

# High Street Britain 2015 - All Party Parliamentary Small Shops Group Consultation

*Response from the National Federation of SubPostmasters*

## 1 National Federation of SubPostmasters

The All Party Parliamentary Group for Small Shops is holding an inquiry into the future of local shopping and the high street. This is the National Federation of Subpostmasters' response to the inquiry.

The National Federation of SubPostmasters (NFSP) is the only body representing the interests of 15,000 subpostmasters throughout the United Kingdom. Sub post offices make up 97% of the national network of post offices and are run by private business people, subpostmasters.

## 2 The Post Office Network

The post office network is the largest retail branch network in the UK. With 15,000 post offices it is bigger than the major bank and building society networks combined. Post offices offer a range of 170 different postal, government and commercial services. An estimated 24 million people make 41 million visits a week and 48% of the customer base comes from the C2DE socio-economic group.

Since over 90% of the population lives within one mile of a post office, the network provides easy public access to essential services, including Post Office® services, cash and often retail goods. In rural areas around 75% of post offices are run alongside a shop and 58% of rural residents use the attached shops once a week or more.<sup>1</sup> Not uncommonly this shop is the last remaining shop in the village. In urban deprived areas, 85% of post offices offer some retail and 37% of customers use the attached shop at least once a week.<sup>2</sup> Additionally, post offices play important roles in providing direct support for vulnerable local residents and act as a focal point for communities.

## 3 The High Street in 2015

### 3.1 Post office closures

Our national post office network is under considerable pressure. This is in part due to trends in retailing, car use and technological innovations. Long-term lack of investment has also taken its toll. A further blow to the network's fortunes came when, in April 2003, the Government introduced the direct payment of benefits straight into accounts. Prior to this, income from benefits and pensions encashment brought in 40% of the network's revenue. These combined pressures have resulted in large numbers of post office closures in recent years. Over the last 20 years, 32% of UK post offices closed - a reduction from 22,000 in 1984 to 15,000 post offices today.

Historically, post offices have shut when subpostmasters resign and replacements cannot be found. Past research into the reasons for resignation suggests that although retirement due to age and ill health are key factors, lack of financial viability and a wish to change career are also very important.<sup>3</sup>

### 3.2 Subpostmaster income and confidence

Research carried out by MORI for NFSP in 2004 does not paint an encouraging picture of subpostmasters' confidence in the future. MORI found that over half of subpostmasters (55%) were pessimistic about the future of their business. Fourteen percent said they see "no future whatsoever" for their business or were "expecting to be bankrupt within a few months" and 43% said they were "worried my business won't have a future".<sup>4</sup>

The research also confirmed the relatively low levels of personal income earned by subpostmasters. Over half (56%) of subpostmasters personally drew £1,000 or less a month from the Post Office side of their business, and one in five drew less than £400 a month.

Subpostmasters' post office businesses are usually co-dependent on another business run alongside the post office, generally a shop. As part of MORI's research subpostmasters were asked about changes in their adjoining businesses. 44% of subpostmasters said that the amount their Post Office® customers spend in their adjoining business had decreased over the previous six months. The mean average decrease was estimated at 16%.

### 3.3 Government strategy

In recognition of the major challenges facing the UK's post offices, the Prime Minister asked the Cabinet Office to draw up a strategy for the future.

#### 3.3.1 Urban post offices

Following the publication of the Cabinet Office's report in 2000 on the future of the post office network<sup>5</sup>, both the Government and Post Office Ltd accepted there was a need to close substantial numbers of urban post offices in order to create a sustainable business for the Post Office Ltd and subpostmasters. This led to the urban network reinvention programme, which resulted in the closure of around 2,500 post offices in urban areas by spring 2005. NFSP regretfully and reluctantly accepted the need for the closure of post offices under the programme. However, we remain concerned about whether the remaining urban post offices are viable.

The future viability of the network depends on the success of new Post Office® products and services, including the recently introduced banking and financial services. The Government is also providing £30 million to invest in the urban post office network, through improvement grants for individual post offices. NFSP is concerned this is insufficient. We believe that the Government needs to provide more active support for the network, including ensuring government services are available through post offices. In addition, where post offices are not viable in purely commercial terms and yet provide essential social and economic services, the Government should provide an ongoing payment for these services.

#### 3.3.2 Rural post offices

Post Office Ltd has made it clear to the Government that, without financial support, it would have no choice but to close all but 2,000 rural post offices, keeping only those that are commercially viable or necessary to meet Royal Mail's postal licence obligations. As a result, the Government has agreed to fund the non-commercial element of the company's business until 2008. The Government has also imposed a "no avoidable closures" of rural post offices requirement on Post Office Ltd. This requirement has led to Post Office Ltd making strenuous efforts to minimise the number of rural post office closures, however the obligation runs out in 2006.

Some of Government's funding to sustain rural post offices is specifically for helping Post Office Ltd to pilot new ways of providing Post Office® services. This includes trials of 'hub and spoke' or 'outreach' post office services, where the subpostmasters of the hub post office provides a mobile service at locations such as village halls in outlying areas for several hours a week. Post Office Ltd is due to report on these trials to Government at the end of 2005. Government is due to make decisions on the long-term strategy for the rural post office network in 2006. However, a planned programme of closures in the rural network similar to the urban reinvention programme is a possibility.

### **3.4 Impact on future high streets**

NFSP is concerned that subpostmaster income levels and confidence; uncertainties regarding the success of new Post Office Ltd services and products; and insufficient Government support, present a considerable risk of a large reduction in the number of UK post offices on our high streets by 2015. This would have a significant impact on communities, local economies, local service provision and the environment.

## **4 Communities**

There is substantial evidence that without a nearby post office, large proportions of the population are inconvenienced. A study of residents whose village post office has closed found that eight in ten are inconvenienced by the closure of their local post offices and one-third said they were affected a great deal.<sup>6</sup> The most affected groups of people included those with no transport, people with mobility problems, older people and people from social classes C2