments do not appear to appreciate this at present. The post office network is all too often seen as the problem of its sponsoring department, rather than an opportunity for government services to reach every community. At the beginning of this inquiry, the Committee asked each government department several questions:

- What services do you currently provide through post offices?
- Are you exploring the provision of any additional services through post offices?
- What gets in the way of providing more services through post offices?

Although the Government response to our inquiry on the Postal Services Bill noted that “a range of prospective opportunities for the Post Office to act as the ‘Front Office for Government’ have been identified”,⁸² this front office role does not seem to have penetrated deeply. The Committee received responses from most government departments; the responses were of varying quality. Some departments (notably Transport and Home Office) provided thoughtful responses; several others (Culture, Media and Sport; Health; Innovation, Universities and Skills; Justice; and Northern Ireland Office) responded but utterly failed to address our questions. The Department for Work and Pensions reply was very poor, particularly considering their key role in improving social inclusion. A number of departments (Communities and Local Government; Children, Schools and Families; Energy and Climate Change; International Development; Revenue & Customs; Scotland and Wales) failed to respond at all.

79. Most of the departments which responded to our letter adequately addressed the question about services currently provided. The Committee’s question about what additional services could be offered was less well answered and in many cases, ignored. The then Department for Business, Enterprise and Regulatory Reform (BERR) stated that it was considering the use of post offices to provide information on consumer credit and as a

81 NFSP, *Six Steps to a Sustainable Post Office Network*, 23 March 2009, p 9

82 Government Response to the House of Commons Business and Enterprise Select Committee Report on the Postal Services Bill (Fifth Report of the Session 2008-09: HC 172-I), Cm 7623, p 45

channel of communication with small businesses about the Business Link services.⁸³ The Ministry of Defence is currently working with the Department for Work and Pensions to deliver more services to war pensioners.⁸⁴ The Home Office is exploring using post offices to biometrically enrol foreign nationals applying for identity cards.⁸⁵ None of the other departments appeared to consider additional service provision through the post office network.

80. Very few departments responded to our question about what constrained them from using post offices to provide additional services. Among those that did, cost was a common theme. The Ministry of Defence pointed out that value for money could be a constraint, and that the facility to deliver armed forces benefits using post offices had been withdrawn because of costs.⁸⁶ The Department for Transport stated that the cost of processing the renewal of vehicle excise duty through a post office is 50% higher than processing the same transaction online.⁸⁷

81. The Department for Transport identified two more constraints on the expansion of services through the network: customers' preference for doing transactions from the comfort of their homes; and the "growing need for specific expertise in checking identity".⁸⁸ The Home Office submitted that there are no constraints on the expansion of the use of post offices as long as the services are effective and competitive compared to other businesses.⁸⁹ None of the other departments answered this question.

82. Value for money is important, and we have some sympathy with departments' emphasis on the comparative costs of using the post office network. We will explore this later in this report. However, as we note above, **government departments should always consider what is the most effective way to reach those who prefer to deal with matters face-to-face. It is legitimate to encourage people to use cheaper communications channels, but not to deny them choice.**

83. **We accept that not all government services can be provided across the network, but as a minimum, wherever a service can be provided by post then the associated material should be available at post offices. For example, passport application forms should be universally available. The Government must think of post offices not just as a collection of private businesses, but as a public service.** Apart from the opportunity for better communication and service that the network represents, where post offices are no longer available, additional burdens may be placed on social services.⁹⁰ Failure to recognise this reveals a lack of a coordinated approach within Government. As one submission put it, post offices are a wasted asset:

83 Ev 60 [BERR]

84 Ev 61 [Defence]

85 Ev 62 [Home Office]

86 Ev 61 [Defence]

87 Ev 64 [Transport]

88 Ev 64–5 [Transport]

89 Ev 63 [Home Office]

90 Ev 205 [Unite]

Here is a wonderful nationwide network of Post Offices, all in close touch with their local communities, capable of doing much more than they currently do, even to carrying out surveys or pilot schemes. It is clear that the Government does not value them for their true worth by the emphasis it places on directing their services to other agencies.⁹¹

84. **The responses from government departments to the Committee's inquiry were, as a whole, inadequate. Most departments failed to suggest any way in which they might use the post office network. It is easy to think of government facilities which might usefully be available through the network, simply because of its near universal reach: payment of fines, and proof of such payment; provision of simplified consultation documents; leaflets about departmental services and initiatives; application forms for energy saving schemes; and provision of popular government forms.**

85. **The Committee is profoundly disappointed by the narrow focus on departmental concerns and the lack of attention to citizens' needs displayed in many of the answers to our questions about departments' use of the post office network. Government is in the business of providing services, and the post office network represents an unparalleled facility to deliver those services to local communities. It is bizarre that government policy recognises the value of the network, but that individual departments do not see that they have a role in making sure that everybody, not just the web enabled, has access to their services, and that taking this seriously by using the post office network more could contribute to wider policy aims.**

A digital switchover of public services?

86. The recently published *Digital Britain* final report says:

Discussion with stakeholders inside and outside Government has demonstrated a consistent view that Government should develop a roadmap to a new programme of Digital Switchover of Public Services (by which we mean online being the primary means of access, rather than one among many – though clearly with a safety net in delivery for those unable to access the service online).⁹²

87. We profoundly disagree. We support efficient use of technology. We acknowledge that online schemes can save taxpayers' money (*Digital Britain* notes the electronic vehicle licensing scheme saves the DVLA around £8 million per year). However, while it is reasonable for private companies to decide to restrict their market segment to those who can use web-based services, it is not appropriate for the Government to do so.

88. According to *Digital Britain* itself, only 55% of those who already have the internet at home had used government services online. That means many people have chosen not to. We also note that *Digital Britain's* consultation process was intrinsically likely to capture the views of the digitally confident, rather than those who cannot or do not wish to engage in this way. As we have noted, our web forum, which was intended as an additional communication channel, provoked strong reactions. As one respondent said:

91 Ev 129 [The Harwich Society]

92 *Digital Britain*, Final Report, June 2009 Cm7650, p 210

There is a Poster in our Village Post Office inviting the public to contribute to a debate instigated by Parliament but giving only a web-site address. [...] I do not have the facility to contribute in that manner and [...] I consider that to be somewhat restrictive, if not discriminatory [...]⁹³

89. Public reaction to being expected to use the internet as the main way to access government services would be still stronger. Government's proper role is to encourage the take-up of new technology, not to enforce it. Those who do not wish to use the internet deserve more than a "safety net".

90. **We recognise that providing services through the post office network may be more expensive than providing those services online. However, we consider the public's expectation that there should be a choice of ways to access government services and information is legitimate. The question should not be "is it cheaper to provide this service entirely on-line or remotely?" but "given that there needs to be a choice of delivery methods, what is the most effective way to reach those who prefer to deal with matters face to face?"**. As we have already noted (see paragraph 16), the public does not believe it is acceptable to offer services online only. Once it is accepted that there will always be a proportion of the public that will not use cheaper electronic communication methods, the value of the post office network becomes clearer. One submission to the Committee noted: "If post office outlets reduce further or disappear, Government might in the future find itself in the position of having to re-establish person-to-person services, at potentially greater expense".⁹⁴

New central government services that might be offered

91. Central government services currently provided through some or all post offices include: car tax disc renewal; Statutory Off-Road Notification; DVLA checking; fishing and game licence applications; payments to benefit recipients and pensioners through the POCA; passport check and send; European Health Insurance Cards; National Savings and Investments (NS&I) products; and the Child Trust Fund.⁹⁵ In addition, 77% of customers use post offices to access government forms.⁹⁶ There is a range of other services which the network could offer, which can be broadly divided into identity services, documentation checking, and wider government services. Many build on services already on offer or being piloted. The new central government services suggested to the Committee are summarised in Table 2 below, and then described in more detail below.

93 Ev 190 [Brian Sawkins]

94 Ev 196 [South West ACRE Network of Rural Community Councils]

95 Ev 64 [Transport]; Ev 60 [Defence]; Ev 66 [DWP]; Ev 62 [Home Office]; Ev 65 [Treasury]; Ev 180 [Post Office Ltd]

96 Ev 142 [NFSP]

Table 2: Suggestions for possible new central government services

Advice on government matters Processing driving licenses Processing passport applications Vehicle licensing renewal Application form checking service Visas for foreign travel Postal voting Payment of benefits	TV licensing Proof of identity checks Photocopy authentication service Implementation of future ID cards Renewal of DVLA's photo ID cards War Pensioners' postal service 'Signing-on' for benefits
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Identity services

92. Some of the suggestions for 'new' government services to provide through the network are already available. For example, a number of submissions recommended that post offices could be used for processing driving licences.⁹⁷ We note that on 23 March 2009, Lord Mandelson announced that Post Office Ltd had signed a five-year contract to support the DVLA in issuing photographic driving licences. The DVLA licence renewal service will be available at 750 post offices.⁹⁸ This contract should allow Post Office Ltd to undertake a multi-million pound investment in verification technology, which could lead to other related contracts. Indeed, the potential to use this technology for other services was included in the contract.

93. The development of post offices' ability to provide identity related services would clearly be welcomed by those who submitted evidence to us. There is considerable demand for more post offices to process passport applications.⁹⁹ Some would simply like to be able to access passport application forms in all post offices;¹⁰⁰ others would like post offices to include passport photo booths,¹⁰¹ while another submitted that post offices could undertake passport and identity interviews.¹⁰² There was widespread support for the use of the post office network for implementing the identity card scheme.¹⁰³ The Home Office is exploring the possibility of using post offices for biometric enrolment of foreign nationals for the identity card scheme, potentially using the DVLA's framework agreement. The UK Border Agency aims to run a six to 12 month pilot at 20 post offices.¹⁰⁴ This could lead to additional work related to the new generation of passports.

97 Ev 158 [North Yorkshire County Council]; Ev 71 [Action with Communities in Rural England]; Ev 74 [Age Concern]; Ev 193 [South Hams District Council]

98 Ev 64 [Transport]

99 Ev 158 [North Yorkshire County Council]; Ev 71 [ACRE]; Ev 108 [CWU/Unite the Union]; Ev 198 [Andrew Summers]; Ev 193 [South Hams District Council]

100 Ev 117 [Essex FSB]

101 Ev 160 [North Yorkshire County Council]

102 Ev 108 [CWU/Unite the Union]

103 Ev 71 [Action with Communities in Rural England]; Ev 87 [Association of Convenience Stores]; Ev 197 [South West ACRE Network of Rural Community Councils]; Ev 142 [NFSP]; Ev 191 [Scottish Grocers Federation]; Ev 102 [Co-operative Group]; Ev 74 [Age Concern]

104 Ev 63 [Home Office]

94. However, before identity services could be provided across the network, staff would have to have additional training. The Department for Transport told the Committee that the “ability to identify increasingly sophisticated counterfeits and forgeries has become a specialist skill which Post Office staff, who handle a very wide range of business and general transactions, cannot be expected to have”.¹⁰⁵

95. Many or even most identity services may well be too sophisticated to provide across the network. However, even limited use of the post office network will allow these services to be offered across a wider geographical area than would otherwise be possible. There is potential to use the post office network to offer such services at a range of locations across the UK, which will both benefit those who need new driving licences or identity documents and provide income for Post Office Ltd.

Documentation checking or authentication

96. Many of the submissions identified the post office as a sensible place to have documents checked and processed. According to Post Office Ltd, 2,500 post offices currently offer a ‘passport check and send’ service and stock passport application forms.¹⁰⁶ In addition, photo licence application checking is already available in 743 post office branches.¹⁰⁷

97. These services are currently funded by a payment from the customer. There are other suggestions where the source of payment is less obvious. It was suggested post offices could be used to check benefits applications, as considered by the Irish Government, in order to help prevent benefit fraud.¹⁰⁸ This idea is similar to the ‘Validate’ pilot project, described below in paragraph 115. The NFSP reports that subpostmasters already provide an informal service for customers by checking application forms for them. In addition,

Subpostmasters also frequently sign official documents, such as passport applications, for their customers. These are goodwill gestures and subpostmasters are not remunerated for offering them. There is strong evidence that this informal assistance is extensively drawn upon throughout the post office network — between 35% and 41% of customers do so.¹⁰⁹

The CWU and Unite the Union similarly suggested that post offices could both check and process tax self-assessment forms.¹¹⁰ Once again, this might depend on staff training.

98. Postcomm notes that Portuguese post offices offer a photocopy authentication service, and suggests that this is a government service that the network might provide.¹¹¹

105 Ev 65 [Transport]

106 Ev 179 [Post Office Ltd]

107 Ev 177 [Post Office Ltd]

108 Ev 142 [NFSP]

109 Ev 142 [NFSP]

110 Ev 108 [CWU/Unite the Union]

111 Ev 174 [Postcomm]

Wider government services

99. Despite an increasing reliance on electronic channels for the delivery of government services, some people are unable or unwilling to use these channels. Consumer Focus suggested that subpostmasters could check, authenticate and digitise applications, and then forward them to the relevant government department.¹¹²

100. Many submissions would like to see post offices as a ‘one-stop shop’ for government services.¹¹³ The North Yorkshire County Council suggested that just as the DirectGov website acts as a virtual one-stop shop for government information, the post office network could be the complementary face-to-face service.¹¹⁴ They envisage that: “Trained sub-postmasters could provide information and basic advice on government issues (tax returns, pension entitlements etc.), and help the public carry out routine transactions”.¹¹⁵ Cornwall County Council suggests that post offices could be used to provide information on government policy.¹¹⁶

101. The CWU and Unite the Union support the notion of a one-stop shop, because it:

can help the government reach vulnerable and marginalised members of society in rural and urban-deprived areas. Moreover, it can further the Government’s regeneration agenda, tackle the financial exclusion that is rife in communities across the UK, and in so doing ensure a future for the Post Office network.¹¹⁷

They cite a scheme recommended in the 2000 report of the PIU,¹¹⁸ whereby ‘Government General Practitioners’ would act as a ‘guide to government’, providing information and low-level advice on government issues and handling transactions. CWU and Unite the Union would like to see “trained counters staff working in this way in all Post Offices across the country”.¹¹⁹

102. However, the Government has already conducted a trial of the PIU proposals under the label “Your Guide”; the then Minister, Mr Stephen Timms, said:

Very few of the sub-postmasters involved in the pilot reported any increase in sales from the additional footfall generated by “Your Guide”. As that was what it was intended to be about, we concluded from our evaluation that it would not represent value for money to roll it out nationally.¹²⁰

¹¹² Ev 97 [Consumer Focus]

¹¹³ Ev 158 [North Yorkshire County Council]; Ev 86 [Association of Convenience Stores]; Ev 107 [CWU/Unite]; Ev 142 [NFSP]; Ev 102 [Co-operative Group]; Ev 97 [Consumer Focus]; Ev 97 [Citizens Advice]; Ev 105 [Cornwall County Council]; Ev 87 [Hugh Bayley MP];

¹¹⁴ Ev 158 See also Ev 105 [Cornwall County Council]

¹¹⁵ Ev 158 [North Yorkshire County Council]

¹¹⁶ Ev 104 [Cornwall County Council]

¹¹⁷ Ev 107 [CWU/Unite]

¹¹⁸ Cabinet Office, Performance and Innovation Unit Report, *Counter Revolution: Modernising the Post Office Network*, (2000), p 77

¹¹⁹ Ev 107 [CWU/Unite]

¹²⁰ HC Deb, 21 May 2003, col 306-13WH [Westminster Hall]

103. There may be scope for using the post office network more as a source of government advice, but provision of such services would require substantial investment in training and, quite possibly, in technology. Moreover, this role would have to be managed so that it took account of the fact that the majority of branches are run by subpostmasters, not direct government employees.

104. Several submissions saw potential for the post office network to provide employment information. For example, post offices could host Job Centre Plus 'Jobpoint' terminals,¹²¹ advertise job vacancies,¹²² or host local employment or skills fairs.¹²³

105. There were two more unusual suggestions for government services. Postcomm reports that postal voting services are handled by post offices in Finland and suggests that this service might be an opportunity for post offices.¹²⁴ The CWU and Unite the Union suggested that the post office network might be used to issue visas for foreign travel.¹²⁵ It is not clear how practical these two suggestions are; however, they indicate that there are potentially many innovative uses of the network.

106. It is not enough simply to identify services which could be provided through the network; they must provide value for the Government. This is not simply a matter of the lowest possible cost; the decisions need to be considered on a cross-government basis. Expanding government services could help ensure the sustainability of the network, and the additional costs of providing the services might be offset by reduced costs in other publicly-funded areas.

107. Services must also provide income for the post office network — indeed, the Co-operative group is supportive of post offices as a universal hub, but caution that:

for these services to contribute to a sustainable Post Office network, the level of funding (e.g. the fee per passport check) needs to be commensurate with the time or work involved for both Post Office Limited and the operator of the Post Office.¹²⁶

108. Even so, many of the preceding suggestions for improved central government services are both feasible and advisable. **The biggest barrier to the expansion of government services offered through the network is the attitude and lack of imagination of most government departments. History has given government an unparalleled and highly valued portal in the post office network. Departments must try harder to provide their services through post offices. At the very least, individuals must be able to get important government forms in all post offices. It surely cannot be beyond the Government's technological ability to provide a means to supply such material electronically so that the most up-to-date version of the form in question can simply be printed. Some of the proposals which have been made to us are impractical at first glance, but contain good ideas. Departments should not simply dismiss the provision**

¹²¹ Ev 142 [NFSP]

¹²² Ev 105 [Cornwall County Council]

¹²³ Ev 188 [Rural Action East]

¹²⁴ Ev 174 [Postcomm]

¹²⁵ Ev 108 [CWU/Unite the Union]

¹²⁶ Ev 102 [Co-operative Group]

of services through the network; they should assess whether offering services through post offices would make life easier for their customers, and if so, whether it is at all practicable.

109. In asking us to undertake the task force role, BERR showed its commitment to a coordinated effort to provide more services through post offices. The new Department for Business, Innovation and Skills should continue this work. There should be a government-wide leader to coordinate and implement as soon as possible a programme of expanded government services in post offices. There should be a new presumption that, in addition to any other delivery methods, all government departments should seek to deliver their services through the post office network in the interest of social inclusion. They should also be obliged to promote these delivery methods on an equal footing with other methods. The example of the Pensions Agency, constantly seeking to obscure the availability of its services through post offices, stands as a warning as to what will happen if this policy is not enforced properly.

Local government services

110. The post office network is also used for the delivery of some local government services, although these vary from place to place. Local services available through some post offices include: applications for concessionary bus passes; acceptance of council tax, rent and other payment types;¹²⁷ meals on wheels; travel permits and passes; blue badges and leisure centre passports.¹²⁸ Post Office Ltd reports that of the 526 local authorities they analysed, 312 use post offices for at least one service. However, very few — only 55 — use them for council tax, rent payments, and other local government services. Most just use them for one type of local authority service.¹²⁹ As with central government services, the Committee received many suggestions for services that local authorities could offer through the post office network. These are summarised below in Table 3.

Table 3: Suggestions for possible new local government services

Paying rent for Council properties Travel passes and parking permits Leisure pass Disabled badge issuing Parking and other fines payment Payment for Social Service provision School uniform vouchers School meal vouchers or payment School lessons/extras Council Tax payment Congestion charge	Building regulation fees Garage/allotment/hall hire fees National Non Domestic Rates Local Authority payment collection point Local Authority information provision Consultation exercises on local matters Vehicle removal/towing fees Commercial waste fees Recycling bag collection point House clearance fees Registration of change of circumstances
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¹²⁷ Ev 183 [Post Office Ltd]

¹²⁸ Ev 143 [NFSP]

¹²⁹ Ev 183 [Post Office Ltd]

111. As with central government services, many suggested that post offices could be a ‘one-stop shop’ for local government services.¹³⁰ Post offices could act as a payment collection point for local authorities, including: ¹³¹ rent for Council properties;¹³² council tax;¹³³ social services such as ‘Meals on Wheels’;¹³⁴ commercial waste fees;¹³⁵ house clearance fees;¹³⁶ vehicle removal fees;¹³⁷ congestion charge fees;¹³⁸ leisure passes;¹³⁹ parking and other fines payments,¹⁴⁰ and school meal vouchers and other payments to schools.¹⁴¹ The Scottish Grocers Federation points out that Proof of Age cards are only available through local authority offices, and suggests that they should be made available through the entire post office network.¹⁴²

112. Local transport transactions could also be dealt with at post offices. Post offices could sell travel passes and parking permits,¹⁴³ which is already being done in some areas. For example, the Mayor of London submitted that post offices will process applications for London’s new half price Bus and Tram discount scheme.¹⁴⁴

113. Essex County Council suggested several other local government transactions that could be done in post offices: garage, allotment, and hall hire fees; building regulation fees; business rates; and school uniform vouchers.¹⁴⁵ North Yorkshire County Council gave an example of how this might be done:

Leeds City Council is using post offices to administer school uniform clothing allowance vouchers via Post Office Ltd’s new ‘Post Office Payout’ facility (a new way

130 Ev 201 [Torbay Council]; Ev 71 [Action with Communities in Rural England]; Ev 107 [CWU/Unite the Union]; Ev 113 [Essex County Council]; Ev 102 [Co-operative Group]; Ev 97 [Consumer Focus];

131 Ev 125 [Future Years]; Ev 155 [Norfolk Rural Community Council]; Ev 86 [Association of Convenience Stores]; Ev 194 [South Oxfordshire District Council]; Ev 113 [Essex County Council]; Ev 191 [Scottish Grocers Federation]; Ev 118 [Essex Rural Partnership]; Ev 97 [Consumer Focus]; Ev 105 [Cornwall County Council]; Ev 96 [Commission for Rural Communities]; Ev 171 [Pinchbeck WI]

132 Ev 159 [North Yorkshire County Council]; Ev 71 [Action with Communities in Rural England]; Ev 197 [South West ACRE Network of Rural Community Councils]; Ev 108 [CWU/Unite the Union]; Ev 143 [NFSP]; Ev 114 [Essex County Council]; Ev 90 [Cllr. Mike Carver]; Ev 134 [Marjorie Lewis]

133 Ev 71 [Action with Communities in Rural England]; Ev 197 [South West ACRE Network of Rural Community Councils]; Ev 108 [CWU/Unite the Union]; Ev 147 [NFSP]; Ev 193 [South Hams District Council]; Ev 90 [Cllr. Mike Carver]; Ev 134 [Marjorie Lewis]

134 Ev 159 [North Yorkshire County Council]; Ev 71 [Action with Communities in Rural England]; Ev 108 [CWU/Unite the Union]; Ev 147 [NFSP]; Ev 114 [Essex County Council]

135 Ev 147 [NFSP]

136 Ev 147 [NFSP]

137 Ev 147 [NFSP]

138 Ev 108 [CWU/Unite the Union]

139 Ev 159 [North Yorkshire County Council]; Ev 108 [CWU/Unite the Union]; Ev 147 [NFSP]; Ev 114 [Essex County Council]; Ev 75 [Age Concern]

140 Ev 159 [North Yorkshire County Council]; Ev 71 [Action with Communities in Rural England]; Ev 197 [South West ACRE Network of Rural Community Councils]; Ev 108 [CWU/Unite the Union]; Ev 147 [NFSP]; Ev 114 [Essex County Council]; Ev 105 [Cornwall County Council]; Ev 193 [South Hams District Council]; Ev 141 [Deborah Moggach]

141 Ev 147 [NFSP]

142 Ev 191 [Scottish Grocers Federation]

143 Ev 159 [North Yorkshire County Council]; Ev 71 [Action with Communities in Rural England]; Ev 197 [South West ACRE Network of Rural Community Councils]; Ev 108 [CWU/Unite the Union]; Ev 147 [NFSP]; Ev 114 [Essex County Council]; Ev 191 [Scottish Grocers Federation]; Ev 90 [Cllr. Mike Carver]

144 Ev 139 [Mayor of London]

145 Ev 114 [Essex County Council]

of paying out cash or postal orders based on presentation of a letter & I.D. verification).¹⁴⁶

114. Other local government services that could be offered through post offices include disabled badge issuing¹⁴⁷ and recycling bag collection.¹⁴⁸ Post offices could be a centre for general local authority information,¹⁴⁹ or for consultation exercises on local matters.¹⁵⁰ They could also be a place for citizens to register change of circumstances details, such as change of address, births, marriages and deaths.¹⁵¹ One person suggested that post offices could have ‘over the counter hotlines’ to enable customers to learn about government services.¹⁵²

115. Post offices currently offer a checking service for some central government services. The North Yorkshire County Council suggested that this service could be extended to include benefits forms. They cite the example of the ‘Validate’ programme, in which local authorities use post offices to help with change of circumstance declarations to assist fraud detection and reduce housing benefit overpayments, and state that this pilot programme should be extended to all local authorities.¹⁵³ This pilot programme appears to be successfully used in Wales.¹⁵⁴

116. Some local authorities are already piloting innovative uses of the network. For example, when the Committee visited Essex, it learned about neighbourhood policing teams using local post offices as a place to engage with the community. Essex has also established community information points in some post offices that have been ‘rescued’ by the County Council from the closure programme. These are web-based service access points, and the Council sees them:

providing services such as internet access; free cash machines; bill payment facilities; postal services and banking services. These services will be complemented by direct access, through the community information points, to information about the local community and signposts to services provided by Central Government, County and District Councils, the Police and many other public bodies.¹⁵⁵

117. In Camden, Lambeth and Sedgemoor, pilot schemes have been set up in which post offices deliver consultation exercises, communicate with residents, and meet housing benefit intervention targets.¹⁵⁶ Nottingham City Council allow customers to pay rent or council tax at post offices, and although they pay Post Office Ltd a commission for each

146 Ev 159 [North Yorkshire County Council]

147 Ev 147 [NFSP]

148 Ev 105 [Cornwall County Council]

149 Ev 154 [Norfolk Rural Community Council]

150 Ev 201 [Torbay Council]; Ev 197 [South West ACRE Network of Rural Community Councils]; Ev 108 [CWU/Unite the Union]; Ev 148 [NFSP]; Ev 163 [Nottingham County Council]

151 Ev 108 [CWU/Unite the Union]; Ev 97 [Consumer Focus]

152 Ev 130 [Peter Horne]

153 Ev 159 [North Yorkshire County Council]

154 Ev 143 [NFSP]

155 Ev 112 [Essex County Council]

156 Ev 201 [Torbay Council]

transaction, “this is a significantly cheaper option than processing payments at housing offices”.¹⁵⁷ Some councils employ technology to support the use of post offices. For example, Torbay Council use barcodes on council tax and business rates bills, and these can be paid at any post office.¹⁵⁸

118. While these ideas and pilot projects are welcome, there is no uniformity about the extent to which local government services are available through the post office network. It depends entirely on the enthusiasm of the local authority in question. Even though local authorities have been vociferous in opposing post office closures, many local authorities provide no services at all through post offices. **Local authorities use post office services even less, and less consistently, than central government. Many are quick to say they support post offices, but then are slow to offer their services through them — the support that really matters. They should try harder to provide their services through post offices — those who have piloted such services have been enthusiastic about the results. The Local Government Association should lead efforts to expand the availability of local government services through the post office network.**

119. As with central government services, it is clear that there is substantial scope for more use of the network by local government. The NFSP submitted that they:

would like to see the current arrangements extended across the board to all local authorities and for all regular payments for services. This should be co-ordinated centrally by an agency such as the Local Government Association, rather than negotiated and implemented on a piecemeal basis, as is currently the case. Central co-ordination would enhance take-up among local authorities and reduce time expended by councils each navigating their own arrangements from scratch.¹⁵⁹

Post Office Ltd also has a role to play here, in publicising the services it can offer local authorities, and standardising them as far as possible.

120. **It is not appropriate for the Government to dictate to local authorities the extent to which they provide services through the post office network. However, we believe more could be done to raise awareness of the potential of the network. Post Office Ltd should take the lead in developing services that can be easily accessed by local authorities. It should then work with the Local Government Association to ensure that every local authority is provided with information about the services post offices can offer.**

Local government support for post offices

121. The Committee visited Essex, Devon and Wales during the course of the inquiry because each has taken an innovative approach to keeping its post offices open. The ‘Essex model’, whereby the local authority provides the funding to maintain the network, has successfully reopened post offices in Essex that would have otherwise been lost to the community. These post offices also provide a number of new local government services.

¹⁵⁷ Ev 163 [Nottingham City Council]

¹⁵⁸ Ev 202 [Torbay Council]

¹⁵⁹ Ev 143 [NFSP]

The Committee had an opportunity to visit one of the post offices reopened recently thanks to council funding — that in Epping — and heard from local businesses and customers how important the council's role was in restoring a vital service.

122. There has been tremendous interest in the Essex model, with many local authorities approaching Essex County Council to learn more about it. Essex County Council suggested that local authorities might even become responsible for post office provision in their areas. The Committee does not see this model as appropriate to extend throughout the network. **Relying on local authorities' funding to maintain the network would result in poorer local authorities providing fewer or poorer services. This would undoubtedly undermine the uniformity of service, which we have heard is a desirable — some might say necessary — characteristic of a sustainable post office network.**

123. Devon County Council has taken a slightly different approach to Essex. Based on the recommendations of the Devon and Torbay Post Office Task Force, which was formed in response to the closure programme, the council set up a three-year strategy. This strategy includes giving business advice and grants — to replace salaries that are no longer paid by Post Office Ltd — to partner outreach branches that represent the sole remaining shop in a village. The Committee visited one such branch in Kennerleigh (see Figure 1 at the beginning of this report). This village shop and post office is being sustained partly by community involvement, but substantially by the county council's annual grant of £5,000 for three years. The council is also providing free business advice to post offices such as the one in Kennerleigh, to help them devise business strategies to become sustainable after the withdrawal of support from Post Office Ltd.

124. The Welsh Assembly Government has taken yet another approach to support post offices. In addition to the pilot project for the 'Validate' programme, discussed above, and a pilot project to use rural post offices as internet hubs, it has made available a Post Office Development Fund. This fund allows subpostmasters to apply for capital grants and revenue funding to improve the non-post office elements of their businesses. The capital grants can be as much as £20,000; revenue grants can be as much as £15,000. Examples of supported projects include the introduction of a new retail business, improvement of the sustainability of the non-post office aspects of the business, and helping disadvantaged groups. Training is offered, and grants can include funding to cover staffing costs that make it possible for subpostmasters to get such training. As with Devon, the intent of this programme is not indefinite support of the post offices in question, but rather, ensuring the long-term self-sustainability of vulnerable branches through business improvement.

125. **Post offices are community assets, and we welcome the approaches to support them that we have seen. Essex, Devon and Wales are showing commendable initiative. Undoubtedly there will be many other examples throughout the United Kingdom. In providing services through the post office network, Essex is giving an example of a local authority using post offices as a resource. We were particularly impressed by the effort that the Welsh Assembly Government and Devon County Council have made to improve the underlying businesses associated with sub-post offices. Helping businesses in this way not only supports the network, but safeguards other facilities for the local community.**

Financial services

126. The post office network is already a major financial network and provides financial services to people who would otherwise be unbanked. Post offices are used to receive cash, pay bills and operate some accounts. The fee-free ATM network expanded to almost 1,700 this year, and in some communities the post office provides the only free access to cash.¹⁶⁰ The Treasury Select Committee has drawn attention in repeated reports¹⁶¹ to the importance of the network in ensuring financial inclusion. Appendix B lists the bank services available from Post Office Ltd.

127. The POCA gives people on low incomes and pensioners access to cash in their communities: the Commission for Rural Communities estimates that 300,000 people in rural England do not have a bank account;¹⁶² HM Treasury reports that in 2006–07, almost 5% of adults in the UK were unbanked.¹⁶³ Without access to a nearby post office, people on low incomes may have to spend money to get money. As the NFSP pointed out, the post office network’s “coverage is particularly strong in deprived urban and rural areas where many bank branches have closed. Currently 4% of village have banks whilst 60% have post offices”.¹⁶⁴

128. The availability of banking services is also exceedingly important to small businesses, which might use their local post office for getting change for their tills, receiving payments from customers and depositing their takings at the end of the day. Many small businesses would like to see more banking services available through post offices, including access to more banks and building societies, which would enable them to access their business accounts locally.¹⁶⁵

New financial services that might be offered

129. As shown by the summary of suggestions received by the Committee (Table 4, below), there is a tremendous appetite for improved and broadened financial services provided through the post office.

160 Royal Mail Holdings plc, *Report and Accounts, Year ended 29 March 2009*, 14 May 2009, p 7

161 Treasury Committee, Twelfth Report of Session 2005–06, *Financial inclusion: credit, savings, advice and insurance*, HC848–I and –II, and Treasury Committee – Thirteenth Report of Session 2005–06, *“Banking the unbanked”: banking services, the Post Office Card Account and financial inclusion*, HC1717

162 Ev 94[Commission for Rural Communities]

163 HM Treasury, “Progress towards the shared goal on access to bank accounts”, 23 June 2008, available at: http://www.hm-treasury.gov.uk/financial_inclusion_bankaccounts.htm

164 Ev 143 [NFSP]

165 Ev 120 [FSB]

Table 4: Suggestions for possible new financial services

Comprehensive current/basic/business accounts	Financial advice
Ability to deposit cash and cheques	Extend ability for POCA users to accumulate weekly payments into a holding account for payment on a monthly basis to help those on fixed weekly or low incomes plan for direct debits
Ability to withdraw cash	
Extend links with credit unions	
Introduce free-to-use cash machines	
Utility service bill payment facility	Establish a 'People's Bank' / Postbank
Savings Accounts Gateway	Community group bank accounts
Loans for SMEs	Children's 'passbook' savings account
Small personal loans / micro loans	

130. In some cases, there is simply demand for more universal access to the accounts customers hold with other banks, since those that offer services through the post office do not necessarily make all their usual services available. Consumers want the ability to withdraw and deposit cash, and deposit cheques at post offices. Citizens Advice noted that:

We think that all bank accounts should be accessible over post office counters. Not only would this help to foster greater financial inclusion and allow a simpler message to be disseminated about this facility, but it would also have a positive impact on the number of people visiting post office branches by increasing footfall.¹⁶⁶

131. Additional savings products are also in demand. Postcomm suggested that the new Savings Account Gateway programme, which is intended to promote savings by people on benefits, might well be delivered through post offices.¹⁶⁷ Other submissions suggested post offices could offer a “children's passbook savings account to get the new youngsters into the habit of saving” to address the current 11-year age limit for card-operated accounts.¹⁶⁸ One person recalled their own childhood experiences with a Post Office Savings Account, for which they could buy ‘Sixpenny Savings Stamps’.¹⁶⁹

A post office bank?

132. There have been calls for the establishment of a full commercial bank as part of the post office network. The NFSP proposed a “Postbank”, because “the post office network’s geographical reach and high levels of trust present an enormous opportunity to increase banking provision for communities and small businesses throughout the UK”.¹⁷⁰ The NFSP did not provide specific recommendations other than “bringing National Savings and Investments (NS&I) with an enhanced portfolio of banking products out of the

¹⁶⁶ Ev 92 [Citizens Advice]

¹⁶⁷ Ev 174 [Postcomm]

¹⁶⁸ Ev 198 [Andrew Summers]

¹⁶⁹ Ev 191 [Brian Sawkins]

¹⁷⁰ NFSP, *Six Steps to a Sustainable Post Office Network*, 23 March 2009, p 15

Treasury and back into the Post Office” and “transferring the banking licenses of the recently nationalised banks to the Post Office”.¹⁷¹

133. There is also support for a slightly different post office bank model: one that would fill a special role and improve financial inclusion. For example, the Post Bank Coalition’s¹⁷² model would “operate independently and while it will run a commercial operation which will make a profit, the Government could use the Post Bank as a vehicle to tackle financial exclusion and help those on low incomes.” The Post Bank is meant to be publicly owned and community based, “with a diversity of services and partnerships such as credit unions and community development finance institutions”.¹⁷³ The Post Bank Coalition envisages a ‘Universal Banking Obligation’, modelled on the Universal Service Obligation for mail services.

134. A number of submissions saw the current credit crisis as an opportunity for the post office and an associated post office bank to use its trusted brand to provide credit. Loans for small and medium-sized enterprises,¹⁷⁴ and small personal loans or micro loans¹⁷⁵ were suggested as possible new financial services. Another submission suggests small loans of £50 to £500, and proposes that a post office bank could deliver the Social Fund, which Jobcentre Plus currently administers, to support people on low incomes with loans and grants to meet unforeseen costs.¹⁷⁶ Similarly, CWU and Unite the Union suggested in their submission to the Committee that post offices could give debt and financial planning advice.¹⁷⁷

135. Cornwall County Council saw a role for post offices in providing banking services for community groups, seeing a need for:

a bank account aimed specifically at community groups/social enterprises which takes account of their specific needs and aims and objectives. A proper banking service could, after initial set up, generate income which would help reduce or even eliminate the need for continued government investment in the service.¹⁷⁸

136. Extending links with credit unions was seen as a possible avenue for improving post office services and financial inclusion.¹⁷⁹ North Yorkshire County Council stated that the post office network could provide access to credit union customers:

Credit unions provide safe, ethical and accessible savings and borrowing; and have seen their membership triple and their loan portfolios increase five-fold in the past

¹⁷¹ *Ibid.*

¹⁷² The Post Bank Coalition is: Communication Workers’ Union; Federation of Small Businesses; new economics foundation; Unite the Union; Public Interest Research Centre; and National Pensioners’ Convention.

¹⁷³ Post Bank Coalition, *Post Bank at the People’s Post Office*, 17 March 2009, p 7

¹⁷⁴ Ev 71 [Action with Communities in Rural England]

¹⁷⁵ Ev 129 [Richard Heller]

¹⁷⁶ Ev 69 [A4e]; Ev 142 [NFSP]

¹⁷⁷ Ev 108 [CWU/Unite]

¹⁷⁸ Ev 105 [Cornwall County Council]

¹⁷⁹ Ev 158 [North Yorkshire county Council]; Ev 72 [Action with Communities in Rural England]; Ev 82 [Association of British Credit Unions Ltd.]; Ev 190 [Phillida Sawbridge]; Ev 89 [Burrington Parish Council]

decade. Post Office Ltd. should tap into the growing credit union movement by developing partnership links with credit unions: both are concerned with promoting social and financial inclusion.¹⁸⁰

137. In its appearance before the Committee, Post Office Ltd spoke of its ongoing efforts to increase the financial and banking services available through post offices. All basic bank accounts are accessible through the network, and many, although not all, banks allow access to other services.

138. Mr Cook, Chief Executive of Post Office Ltd, said of the Post Bank Coalition's proposal:

we are all aiming ultimately for the same thing, which is a very material financial services offering for the Post Office. The difference between what we are currently pursuing and what the Coalition are looking for is whether or not we are a bank in our own right or whether we partner to use another organisation to do it.¹⁸¹

In principle, Post Office Ltd supports the Post Bank Coalition's efforts, because "it is getting the nation talking about the Post Office as a provider of financial services, and that is what we want".¹⁸² However,

The precise model that sits underneath is a bit more of a financial debate. Make no mistake, we have a Post Bank already, what we want is a much bigger, more successful one that drives income.¹⁸³

139. Post Office Ltd described how it had expanded financial services over the past four years:

In the space of the last four years we have signed up two million customers. We now have two million customers who have financial services products with the Post Office. That is 50% more than the Bank of Ireland has customers back in Ireland, for goodness' sake. That is a very material book of business. There are 700,000 car and home insurance policies. We have rolled out 1,653 free to use ATMs and we are rolling out eight a week as we currently stand here. We have a foreign currency business which is turning over £3 billion a year of sales and we are doing typically a million travel insurance policies every year. We already have a really, really significant Post Bank, we just do not call it a Post Bank.¹⁸⁴

Post Office Ltd recognised the limitations of its banking model in its present state of development:

It is still in some senses a bit of a niche player because we do not have every product that everybody else has and some of the bigger omissions are things like a current account, but we are addressing them".

¹⁸⁰ Ev 159 [North Yorkshire County Council]

¹⁸¹ Q 359 [Mr Cook]

¹⁸² Q 365 [Mr Cook]

¹⁸³ Q 365 [Mr Cook]

¹⁸⁴ Q 365 [Mr Cook]

Mr Cook told the Committee that Post Office Ltd hopes to launch a current account next year and that there is “no reason why that would not be in every single branch”.¹⁸⁵ The current account would be provided in partnership with the Bank of Ireland,¹⁸⁶ a model that has also been chosen by other post offices across Europe.¹⁸⁷

140. Post Office Ltd has no plans to obtain a banking licence — a prerequisite to the establishment of a post office bank — and it does not necessarily accept that it is desirable: “It is not automatically the case that being an insurer or a bank in its own right is necessarily good but, if we did aspire to it, it would require significant funds”.¹⁸⁸ Post Office Ltd’s current financial situation would certainly present challenges to obtaining the necessary capital to get a banking licence. It would very probably have to come from public funds.

141. Moreover, if Post Office Ltd moved toward becoming something closer to a normal retail bank or to the community-supporting model backed by the Post Bank Coalition, it would require staff trained to offer financial advice, and premises which could provide the privacy necessary for complex financial transactions to be carried out. This is not impossible, but it would be a radical change from the current way in which post offices provide their services, and probably to the relationship between subpostmasters or other network providers and Post Office Ltd.

142. Mr Cook told us that the risks of the current model of partnership with Bank of Ireland are much lower:

there are two things going on, those who underwrite the risk and take the financial risk of the event happening and those who sell the policies, and the latter is a much more secure model. When we sell car insurance and house insurance we are not vulnerable as Post Office Limited to a loss of profitability in those marketplaces because we just earn a commission off of selling the policy.

143. **It is clear that there is huge demand for wider availability of banking services through post offices, and this Committee strongly endorses the widely held view that banking is essential to the network.** What is less clear is the model that should be used to expand banking services. The choices appear to include: continuing down the path chosen by Post Office Ltd, which is an expansion of the current relationship with the Bank of Ireland; the establishment of an all-new post office bank; and the pursuit of a network-wide relationship with a new partner.

144. The existing model for the expansion of banking services — that advanced by Post Office Ltd — is an incremental approach. Post Office Ltd must negotiate with each bank if it wants it to provide banking services, such as cash withdrawals, from post offices: “we have to persuade the bank itself that they would value the additional service for their customers of them being able to withdraw their money at the post office counter”.¹⁸⁹ This

185 Q 361 [Mr Cook]

186 Q 363 [Mr Cook]

187 Q 364 [Mr Cook]

188 Q 364 [Mr Cook]

189 Q 370 [Mr Cook]

model produces results slowly, and its results have been a patchwork of services available for only a selection of banks through post offices.

145. The current model also relies on the partnership with the Bank of Ireland, which also has its critics. Post offices receive a commission for introducing the customer to the Bank of Ireland service. This introduction often leads to long-term customers for the Bank of Ireland for a wide range of services, but the post office concerned does not benefit financially beyond the initial introduction. Surely, the reasoning goes, the establishment of a post office bank would earn more profit for the network from banking services than it does with the Bank of Ireland model. There is some suggestion that something like the Girobank, which became a financial success just prior to its sale, could be implemented to capture more of the profit for the post office network.

146. There is also a public perception that, since the public already partially owns some UK banks and has already invested a lot of money, there has to be a way to turn one of these banks into a post office bank that would allow the network to earn more profit in the long term compared to simply being an agent for the Bank of Ireland. There is no reason why banks in which the public has a stake could not provide more of their services through the post office network. However, suggestions that Post Office Ltd could simply assume the banking licence of one of the nationalised banks are misguided. Northern Rock, for example, may be sold as early as the end of 2009.¹⁹⁰ In addition, there may be state aid implications of using a nationalised bank as a post office bank.

147. The Committee has not sought access to the detailed business agreement for the current Post Office Ltd arrangement with the Bank of Ireland, it has not discussed alternative arrangements with other possible partners, and it has not been provided by the Post Bank Coalition with any detailed business case for their proposition. Similarly, the Committee does not have the expertise to comment on the detailed advantages and disadvantages in both banking and commercial terms of any of the options available to Post Office Ltd to take forward banking services. We are not bankers; we are politicians and we do not feel confident in these circumstances in making a detailed recommendation on the future banking arrangements that must be provided through post offices. **The Committee strongly supports greater provision of banking services through the network. However, it is not obvious how a new post office bank would be funded and secured, whether it would entail ending existing arrangements with the Bank of Ireland, and if so, what would be the financial consequences of terminating these arrangements. At this stage, the priority should be to extend financial services as quickly as possible. The existing agreement with the Bank of Ireland may be the best way to do that. Alternatively, it may be appropriate to seek a new arrangement with a UK bank. If neither of these courses works, a post office bank may be appropriate.**

148. **The Government should review urgently the effectiveness of Post Office Ltd's strategy for expanding banking services, but it is the outcome that matters (more access to banking through post offices) and not the means. Post Office Ltd must prove that its current model, involving the gradual expansion of financial services, is, as it contends, the best way to improve banking services. It must do so by providing more banking**

190 "Northern Rock to be sold by end of year", *Sunday Times*, 26 April, 2009

services through the network and substantially broadening access arrangements with high street banks. The Government should use its influence to ensure that the banks in which the public is a shareholder provide services through post offices. We appreciate that the Government wishes to leave the banks to run themselves, but there is currently a unique opportunity for the public to gain a specific and valuable benefit from its shareholding.

Other financial services

149. Even if the time is not right for a fully fledged post office bank, there is scope for post offices to be used to increase financial inclusion. Post Office Ltd has said that it is pursuing a ‘financial inclusion’ agenda through a dialogue with the Association of British Credit Unions, but sees this as supplementing, rather than replacing, its more commercial financial services, such as those offered through its Bank of Ireland partnership.¹⁹¹ We support this approach – credit unions fill a valuable niche and promote financial inclusion, but they cannot address many of the banking needs identified as desirable from the post office network. The nature of their work means that credit unions are not cheap – they have a high loan default rate and so must have high interest rates. Nonetheless, they provide valuable services to their customers, and we would welcome any partnership between the credit unions and the post office network. However, that partnership should bear in mind the legitimate need for Post Office Ltd's retail partners to be paid for the work they undertake.

150. There were several ideas for post office banking services that could improve financial inclusion. Many of those related to the POCA, which is a matter for the Department for Work and Pensions (DWP), rather than Post Office Ltd itself. The POCA offers only cash withdrawal and balance enquiries. Some felt that direct debit and standing orders should be possible through the POCA.¹⁹² Ofgem suggested that the POCA should be made more flexible to facilitate cheaper direct debit bill payments:

we do recognise that for those consumers on limited and fixed weekly incomes, monthly Direct Debit arrangements can be difficult to manage and may not be suitable. Therefore the ability to accumulate weekly payments into a holding account for payment on a monthly basis to the supplier would seem the best way of addressing this. Again, this additional functionality could be built into POCA.¹⁹³

Similarly, Water UK proposed a ‘Saving from Poverty’ scheme using an enhanced POCA to collect income and benefits “and make direct payments for essential services such as water, gas and electricity, on an agreed customer — creditor basis, without the penalty payments associated with the current direct debit systems”.¹⁹⁴

151. The DWP, which administers the POCA, emphasises the importance of keeping the POCA simple. While it is making some improvements to the POCA — simplifying

¹⁹¹ Q360 [Mr Cook]

¹⁹² Ev 124 [Fuel Poverty Advisory Group for England]

¹⁹³ Ev 165 [Ofgem]

¹⁹⁴ Ev 206 [Water UK]

account opening, giving access to post-office owned cash machines, and speeding up payment clearance — it resists any efforts to make the POCA more like a bank account:

The Government does not have such plans primarily because POCA was always designed for those customers who could not open or operate any sort of bank account, including a basic bank account. As such it fills a particular niche in a range of products which aim to meet a wide spectrum of customer needs and circumstances. There are already more than 25 bank accounts that can be used at Post Office branches, so turning the POCA into a bank account would duplicate existing provision. Allowing other monies to be paid into the POCA (e.g. cash) would also mean that the identification and verification requirements for opening a POCA would almost certainly have to be tightened, thus denying it to some of the customers who need it most. None of this, of course, need inhibit the Post Office from developing and adding to its own range of banking products — something we would welcome.¹⁹⁵

152. The Government could do more to use the post office network for services that improve financial inclusion. The greater availability of fee-free cash machines and the renewal of the POCA contract are welcome. However, more can be done; for example, the new savings vehicles mentioned above — the Savings Account Gateway programme and a children's passbook savings account. Similarly, the Committee sees no reason why the Government could not work with Post Office Ltd to make the POCA more flexible to facilitate direct debits; for example, by allowing POCA holders to accumulate weekly payments into a holding account for payment on a monthly basis. Meanwhile, we recognise that the POCA is unlikely to be renewed again when it expires in five years. This gives added urgency to the provision of better banking services through post offices to enable migration to these services as the POCA is wound down.

153. The Committee whole-heartedly supports the rapid expansion of fee-free cash machines throughout the post office network, and urges the Government to consider providing more innovative tools to enable financially excluded individuals to take advantage of direct debit bill payment discounts. The Government should also use the post office network to promote savings programmes for children and to deliver the Savings Account Gateway programme.

Bill payment

154. There were many submissions calling for the ability to pay all utility bills through post offices.¹⁹⁶ One submission said:

I pay many of my bills at the Post Office but there are others which require a visit to a branch of my Bank (such as Credit Card payments); could the Post Office deal with

¹⁹⁵ Ev 66 [DWP]

¹⁹⁶ Ev 155 [Norfolk Rural Community Council]; Ev 85 [Association of Convenience Stores]; Ev 118 [Essex Rural Partnership]; Ev 98 [Consumer Focus]; Ev 193 [South Hams District Council]; Ev 134 [Marjorie Lewis]; Ev 111 [Phil and Sally Deacon]; Ev 190 [Brian Sawkins]

these? For those rural communities with an infrequent Bus Service, such a facility at the Post Office would surely be a boon.¹⁹⁷

155. The Committee received some innovative suggestions for using the post office network to give consumers, particularly those with low incomes, access to utilities at affordable rates. The National Federation of SubPostmasters submitted that the network could help overcome fuel poverty by improving access to affordable rates.¹⁹⁸

156. Attractive though these ideas are, neither the Government nor the Committee have or should have the power to require private sector bodies to provide payment services through the post office network. Moreover, as we discuss later in this report, the Post Office has to earn its place in society; it cannot be left without competition. Some of the proposals put to us relate to regulated industries. Regulators should consider these proposals, and in particular should consider the extent to which payment services are available across the whole country, but we have not included this in our remit.

Community services

157. The intangible community services provided by post offices are the most valued of all for some of those who submitted evidence to the Committee. It is perhaps its broadest and most ill-defined role, and the one least reflected in the network's finances and sub-postmasters' incomes. Post offices are critical, particularly to individuals in rural communities and to the abundance of small businesses that would find it difficult to function without the postal and banking services of the post office. In some communities that suffer from a scarcity of shopping facilities, the post office helps to prevent the shop where it is based from going out of business.¹⁹⁹ This is particularly important in rural areas, where "an estimated 57% of rural postmasters provide the only retail outlet in their village".²⁰⁰

158. Other community services informally provided by some post offices include repeat prescription pick-up,²⁰¹ acting as a local tourist information centre,²⁰² "assistance for vulnerable residents — informal advice, interpreting official letters, fielding lost property, taking messages, offering emotional support and providing a focal point for communities".²⁰³

159. Torbay Council gave us a number of ways in which post offices aided social and financial inclusion, including providing a community focal point "where people can meet each other and find out about issues that affect them" and representing an "unofficial alert system that post masters operate for customers who have not been seen when expected to

197 Ev 190 [Brian Sawkins]

198 Ev 143 [NFSP]

199 Ev 162 [North Yorkshire County Council]

200 Ev 116 [Essex County Council]

201 Ev 172 [David C Porter]

202 Ev 82 [Jon Amos]

203 Ev 146 [NFSP]

be”.²⁰⁴ A poll conducted for AgeConcern suggested that 90% of older people viewed their local post office as a ‘lifeline’.²⁰⁵

160. The social role of post offices is linked to the government services role, in that by filling this role, post offices displace some of the cost to Government.²⁰⁶ As one submission pointed out: “In many communities the PO provides our social glue. It is often a key institution in the local community encouraging social interaction and as such can help reduce social care and health care costs, enabling people to live independently for longer”.²⁰⁷ The social role of the network has been acknowledged by the Government and by communities, but no value has been put upon it, although the Network Subsidy Payment to Post Office Ltd could be construed as a valuation of sorts.

New community services that might be offered

161. The Committee received many innovative ideas for additional community services that could be offered through the post office network. Some are already offered in a few branches on a pilot basis; most would be entirely new services. The suggestions sent to the Committee are summarised below in Table 5. Most ideas leverage the fact that the network is a natural communication tool because of its reach and distribution. Citizens Advice research done to support their submission to the Network Change consultation showed that 32% of post office users already use post offices for finding information.²⁰⁸

Table 5: Suggestions for possible new community services

Police consultation and advice	IT and info point
Information on help for small businesses	Internet access or ‘e-terminals’
Citizen Advice Bureau kiosk	Administration of the Social Fund
Information on government policy	Travel agency services
Community transport information	Using PO Ltd to overcome fuel poverty by providing access to utilities at affordable rates
Community information such as opening times for other services	PCT prescription collection and delivery
Tourist information accommodation booking	‘Hot Desking’, Skype and video conferencing
Small meeting rooms for hire	MP or local councillor surgeries
Job Centre Plus IT terminals and job vacancy adverts	Greater use of electronic terminals for routine processes (stamp sales etc) to free staff up for information provision, application checking etc.
Social Services information	Deliver consultation exercises on local
Facilities to print government forms and documents	
Telephone ‘befriending’ service for	

204 Ev 203 [Torbay Council]

205 Ev 205 [Unite]

206 Ev 105 [Cornwall County Council]

207 Ev 106 [Cornwall County Council]

208 Ev 91 [Citizens Advice]

vulnerable people Local 'outreach' service to vulnerable people Passport photo booths Internet terminals with access to a range of approved retailer sites	matters, e.g. planning Use free space for courses, meeting and events Local coffee mornings The 'Saving from Poverty' scheme Local employment fairs
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162. The communication of information via post offices can go well beyond the provision of information about local and central government. Some suggested that post offices could provide general community information,²⁰⁹ such as opening times for health services, police, local support agencies and charities, or community transport information.²¹⁰ These services are offered in some post office branches on an informal basis already, but there is support for their network-wide provision.

163. Post offices could also be useful locations for local MP or councillor surgeries,²¹¹ and while they are already used in some locations for police consultations and advice, there were several suggestions that this role could be extended further across the post office network.²¹²

164. Citizens Advice and others suggested that post offices could host Citizens Advice Bureau kiosks, which could provide advice on issues ranging from energy efficiency to mobile phone mis-selling.²¹³ Citizens Advice's vision is that:

the post office network could offer information not only from both central and local government, but could also perform this service for regulators, boosting take-up among eligible groups for specific entitlements, raising awareness of problem areas and also of consumers' rights, while also helping to engage consumers in markets where they may traditionally have been reluctant to do so. This role could involve not only the provision of written information but could also provide a location to provide access to the internet or a forum in which information and advice could be provided.²¹⁴

165. Consumers could also be served through post offices supplying internet terminals with access to a range of approved retailer sites, with the branch earning a commission when customers make purchases from a post office terminal.²¹⁵

209 Ev 118 [Essex Rural Partnership]

210 Ev 155 [Norfolk Rural Community Council]

211 Ev 155 [Norfolk Rural Community Council]; Ev 163 [Nottingham County Council]

212 Ev 155 [Norfolk Rural Community Council]; Ev 197 [South West ACRE Network of Rural Community Councils]; Ev 75 [Age Concern]

213 Ev 92 [Citizens Advice]; Ev 155 [Norfolk Rural Community Council]; Ev 197 [South West ACRE Network of Rural Community Councils]

214 Ev 92 [Citizens Advice]

215 Ev 160 [North Yorkshire County Council]

retailers could also make arrangements with post offices so that orders could be purchased and collected at a post office counter. This would provide a captive market for the Post Office in relation to customers who do not have credit cards or who do not feel comfortable providing their financial details on-line.²¹⁶

166. Internet terminals in various forms came up in several submissions to the inquiry. One County Council thought that, as in the ‘Essex model’, local authorities could rent space from the post office to host an internet hub for local government information and electronic payments.²¹⁷ In general, internet access or ‘e-Terminals’ were seen as a good fit with the post office network.²¹⁸

167. The role of post offices as the ‘lifeline’ for the vulnerable and isolated could be formalised by providing more social service information.²¹⁹ For example, some submissions proposed a telephone ‘befriending’ service for vulnerable, isolated people in the community, providing local social service outreach.²²⁰ Age Concern described what this programme might look like:

From the research undertaken by Help the Aged as part of their contribution to the compensated closure programme, the number of older people in the vicinity is known, and such a scheme could be run in conjunction with social services who would provide further data and professional support. Many sub-postmasters claim to ‘keep an eye’ on the health and wellbeing of their regular older customers, in future they could do so on a much more systematic basis and be funded to do so.²²¹

168. Another social service presently provided by some post offices on an informal, unpaid basis is prescription collection and delivery. The Committee received submissions supporting the formal provision of this service through the post office network, depending on the location.²²²

169. The Committee received several suggestions for post offices taking even more of a tourism role than they already informally fill. For example, post offices could provide tourist information and accommodation booking.²²³ One submission suggested that post offices could partner with high street travel agencies to offer services complementary to Post Office Ltd’s existing currency and insurance services.²²⁴

170. Some of the services proposed for the post office network could particularly help small businesses. For example, post offices could provide: free spaces for courses, meetings and

216 Ev 160 [North Yorkshire County Council]

217 Ev 163 [Nottingham County Council]

218 Ev 155 [Norfolk Rural Community Council]; Ev 130 [Peter Horne]; Ev 132 [Intellect]; Ev 88 [Hugh Bayley MP]

219 Ev 197 [South West ACRE Network of Rural Community Councils]

220 Ev 75 [Age Concern]

221 Ev 75 [Age Concern]

222 Ev 155 [Norfolk Rural Community Council]; Ev 108 [CWU/Unite the Union]; Ev 133 [Intellect]; Ev 105 [Cornwall County Council]

223 Ev 197 [South West ACRE Network of Rural Community Councils]

224 Ev 88 [Hugh Bayley MP]

events;²²⁵ small meeting rooms for hire; 'hot desking', and skype and video conferencing facilities.²²⁶ However, this suggestion depends on the post office premises in question having the space for such facilities.

171. Our witnesses suggested a wide range of community services which could be offered through post offices. The extent to which each is practicable depends on local circumstances. There may be scope for a rural post office to double as a tourist information office. There may be circumstances where it would be possible for a post office to be combined with business premises. There may be circumstances in which a prescription collection service could be offered on a commercial basis. We do not believe such things can be mandated; they depend on the drive of the individual who runs a particular post office, and indeed, on the community surrounding the post office. However, they demonstrate the potential strength and flexibility of a system where services are provided through a partnership between the central company (Post Office Ltd) and other partners. There is a role for Post Office Ltd in making these arrangements easier; for example, by helping with technology, arranging template agreements and articulating best practice.

225 Ev 148 [NFSP]

226 Ev 132 [Intellect]

4 Conclusion

172. The post office network is valued by the public, and our evidence demonstrates that people's expectations of what it can provide are extremely high — probably higher than their willingness to pay for those services directly would suggest. Moreover, their aspirations for the network do not necessarily reflect the reality: that a wide range of services are provided across a heterogeneous network of premises of different sizes run on many different business models. Conversely, the network has been underused and underappreciated by the Government, which has recognized the role of the post office network in sustaining communities, but has frequently failed to link that to the actions of individual departments.

173. The Government's own access criteria could be met by a network of 7,500;²²⁷ on this basis, the network could in theory be decreased by 4,500 branches. The Government has said that it does not wish the network to decrease from its current size, but there is little clarity about why it wants a network (of 12,000 outlets) so much larger than the access criteria require. We share the Government's view that the network should not be diminished, but remain concerned by the lack of justification for the network's current size. Indeed, to meet the principles we set out below, it may even be necessary to re-establish post offices in communities that have lost them.

174. Postcomm has been asked to carry out a review of the social benefits of the network. The value the public sets on post offices convinces us that there should be no further closure programmes, but it is inevitable that there will be some change in the network as Post Office Ltd's arrangements with individual retail partners change. The more those changes can be guided by knowledge about where post office facilities are most valuable, the better; the possibility of increasing the size of the network should not be excluded.

The Future

175. We acknowledge that the Government has consistently recognized the value of the post office network. However, it has not translated that recognition into action, either through making sure that the policies of individual departments do not undermine the network, or through articulating a clear policy for the network. Post Office Ltd operates as a commercial company, and we do not wish to change that. However, it is a government-owned company, and the Government has a legitimate right to set it other tasks than simply maximising profits (or minimising losses). We believe it is time the Government set out clear principles for the network.

176. Our principles would be as follows:

- The post office network provides a well-established way of fulfilling existing government responsibilities:

227 National Audit Office, *Department for Business, Enterprise and Regulatory Reform: Oversight of the Post Office Network Change Programme*, Report by the Comptroller and Auditor General, HC 558 Session 2008-2009, 5 June 2009, p 7

- for the social and economic well-being of local communities;
 - to ensure that public services are accessible throughout the country; and
 - for the provision, wherever appropriate, of face-to-face access to information and services.
- Although the Government has a responsibility for general social and economic wellbeing, this depends on the availability of private facilities, as well as public ones; the partnership between Post Office Ltd and private providers is tried, tested and appropriate.
 - Although the post office network is valuable, in the past its management had become complacent and inefficient. It must not be allowed to become so again.
 - Wherever appropriate, government services should be provided through the post office network, and through as wide a range of outlets as possible. The post office network should offer services throughout the country, and balance the needs of customers and partners with the need for efficiency.
 - We believe that although Post Office Ltd should be left to run its own business, the Government has a right and duty to be clearer about articulating the services it should provide, and the standards to which those services should be provided.

Universal services?

177. Those submitting evidence to us wanted to have as many services as possible available at every office in the network. There are difficulties in this. The evolution of the network over the centuries has resulted in a complex array of premises and service providers: a subpostmaster in a small village may have some call for foreign currency on demand, but it may not be economic to supply it, given that it can be arranged at short notice anyway. Sometimes difficulties are caused by new services offered by Post Office Ltd itself. For example, Post Office Essentials and Partner Outreach branches cannot accept cheques. If these service models expand further, it may restrict the extent to which services can be offered throughout the network.

178. There is a huge demand for the universal provision of services throughout the network. However, there are substantial barriers to providing all services everywhere: variation in post office premises; the need for specialist training for some services; and the complex array of service providers in the post office network. Customers may have to accept that uniform service provision may not be possible if services expand. At the same time, the more services that are offered through the network, the more attractive and useful the network becomes. Post Office Ltd should by default provide a service in a branch unless there is a compelling reason against it.

Financial efficiency

179. It is possible that if the right actions are taken, the post office network will come to be both an important social resource, and a profitable organisation. However, it is also possible that the Network Subsidy Payment, or some successor arrangement, will be

needed for the foreseeable future. We recognize that if Post Office Ltd is assured of government support either through being the favoured route for supplying government services, or through direct subsidy, there is a danger the company may become inefficient and unresponsive. Similarly, Post Office Ltd's retail partners may succumb to the vices of incumbency, and become complacent and inefficient.

180. This is not an academic fear. Post Office Ltd has, in the past, been a remarkably inefficient organisation. We have already noted that the network's computerisation was completed only this decade. One of the reasons why some bill payment services were lost to the network was that Post Office Ltd could not compete. For example, the contract for the TV licence service was lost in 2006. Mr Cook assured us that changes had been made and Post Office Ltd is now in a much better position to secure such contracts:

We have lost very, very few tenders over the last three years. We are pricing much more competitively, so we are not making as much money on those contracts but we are forcing our way into most of those bill payment contracts now..... As I say, I think we have got a robust story on costs, we have an okay story on revenue and now that we have done a lot of the tough stuff it is time to up the ante on winning more revenue.

181. We welcome the improvements in Post Office Ltd's efficiency, but there is a danger that if the company comes to consider that the extensiveness of its network gives it a right to supply all services, these improvements will not be sustained. We would like to see the widest possible range of bill payment services offered at post offices, but the network has to earn them. For that reason, we welcome the presence of PayPoint in the market.

182. The Government should support the post office network, but it has a right to expect that the network will be as efficient as possible. Under current regulatory arrangements, while Postcomm reports and advises on the post office network, it has no direct responsibility for it. Broadly speaking, this will continue if regulatory responsibility passes to Ofcom. Whatever happens to the Postal Services Bill, the Government is, and will remain, Post Office Ltd's only shareholder. It cannot duck responsibility for the efficiency of the network. In a situation where there is no competition and there are sound reasons for making government services available through post offices, the Government may have to be more involved than a shareholder might traditionally be.

Service standards

183. Just as the Government has the right to expect that Post Office Ltd will be efficient, so it has a right to expect that individual offices will provide excellent service. It is also clear from our evidence that although the network is trusted and valued, many people consider services poor, and the length of the queues is a real issue. Postwatch research has suggested that, in many respects, franchises offered better service than Crown offices. Sub-post offices are also likely to have smaller queues than Crown offices. Post Office Ltd is taking steps to refurbish Crown post offices to ensure that they offer a modern, welcoming retail environment.

184. *Postcomm's Eighth Annual Report on the Network of Post Offices* suggested that Post Office Ltd must ensure that businesses which gained custom as the result of closure of another post office had the staff resources needed to ensure that quality of service does not suffer.²²⁸ That may require additional funds.

185. Post Office Ltd must ensure that all post offices offer good customer service. This may require more financial support. It may require setting service standards, and monitoring to make sure they are achieved. Otherwise, post offices will attract only those who have no alternative but to use them, and the network's role in promoting social inclusion will be diminished.

186. As services expand, there is likely to be a need for more investment in staff training, particularly if post offices become a source of advice services. Post Office Ltd trains subpostmasters for two weeks on site when they are appointed. Thereafter, the subpostmasters are responsible for training their assistants. **The expansion of the range of services offered through the Post Office is likely to lead to a need for more training of subpostmasters, and possibly a need for Post Office Ltd to provide some training directly to staff in sub-post offices or franchises.**

Conclusion

187. As this report shows, the Government takes the post office network seriously; indeed it provides £150 million each year to support it. Some local authorities are also taking commendable steps to support their post office network directly. But financial support is not enough. Post offices have to provide the services their communities need; whether these are central or local government services, or fundamentally private services, such as banking, or even access to retail, much more attention needs to be paid to the potential of the post office in helping the Government deliver its aims. The post office network depends on very many private providers; their needs must also be considered. It is a difficult balancing act, but it is one that has been performed for nearly 400 years. Having looked in depth at the issues confronting the post office network we are convinced that, given sufficient political will from both central and local government and a real determination to sustain and develop a priceless national asset, there is no reason why the network cannot flourish again, serving the whole nation in a uniquely valuable way. The passions the Network Change programme provoked showed that communities value their post offices — now it is time for politicians to step up to the mark and give post offices their wholehearted practical support. We conclude that post offices can flourish again — and must be allowed to do so. Our report shows what needs to be done.

²²⁸ Mail revenues include retail and lottery. Source: *Postcomm, Annual Report on the Network of post offices 2007/08*, 2008, p 59

Conclusions and recommendations

What is the post office for?

1. The importance of post offices to poor, elderly or otherwise disadvantaged people is frequently mentioned, but what comes through very clearly is the sense that the post office is important because it provides services to the total community, not just to disadvantaged people. It is an instrument of social cohesion or, to put it differently, it preserves the fabric of our society. (Paragraph 14)

Is the network still necessary?

2. In setting the access criteria, and in asking us to undertake this inquiry, the Government has accepted that while the truly national retail and government network that post offices provide may be an accident of history, it offers a complex of services which cannot be replicated by other institutions, even though most individual services are available elsewhere. One of the most important features of that network is that post offices are found throughout the country. And although there is some variation in the services on offer, there is an irreducible core that people have come to expect will be provided across the country: access to post, access to cash, and, at the least, access to government information. Also, the public expects that, where appropriate, that core will support associated private sector services. (Paragraph 30)
3. By chance rather than design, the Government has ended up supporting local economies and providing information and services to its citizens through the post office network, in which a publicly-owned company works with a variety of private enterprises. It is unlikely that anyone would have invented this system; nonetheless, it exists and it is effective. It is possible that the network can be sustained in a way which generates revenue rather than consumes it. However, any decisions on the company's operations or the services it offers must recognize that the nationwide post office network needs to be sustained, and sustaining it will meet the wider objectives of any government. (Paragraph 32)

The network and its services

4. Post Office Ltd's current profitability depends on the Network Subsidy Payment, which runs until 2011. Further payments would depend on clearance under European Union State Aid rules. We believe that such payment, if necessary, would be justified, but clearly, it would be better if the network could be self sustaining. (Paragraph 41)

Subpostmasters and other providers

5. We recognise that subpostmasters are self-employed; nevertheless, when the state provides services directly, it pays its workers at least the minimum wage. Post Office

Ltd, a state-owned company, should ensure it treats its subpostmasters and Outreach operators no less fairly. (Paragraph 55)

6. Post Office Ltd has done a great deal to improve its financial situation. It is to be congratulated for facing up to difficulties, and introducing new services. Centrally provided services, such as insurance or financial services, are welcome in so far as they increase the financial viability of the network as a whole. However, we need to be absolutely clear that the health of Post Office Ltd matters primarily not because it can provide a profit to the Government, its shareholder, but because it sustains the post office network. We believe that it is time for Post Office Ltd to pay more attention to the viability of its commercial retail partners, who are essential to providing that network. This does not simply mean negotiating more with the NFSP, important though that may be. It means recognising the legitimate interests of all its retail partners. (Paragraph 61)
7. Post Office Ltd must consider the impact of its decisions on its sub-post offices and other network providers as it seeks to secure the sustainability of the network. There is no doubt that the company has a very difficult balancing act to perform in ensuring that the company as a whole is as profitable and efficient as possible, while acknowledging the needs of its partners to make a profit. We are not convinced that balance is currently correct; there is a danger that a drive for efficiency could result in a rise in unplanned, voluntary closures because the needs of subpostmasters and other providers are not adequately met. (Paragraph 62)

Technology and infrastructure

8. It is clear that Post Office Ltd has, in the past, not been as innovative in information technology as it should have been. The Committee welcomes the Horizon technology upgrade, but views it as only a critical first step. Post Office Ltd should continue to seek technological innovations that make it more competitive at bidding for contracts, and simplify and speed up transactions in post offices. (Paragraph 65)
9. Post office branches are housed in a wide variety of locations and buildings — a legacy of the evolution of the network. This has inevitably meant that not all post office branches are ideally sited or arranged. There is, however, no excuse for poor access either in relocated or new branches. The Committee expects Post Office Ltd's new Code of Practice to ensure that any future branch developments provide full access, particularly for those with mobility concerns. Post Office Ltd must actively improve all branches, not just Crown post offices, as necessary, to take into account technological change and new services. In some cases, it will be reasonable to expect Post Office Ltd's retail partners to bear part of the costs, but this depends on a proper share in the associated revenue. (Paragraph 67)

Postal services

10. The largest single source of Post Office Ltd income is Royal Mail Group. As we have noted, there is little clarity about how this is calculated, and we welcome the Government's proposals to introduce more transparency into this. Given the wider social role of post offices, we believe that it is appropriate to allow any mail operator

who wishes to negotiate with Post Office Ltd to use the network. Post Office Ltd should do everything it can to secure contracts with Royal Mail's competitors. However, such contracts should be properly priced; any such arrangements should "pay their way" for Post Office Ltd and its partners. (Paragraph 74)

Central government services

11. Government departments should always consider what is the most effective way to reach those who prefer to deal with matters face-to-face. It is legitimate to encourage people to use cheaper communications channels, but not to deny them choice. (Paragraph 82)
12. We accept that not all government services can be provided across the network, but as a minimum, wherever a service can be provided by post then the associated material should be available at post offices. For example, passport application forms should be universally available. The Government must think of post offices not just as a collection of private businesses, but as a public service. (Paragraph 83)
13. The responses from government departments to the Committee's inquiry were, as a whole, inadequate. Most departments failed to suggest any way in which they might use the post office network. It is easy to think of government facilities which might usefully be available through the network, simply because of its near universal reach: payment of fines, and proof of such payment; provision of simplified consultation documents; leaflets about departmental services and initiatives; application forms for energy saving schemes; and provision of popular government forms. (Paragraph 84)
14. The Committee is profoundly disappointed by the narrow focus on departmental concerns and the lack of attention to citizens' needs displayed in many of the answers to our questions about departments' use of the post office network. Government is in the business of providing services, and the post office network represents an unparalleled facility to deliver those services to local communities. It is bizarre that government policy recognises the value of the network, but that individual departments do not see that they have a role in making sure that everybody, not just the web enabled, has access to their services, and that taking this seriously by using the post office network more could contribute to wider policy aims. (Paragraph 85)
15. We recognise that providing services through the post office network may be more expensive than providing those services online. However, we consider the public's expectation that there should be a choice of ways to access government services and information is legitimate. The question should not be "is it cheaper to provide this service entirely on-line or remotely?" but "given that there needs to be a choice of delivery methods, what is the most effective way to reach those who prefer to deal with matters face to face?". (Paragraph 90)
16. Many or even most identity services may well be too sophisticated to provide across the network. However, even limited use of the post office network will allow these services to be offered across a wider geographical area than would otherwise be possible. There is potential to use the post office network to offer such services at a range of locations across the UK, which will both benefit those who need new

driving licences or identity documents and provide income for Post Office Ltd. (Paragraph 95)

17. The biggest barrier to the expansion of government services offered through the network is the attitude and lack of imagination of most government departments. History has given government an unparalleled and highly valued portal in the post office network. Departments must try harder to provide their services through post offices. At the very least, individuals must be able to get important government forms in all post offices. It surely cannot be beyond the Government's technological ability to provide a means to supply such material electronically so that the most up-to-date version of the form in question can simply be printed. Some of the proposals which have been made to us are impractical at first glance, but contain good ideas. Departments should not simply dismiss the provision of services through the network; they should assess whether offering services through post offices would make life easier for their customers, and if so, whether it is at all practicable. (Paragraph 108)
18. In asking us to undertake the task force role, BERR showed its commitment to a coordinated effort to provide more services through post offices. The new Department for Business, Innovation and Skills should continue this work. There should be a government-wide leader to coordinate and implement as soon as possible a programme of expanded government services in post offices. There should be a new presumption that, in addition to any other delivery methods, all government departments should seek to deliver their services through the post office network in the interest of social inclusion. They should also be obliged to promote these delivery methods on an equal footing with other methods. The example of the Pensions Agency, constantly seeking to obscure the availability of its services through post offices, stands as a warning as to what will happen if this policy is not enforced properly. (Paragraph 109)

Local government services

19. Local authorities use post office services even less, and less consistently, than central government. Many are quick to say they support post offices, but then are slow to offer their services through them — the support that really matters. They should try harder to provide their services through post offices — those who have piloted such services have been enthusiastic about the results. The Local Government Association should lead efforts to expand the availability of local government services through the post office network. (Paragraph 118)
20. It is not appropriate for the Government to dictate to local authorities the extent to which they provide services through the post office network. However, we believe more could be done to raise awareness of the potential of the network. Post Office Ltd should take the lead in developing services that can be easily accessed by local authorities. It should then work with the Local Government Association to ensure that every local authority is provided with information about the services post offices can offer. (Paragraph 120)

21. Relying on local authorities' funding to maintain the network would result in poorer local authorities providing fewer or poorer services. This would undoubtedly undermine the uniformity of service, which we have heard is a desirable — some might say necessary — characteristic of a sustainable post office network. (Paragraph 122)
22. Post offices are community assets, and we welcome the approaches to support them that we have seen. Essex, Devon and Wales are showing commendable initiative. Undoubtedly there will be many other examples throughout the United Kingdom. In providing services through the post office network, Essex is giving an example of a local authority using post offices as a resource. We were particularly impressed by the effort that the Welsh Assembly Government and Devon County Council have made to improve the underlying businesses associated with sub-post offices. Helping businesses in this way not only supports the network, but safeguards other facilities for the local community. (Paragraph 125)

Financial services

23. It is clear that there is huge demand for wider availability of banking services through post offices, and this Committee strongly endorses the widely held view that banking is essential to the network. (Paragraph 143)
24. The Committee strongly supports greater provision of banking services through the network. However, it is not obvious how a new post office bank would be funded and secured, whether it would entail ending existing arrangements with the Bank of Ireland, and if so, what would be the financial consequences of terminating these arrangements. At this stage, the priority should be to extend financial services as quickly as possible. The existing agreement with the Bank of Ireland may be the best way to do that. Alternatively, it may be appropriate to seek a new arrangement with a UK bank. If neither of these courses works, a post office bank may be appropriate. (Paragraph 147)
25. The Government should review urgently the effectiveness of Post Office Ltd's strategy for expanding banking services, but it is the outcome that matters (more access to banking through post offices) and not the means. Post Office Ltd must prove that its current model, involving the gradual expansion of financial services, is, as it contends, the best way to improve banking services. It must do so by providing more banking services through the network and substantially broadening access arrangements with high street banks. The Government should use its influence to ensure that the banks in which the public is a shareholder provide services through post offices. We appreciate that the Government wishes to leave the banks to run themselves, but there is currently a unique opportunity for the public to gain a specific and valuable benefit from its shareholding. (Paragraph 148)
26. The Committee whole-heartedly supports the rapid expansion of fee-free cash machines throughout the post office network, and urges the Government to consider providing more innovative tools to enable financially excluded individuals to take advantage of direct debit bill payment discounts. The Government should also use

the post office network to promote savings programmes for children and to deliver the Savings Account Gateway programme. (Paragraph 153)

Community services

27. Our witnesses suggested a wide range of community services which could be offered through post offices. The extent to which each is practicable depends on local circumstances. There may be scope for a rural post office to double as a tourist information office. There may be circumstances where it would be possible for a post office to be combined with business premises. There may be circumstances in which a prescription collection service could be offered on a commercial basis. We do not believe such things can be mandated; they depend on the drive of the individual who runs a particular post office, and indeed, on the community surrounding the post office. However, they demonstrate the potential strength and flexibility of a system where services are provided through a partnership between the central company (Post Office Ltd) and other partners. There is a role for Post Office Ltd in making these arrangements easier; for example, by helping with technology, arranging template agreements and articulating best practice. (Paragraph 171)

Conclusion

28. Postcomm has been asked to carry out a review of the social benefits of the network. The value the public sets on post offices convinces us that there should be no further closure programmes, but it is inevitable that there will be some change in the network as Post Office Ltd's arrangements with individual retail partners change. The more those changes can be guided by knowledge about where post office facilities are most valuable, the better; the possibility of increasing the size of the network should not be excluded. (Paragraph 174)
29. There is a huge demand for the universal provision of services throughout the network. However, there are substantial barriers to providing all services everywhere: variation in post office premises; the need for specialist training for some services; and the complex array of service providers in the post office network. Customers may have to accept that uniform service provision may not be possible if services expand. At the same time, the more services that are offered through the network, the more attractive and useful the network becomes. Post Office Ltd should by default provide a service in a branch unless there is a compelling reason against it. (Paragraph 178)
30. It is possible that if the right actions are taken, the post office network will come to be both an important social resource, and a profitable organisation. However, it is also possible that the Network Subsidy Payment, or some successor arrangement, will be needed for the foreseeable future. (Paragraph 179)
31. The Government should support the post office network, but it has a right to expect that the network will be as efficient as possible. Under current regulatory arrangements, while Postcomm reports and advises on the post office network, it has no direct responsibility for it. Broadly speaking, this will continue if regulatory responsibility passes to Ofcom. Whatever happens to the Postal Services Bill, the

Government is, and will remain, Post Office Ltd's only shareholder. It cannot duck responsibility for the efficiency of the network. In a situation where there is no competition and there are sound reasons for making government services available through post offices, the Government may have to be more involved than a shareholder might traditionally be. (Paragraph 182)

32. Post Office Ltd must ensure that all post offices offer good customer service. This may require more financial support. It may require setting service standards, and monitoring to make sure they are achieved. Otherwise, post offices will attract only those who have no alternative but to use them, and the network's role in promoting social inclusion will be diminished. (Paragraph 185)
33. The expansion of the range of services offered through the Post Office is likely to lead to a need for more training of subpostmasters, and possibly a need for Post Office Ltd to provide some training directly to staff in sub-post offices or franchises. (Paragraph 186)

Annex A – The development of the post office network

“Unhappy is the village without a post office”²²⁹

1. There are three key themes in the development of the post office network. The first is that until quite recently, it lacked a separate history — post offices were an inextricable part of the entity now known as Royal Mail. The second is that from the start, post offices were a mixture of public and private enterprises, with the private predominating. The third is that their growth and development have always been a matter of opportunism: there has never been any grand plan or overarching principle. All three themes are highly relevant to any consideration of the future of the network.

2. Historians generally take the starting date of both the state postal and post office services as being 1635.²³⁰ In that year, under a Royal Proclamation from Charles I, the royal domestic mail services were made available for public use, in order to raise revenue for the King. In October that year, Thomas Witherings opened the first post office, in Bishopsgate Street in London, to which the public could take mail for posting and collect mail sent to them. A struggle for control of this monopoly service led to the Post Office Acts of 1657 and 1660. The latter set out the duties and remuneration of postmasters throughout England and Scotland.

3. At this time, and for long afterwards, post offices were mainly based in coaching inns.²³¹ Part of the duty of the postmasters/innkeepers, alongside collecting mail from the public, was to provide fresh horses for the riders transporting the mail. Postmaster remuneration was dependent on the volume of mail handled, and the system was administered from a central office in Lombard Street, London.

4. Post offices began offering financial services more than two centuries ago: in 1792 a money order service was introduced. This allowed an order to be purchased from one office and sent to the recipient, who could then exchange it for cash at another post office. This was one of many developments which led to the growth of the network up to the First World War. Others included:

- The introduction of the uniform penny postage in 1840. This greatly increased the volume of mail posted and the demand for post offices.
- The introduction of the Post Office Savings Bank in 1861. The Post Office Savings Bank Act empowered the Postmaster General – the Minister responsible for mail services and post offices – to receive money on deposit, make repayments and pay

229 Edward Bennett, *The Post Office and its Story* (London Seeley, 1912)

230 Postal Heritage Trust; Howard Robinson, *Britain's Post Office* (Oxford University Press, 1953) and Edward Bennett, *The Post Office and its Story* (London Seeley, 1912)

231 Including one in Slough operated by the Committee Chairman's great-great grandmother, Maria Luff, who succeeded to the position at the town's coaching inn, the White Hart, in May 1841 where her husband, Charles, and his father, Francis, had both been the town's post master. Maria Luff moved to dedicated post office premises in December 1841.

annual interest of 2.5 per cent on depositors' balances. At that time there were few banks outside major towns; by 1863, 2,500 post offices were offering the service.

- The coming of the telegraph – and the monopoly of running the service given to the General Post Office (GPO) in 1870.
- The introduction of the parcel post service in 1883.
- The introduction of Old Age Pensions in 1909, payable at post offices.

5. Until 1854, although mail and post office services were a government monopoly administered by a government department, all post offices throughout the country were private businesses. In that year, the first post offices operated by the GPO were opened, staffed by GPO employees and known as crown offices. But privately run post offices (sub-post offices) were and remained a large majority. Subpostmasters – mainly owners of small shops – ‘were attracted not so much by the generosity of the payments as by the “ulterior consideration” of attracting customers’.²³² The total network grew from 9,973 offices in 1854 to 24,354 in 1913 – of which 23,326 were sub-post offices.²³³ The total number of offices remained surprisingly constant for the next 65 years.

6. It was in the late nineteenth and early twentieth centuries that post offices came to be regarded as central to the life of a community: “If the place be a place at all, there we shall find a Post-office”.²³⁴ The fact that post offices were, in effect, providers of universal government services, but were mainly themselves small businesses was considered one of their strengths: “The sub-postmaster[...]has, as it were, a foot in both worlds, the commercial and the official, and he comes to his duties with the training not of a civil servant but of the local tradesman[...] [Such people] are in close touch with the public, they know its peculiarities across the counter, and they are less likely to be strangled by red tape”.²³⁵

7. Meanwhile, the range of financial services offered by post offices continued to grow: government stocks and bonds in 1880; insurance and annuities in 1888; and war savings certificates (later renamed National Savings Certificates) in 1916. During both World Wars, post offices became even more important as providers of wider government services, displaying general notices and instructions and issuing forms, coupons and wartime allowances. Throughout this period, the head of the service remained the Postmaster General. After 1934, the Postmaster General acted as Chairman of a newly created Post Office Board.

8. After the Second World War, there was a steady growth in the role of post offices as agents for the provision of government services and as providers of financial services on their own account.²³⁶ To some extent, this was driven by a fear that new technology (such as the telex) and the growth of existing technology (particularly the increasing number of

232 M J Daunton, *The Post Office since 1840* (Athlone Press, 1985), p280

233 Daunton

234 James Wilson Hyde, *The Royal Mail* (Harper & brothers, 1885), p 386

235 Edward Bennett, *The Post Office and its Story* (London Seeley, 1912)

236 Source: Annual reports of the Postmaster General

domestic telephones) would reduce postal traffic and thus mail transactions in post offices – a fear which proved not so much misplaced as premature.

9. In 1969, there was a major change in the status of the Post Office: from government department to nationalised industry. However, the Post Office Savings Bank remained (for a while) a government department, so from then on post offices handled National Savings transactions as agents rather than on their own account.

10. By the 1970s, the argument was commonplace that post offices were an effective and efficient means of delivering government services. In its 1976 report on sub-post offices, the Post Office Users National Council (POUNC) wrote: “From the point of view of Government, the long established system of agency services using the widely spread network of post offices is more convenient and probably cheaper than providing alternative facilities.”²³⁷ In the same report, POUNC provided a breakdown of post office transactions for 1974–75. In summary, they consisted of the following:

Agency work	%
Retirement pensions	20
Other pensions and allowances	14
National insurance stamps	6
National Savings business	11
Other agency business	2
Total agency work	53
Post office work	
Postal work	26
Other (Giro, postal orders etc)	21
Total post office work	47

11. So in 1974/75, work as an agent on behalf of Government – mainly, at that time, the Department of Health and Social Security – was responsible for more than half of all transactions in post offices. The Post Office’s own financial products and services, while lower in volume, were highly important to the sustainability of the post office network – and the Post Office Girobank was central to this.

12. From the start, the Girobank was seen as offering a complementary service to that of the clearing banks. It would be a simple and cheap basic banking service mainly for people without a bank account, which in the mid-1960s amounted to 75% of the adult population.²³⁸ But it would also have advantages not available through clearing banks, given that the post office network was far more extensive (23,000 branches in 1968) and widespread than clearing banks, and offered longer opening hours, including Saturdays.

13. The Girobank opened for business in October 1968. Analysts argue that there were two main reasons for its failure to thrive. First, it entered an increasingly crowded market for financial products; notably, clearing banks improved their service, and credit cards began to be issued at around this time. Second, a large proportion of the target market stuck to cash transactions.²³⁹ Within two years, Girobank's cumulative losses were nearly £20m. Its future looked uncertain, but the Government concluded that with a re-launch it could be viable. It did continue, with increased charges and some diminution of service.

14. By the late 1980s, National Girobank had managed to become Britain's sixth largest bank. It became independent in 1988, as the Post Office Savings Bank had done twenty years before. Unlike the Savings Bank, it became a public limited company, and was bought by the Alliance and Leicester Building Society in 1990.

15. Meanwhile, post offices developed for the first time as a separate entity, in management terms, from the rest of what is now Royal Mail. A 'Counter Services' department was established in 1981; in 1986, post office counters became a separate business, alongside the letters and parcels businesses; and in 1987, Post Office Counters became a limited company with separate audited accounts. Its successor, Post Office Ltd, was established in 2001, under powers granted to what is now Royal Mail in the Postal Services Act 2000.

16. It was also at this period — the late 1990s and early 2000s — that the largest ever collaborative project was planned between Post Office Counters Ltd (as it then was) and central government, in this case the Benefits Agency. This was the Horizon IT project, to design and install computers throughout the post office network. A core purpose of the project was to automate the payment of benefits at post offices, both to increase efficiency and to reduce fraud. It would be a serious understatement to say that the project suffered teething troubles. The delays, lack of clear focus and divided leadership of the project were severely criticised by the National Audit Office in 2000.²⁴⁰

17. By this point, the Government had already decided that the benefit payment card element of the project would not go ahead as planned. Instead, benefits would where possible be paid direct into bank accounts, which would lead to a substantial loss of business to post offices. Up to 2004–05, the provision of government services had been responsible for more than 40% of post office revenue; within three years, by 2007–08, this had slipped to a little over 26%. Post Office Ltd had to adjust to this loss of government business. To an extent it focused on its traditional core business. Over the same three year period:

238 As set out in the 1965 White Paper 'A Post Office Giro'; British Postal Archive

239 Alliance and Leicester plc archives and British Postal Archive

240 NAO, *The Cancellation of the Benefit Payment Card Project*, HC: 857 1999-2000, 18 August 2000

- revenue from mail, retail and National Lottery transactions (the vast majority coming from the contract between Post Office Ltd and the rest of the Royal Mail Group) rose from around 27% to 35% of the total;
- revenue from telephony services rose from around 1% to 9%; and
- revenue from financial services was fairly constant at around 29%.²⁴¹

18. One point worth noting about these figures is that not all of this income was due to transactions actually taking place in post offices: an increasing proportion of transactions took place by telephone or online. The starker change over the past few years has been in the sustainability and size of the network.

241 Postcomm, *Eighth Annual Report on the Network of Post Offices 2007/08*, 2008

Appendix A – List of products and services available from Post Office Ltd

Service	Availability	Description of service
Pensions and Benefits		
Cash Cheques	All branches	Encashment of benefit payments, pensions and allowances, even if they are paid into a bank account or POCA, or if they receive the exceptions service (a cheque). Alliance & Leicester has an agreement with DWP to produce the green giro/cash cheques and they pay these cheques over Post Office Counters.
Post Office Card Account	All branches	A basic account for the receipt of pensions, benefits & tax credits
Postal Services		
Standard 1 st and 2 nd class post	All branches	Packets and letters accepted for standard 1 st class, 2 nd class delivery
Overseas postage	All branches	Parcels and letters accepted
Additional postage services	All branches	Recorded Signed For, Articles for the blind, etc
Express postal services	All branches	Variety of express delivery services, including next day, for letters and parcels inland and overseas – Special delivery, international signed, Airsure etc.
Philatelic	All branches (stocked based on demand)	Royal Mail special issue stamps and associated products, such as presentation packs and first day covers
Local Collect	10800 branches	Undelivered postal items are taken to the nearest participating Post Office by the postal delivery staff for later collection or customer has opted for the collection at their local Post Office branch
Redirection	All branches	Mail redirection service when you move home
Parcels	All branches	Range of parcel delivery services within the UK to meet customers needs. Delivery speeds range from a fast same day courier service to a 2 day parcel delivery service - <i>More details are available on Post Office website.</i>

Service	Availability	Description of service
Licences		
Vehicle Licences	4,600	Issuing of Tax discs for vehicles
Statutory Off Road Notification (SORN)	4,600	SORN notification services provided
Vehicle & driving licence applications	All branches	Application forms for a range of vehicles
Photo licence application checking	743	Photo licence applications are checked and sent to DVLA
Fishing licences and Game licences	All branches based on demand	Range of rod licences available for angling in England and Wales and Game licences to hunt game – stocked in branches where there is local demand. Fishing licences in England & Wales only. Game licences in Scotland and N. Ireland only.
Borrow & pay		
Credit Card	All branches	A range of Post Office® Credit Cards are available info is available in all branches but only 5000 can accept application forms. Customers can apply online and by phone.
Personal Loans	Online/phone	Post Office personal loan offering a competitive rate by online and phone
Moneygram	All branches	International money transfer of up to £6,000 to over 150 countries
Automated bill payments	All branches	Acceptance of payment and pre-payment towards a variety of bills including gas, electricity, water, phone, council rent, mail order and insurance (some schemes available on an area basis as agreed with Local Authorities)
Electricity Meter Tokens	Selected branches based on local schemes	Stock of tokens for meters
Electricity Smart cards	All branches	Charging of customer smart cards for meters
Personal Banking	All branches	Current Accounts - Alliance & Leicester, Bank of Ireland, Bank of Scotland, Barclays (in England & Wales), cahoot, Clydesdale Bank, Halifax, Lloyds TSB, Nationwide Building Society, Northern Bank, smile, The Co-Operative Bank (Further info – Annex 1a) Basic bank Accounts – Abbey, Alliance & Leicester, Bank of Ireland, Bank of Scotland, Barclays, Clydesdale Bank, First Trust Bank, Halifax, HSBC, Lloyds TSB, Nationwide Building Society, NatWest, Northern Bank, The Co-operative Bank, The Royal Bank of Scotland, Ulster Bank, Yorkshire Bank (Further info – Annex 1a)

Service	Availability	Description of service
Business Banking	All branches	Business banking services and the clients are: Alliance & Leicester, Bank of Ireland, Clydesdale, HSBC (Only in Scotland & Northern Ireland and only for cheque deposit service)
Paystation	All branches	To charge electric keys, Quantum Gas Cards, E-pay Transactions. Aim to have paystations(except Home service) in all branches by April 09
Cash Machines	Different Locations	1653 free to use ATMs at branches
Travel		
Travel Insurance	All branches	All branches and available on demand in 9000 branches and via phone. POL website accepts secure payment for Visa, Mastercard, Maestro or delta cards.
Bureau de Change	All branches	A wide range of commission free currencies and American Express travellers cheques 1629 branches offer a range of currencies on demand An additional 2555 branches offer Euro and Dollars on demand An additional 3436 offer Euros on demand Currencies can be pre-ordered for collection at any branch
Travel Money Card	at Selected branches	The new Post Office® Travel Money Card offers the security of travellers cheques with the convenience of plastic making it a secure, convenient way to carry foreign currency. Available in 3 currencies, euro, US Dollar and it is a pre-paid card that customers can load with currency. It can be top up at selected branches or over the phone.
Passport Check and Send	2,500	Checking passport applications and sending it for priority processing
Passport Application packs	2,500	Passport application forms stocked
EHIC Check and Send	2,500	Completion of form entitles people to free or discounted medical treatment abroad.
EHIC Application packs	2,500	Application forms stocked in the selected branches

Service	Availability	Description of service
Save & Invest		
Post Office Instant Saver	All branches	Instant access savings account launched April 2006: Instant access to funds at all Post Office branches, by phone, online, by post or @ 60,000 Link ATMs 6 free Cash withdrawals per year;
Post Office Cash ISA (fixed -Five year saver)	All branches	The Five year Saver is a fixed-term deposit Bond: Competitive Interest rates, No withdrawal charges, Tax-free, Easy access to account; Apply at all Post Office branches or by post, Payments can be made at any Post Office branch or by post. Withdrawals can be made via post.
Post Office Cash ISA (Variable)	All branches	Competitive Interest rates, No withdrawal charges, Tax-free, Easy access to account; Apply at all Post Office branches or by post Payments can be made at any Post Office branch or by post. Withdrawals can be made via post.
National Savings & Investments - Easy Access Savings Account	All branches	Flexible savings, Instant access, Cash card for easy deposits and withdrawals, Tiered Interest rates, Interest taxable - paid gross. Apply by phone, at a post office or by post. Withdrawals can be made at any Post Office branch or Link cash machine.
National Savings & Investments - Investment Account	All branches	Easy access (no notice of penalty), passbook savings account, Tiered Interest rates, Interest taxable - paid gross, Apply by phone, online or at a post office or by post. Withdrawals can be made by applying to NS&I.
National Savings & Investments - Income Bonds	All branches	Easy access (no notice of penalty), Regular monthly income, competitive interest rate, higher rate of interest on investments of over £25k+, Interest taxable - paid gross. Apply by phone, online or at a post office or by post.
National Savings & Investments - Premium Bonds	All branches	All prizes tax free, anyone 16 yrs old and above can invest, Apply by post and at all branches or by phone, online.

Service	Availability	Description of service
National Savings & Investments - Childrens Bonds	All branches	Tax free, anyone 16 yrs old and above can invest, apply at all Post Office branches or by post.
Post Office Child Trust Fund	All branches	Apply, at all post office branches or by post.
Savings stamps	All branches	For use against payment of bills, Post Office transactions or as gifts. Buy and redeem at Post Office branches.
Insure		
Car Insurance	All branches	Competitive car insurance (*introductory Information), Can be applied online, over the phone, and at selected Post Office branches.
Home Insurance	All branches	Competitive Home insurance (*introductory Information), Can be applied online, over the phone, and at selected Post Office branches.
Van Insurance	All branches	Competitive Van insurance (*introductory Information), Can be applied online, over the phone, and at selected Post Office branches.
Motorcycle Insurance	All branches	Competitive Motorcycle insurance (*introductory Information), Can be applied online, over the phone, and at selected Post Office branches.
Pet Insurance	All branches	Applied by phone or online.
Over 50's life cover	All branches	Competitive Over 50's life cover - available at over 12,000 Post Office branches.
Life Insurance	All branches	Competitive Life insurance (*introductory Information), Can be applied online, over the phone and at selected Post Office branches.
Broadband & phone		
Home Phone	All branches	The Post Office® phone service, available as standalone product, Simple sign-up to suit customers. Apply at Post Office branches, on-line or by phone
Broadband Standard	All branches	Fastest speed for emails/downloads. Min 12mnth contract. Available at Post Office branches, online and by phone
Broadband Extra	All branches	Same as Broadband standard plus unlimited monthly downloads. Available at Post Office branches, online and by phone
Phone cards	All branches	International calling card offering cheap indirect access calls. Available online & in branch
Mobile E top ups	All branches	Mobile top-up service for all pre-pay providers through Horizon and paystation. Available at every branch.
Directory Enquiries		One flat free rate, number texted to mobiles for free.

Service	Availability	Description of service
Other		
Lottery	4849	Main Lottery draw terminals selling all draw based games
Postal Orders	All branches	Purchase or encashment
Local Schemes	at Selected branches	There are various schemes depends on the local councils – i.e. Home Care & Meals on wheels etc. The payments can be made to the customers on a magnetic swipe card, accepting a barcoded invoice or in the form of vouchers issued by the local councils.
Travel tickets	Selected branches as agreed with local authority	<p>Local availability as agreed with Local Authority:</p> <p>Concessionary Bus Travel & Commercial Ticket sales (Check & Send service for 1st time eligible applications when reaching 60)</p> <p>National Concessionary Application Check & Send, e.g. SW Wales Integrated transport, Scotland.</p> <p>Local check & send - e.g. West Yorkshire, Merseytravel</p> <p>London Councils (29/33 boroughs) - Freedom Pass issuing in 800+ branches in London for 29 of 33 boroughs. Elderly and disabled passes given in branch.</p> <p>Other Concessionary Services</p> <p>Transport for London - Bus & Tram Discount Scheme - photo/pass issued in branch to eligible people on income support</p> <p>Coventry/Cardiff (local leisure pass applications), North Wiltshire District Council/West Lindsey District Council (Local travel token scheme)</p>
Gift Vouchers	All branches	<p>A range of vouchers are available to purchase at each branch, however there are no "sign up" requirements</p> <ul style="list-style-type: none"> • Retail vouchers • Experience vouchers • Enjoyment vouchers
Christmas Club	All branches	To save towards Post Office Gift Vouchers or use at selected retail stores. Customers are required to complete a simple application form which is taken to branch with an initial load (minimum £5)

* where reference made to introductory information available, the transaction would be finalised over the phone, by internet or by correspondence with a central unit.

Appendix B – Banking services available from Post Office Ltd

Personal current accounts				
Bank	Cash Withdrawal (with card and PIN)	Balance enquiry (with card and PIN)	Cash deposit (with card or with personalised paying-in slip from your bank)	Cheque deposit (with personalised paying-in slip and deposit envelope from your bank)
Alliance & Leicester	Yes	Yes	Yes††	Yes
Bank of Ireland	Yes	Yes	Yes	Yes
Bank of Scotland	Yes	Yes	No	No
Barclays - in England and Wales	Yes†	No	Yes†††	Yes
Cahoot	Yes (with chequebook and card)	No	Yes†††	Yes
Clydesdale Bank	Yes	Yes	Yes	Yes
Halifax	Yes	Yes	No	No
Lloyds TSB - in England, Wales and Scotland	Yes†	Yes	Yes†††	Yes
Nationwide Building Society	Yes	Yes	No	No
Northern Bank	Yes	Yes	No	No
Smile	Yes	Yes	Yes††	Yes
The Co-operative Bank	Yes	Yes	Yes††	Yes
Basic bank accounts				
Abbey - Basic Account	Yes	Yes	No	No
Alliance & Leicester - Basic Cash Account	Yes	Yes	Yes††	Yes
Bank of Ireland - Basic Cash Account	Yes	Yes	Yes	Yes
Bank of Scotland - Easycash	Yes	Yes	No	No
Barclays - Cash Card Account	Yes	No	No	No
Clydesdale Bank - Readycash Account	Yes	Yes	Yes	Yes
First Trust Bank - Basic Bank Account	Yes	Yes	No	No
Halifax – Easycash	Yes	Yes	No	No
HSBC - Basic Bank Account	Yes	No	No	No
Lloyds TSB - Cash Account	Yes	Yes	Yes†††	Yes
Nationwide Building Society - FlexAccount (cash card only)	Yes	Yes	No	No

NatWest - Step Account	Yes	Yes	No	No
Bank	Cash Withdrawal (with card and PIN)	Balance enquiry (with card and PIN)	Cash deposit (with card or with personalised paying-in slip from your bank)	Cheque deposit (with personalised paying-in slip and deposit envelope from your bank)
<i>Basic bank accounts</i>				
Northern Bank	Yes	Yes	No	No
The Co-operative Bank - Cashminder	Yes	Yes	Yes††	Yes
The Royal Bank of Scotland - Key Account	Yes	Yes	No	No
Ulster Bank - Basic Bank Account	Yes	Yes	No	No
Yorkshire Bank	Yes	Yes	No	No

† You can also withdraw cash from your personal current account using your chequebook and card. Card and PIN is quicker, easier and more secure.

†† With card only.

††† With personalised paying-in slip from your bank

Formal Minutes

Tuesday 23 June 2009

Members present:

Peter Luff, in the Chair

Mr Lindsay Hoyle
Brian Binley

Lembit Öpik
Mr Anthony Wright

Draft Report (*Post Offices – Securing Their Future*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 187 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Eighth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned until Tuesday 30 June at 10.15am]

Witnesses

Tuesday 24 March 2009

Page

Ms Sue Ward, National Post Office Manager, Co-operative Group, **Mr Duncan Bowdler**, Secretary, Co-operative Retail Trading Group, **Mr Dominic Taylor**, Chief Executive and **Mr Tim Watkin Rees**, Business Development Manger, PayPoint Plc Ev 1

Mr Mervyn Kohler, Special Adviser, Help the Aged, **Mr Ed Mayo**, Chief Executive, Consumer Focus and **Mr Tony Herbert**, Social Policy Officer, Citizens Advice Ev 11

Tuesday 31 March 2009

Mr George Thomson, General Secretary and **Mr Mervyn Jones**, National President, National Federation of SubPostmasters Ev 18

Mr Clive Davenport, Chairman for Trade and Industry, and **Ms Ulrika Diallo**, Policy Adviser for Trade and Industry, Federation of Small Businesses Ev 30

Tuesday 21 April 2009

Mr Andy Furey, National Officer, Communication Workers Union and **Mr Brian Scott**, Assistant National Secretary, Unite the Union Ev 38

Mr Alan Cook CBE Managing Director and **Ms Paula Vennells**, Network Director, Post Office Ltd Ev 47

List of written evidence

1	BERR	Ev 60
2	DCMS	Ev 60
3	Ministry of Defence	Ev 60
4	Defra	Ev 61
5	FCO	Ev 61
6	Health	Ev 62
7	Home Office	Ev 62
8	DIUS	Ev 63
9	Ministry of Justice	Ev 64
10	Transport	Ev 64
11	HM Treasury	Ev 65
12	Work & Pensions	Ev 66
13	A4e Development	Ev 67
14	Action with Communities in Rural England	Ev 70

15	Age Concern	Ev 73
16	Age Concern (Scarborough & District)	Ev 76
17	allpay	Ev 77
18	Jon Amos	Ev 81
19	Association of British Credit Unions Ltd	Ev 82
20	Association of Convenience Stores	Ev 85
21	Hugh Bayley MP	Ev 87
22	Mrs P Bickerton	Ev 88
23	British Bankers Association	Ev 88
24	Burrington Parish Council	Ev 89
25	Mike Carver	Ev 89
26	Citizens Advice	Ev 90
27	Commission for Rural Communities	Ev 93
28	Consumer Focus	Ev 96
29	Co-operative Group	Ev 101
30	Cornwall County Council	Ev 104
31	CWU & Unite	Ev 107
32	John Day	Ev 111
33	Phil and Sally Deacon	Ev 111
34	Essex County Council	Ev 111
35	Essex Federation of Small Businesses	Ev 116
36	Essex Rural Partnership	Ev 117
37	Federation of Small Businesses	Ev 119, 121
38	Fuel Poverty Advisers Group (FPAG)	Ev 122
39	Future Years (Regional Forum on Ageing, Yorkshire and the Humber)	Ev 125
40	Andrew George MP	Ev 126
41	Gerald Grundy	Ev 129
42	The Harwich Society	Ev 129
43	Richard Heller	Ev 129
44	Janet Holland	Ev 130
45	Peter Horne	Ev 130
46	Intellect	Ev 131
47	Mrs L Kelly	Ev 134
48	Mrs Marjorie Lewis	Ev 134
49	Lindsay Mackie	Ev 135
50	Mayor of London	Ev 138
51	Deborah Moggach	Ev 140
52	National Energy Action (NEA)	Ev 141
53	National Federation of SubPostmasters	Ev 142, 148, 150
54	Norfolk Rural Community Council	Ev 153
55	North Yorkshire County Council	Ev 157
56	Nottingham County Council	Ev 162
57	Office of Gas and Electricity (Ofgem)	Ev 163
58	PayPoint Plc	Ev 165
59	Pinchbeck Women's Institute	Ev 171

60	David C Porter	Ev 172
61	Postcomm	Ev 172
62	Post Office Ltd	Ev 176,184
63	Mrs Elizabeth Pullan	Ev 185
64	Rural Action East	Ev 186
65	Paul Saunders	Ev 189
66	Phillida Sawbridge	Ev 190
67	Brian Sawkins	Ev 190
68	Scottish Grocers Foundation	Ev 191
69	South Hams District Council	Ev 192
70	South Oxfordshire District Council	Ev 194
71	South West ACRE Network of Rural Community Councils (SWAN)	Ev 195
72	Andrew Summers	Ev 198
73	Christopher Swain	Ev 199
74	Torbay Council	Ev 201
75	UNITE	Ev 204
76	Water UK	Ev 206

List of unprinted evidence

The following memoranda have been reported to the House, but to save printing costs they have not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Parliamentary Archives, and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (tel. 020 7219 3074). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

Age Concern (Lancashire)

Age Concern (Leicestershire & Rutlands)

Wendy Armstrong

Alan Bates

A Bensley

Mary B Bowen

Mr Eugene Brem

Mrs B Cantell

B Catlow

Mrs C Chadwick

Mr K Chattoe

Mrs Isabella George

Paul Gibbons

Geoff Gilbert

Chris Godwin

J R Hall MBE

Elaine Hallgarten

Oliver Heald MP

Ken Hill
Knaresborough Town Council
Idea Street Ltd
Mr J M Lishman
Mrs Ioanna Lemos
Elizabeth Matthews
Miss K E McKie
Mid-Sussex District Council
G C Moore
Miss C J Morgan
S & F Munro
Northern Ireland Office
Mr D Palethorpe
D W Prince
Miss Hazel Prowse
Sheila Russell
Georgina Stafford
C H Stapleton
L Stroud
Suffolk County Council
V A Thain
Mrs Val Thomas
Martin Tod
Derek Toyne
Elaine Turner
West Sussex County Council
Mr & Mrs L G Weston
WHSmith

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2008–09

First Report	Energy policy: future challenges	HC 32
Second Report*	Pre-appointment hearing with the Chairman-elect of Ofcom, Dr Colette Bowe	HC 119
Third Report	Work of the Committee in 2007-08	HC 175
Fourth Report	Regional development agencies and the Local Democracy, Economic Development and Construction Bill	HC 89
Fifth Report	The Postal Services Bill	HC 172
Sixth Report	The Insolvency Service	HC 198
Seventh Report	Pub Companies	HC 26

Session 2007–08

First Report	The work of the Committee in 2007	HC 233
Second Report	Jobs for the Girls: Two Years On	HC 291
Third Report	Post Office Closure Programme	HC 292
Fourth Report	Funding the Nuclear Decommissioning Authority	HC 394
Fifth Report	Waking up to India: Developments in UK-India economic relations	HC 209
Sixth Report	After the Network Change Programme: the future of the post office network	HC 577
Seventh Report	Keeping the door wide open: Turkey and EU accession	HC 367
Eighth Report **	Scrutiny of Arms Export Controls (2008): UK Strategic Export Controls Annual Report 2006, Quarterly Reports for 2007, licensing policy and review of export control legislation	HC 254
Ninth Report	Construction matters	HC 127
Tenth Report	Post Office finance: matters arising from evidence taken on 10 June 2008	HC 662
Eleventh Report	Energy prices, fuel poverty and Ofgem	HC 293
Twelfth Report	Post Office Card Account: successor arrangements	HC 1052
Thirteenth Report	Companies House	HC 456
Fourteenth Report	Departmental Annual Report and Scrutiny of the Department for Business, Enterprise and Regulatory Reform	HC 1116

* First Joint Report with Culture, Media and Sport Committee

** First Joint Report of Committee's on Arms Export Controls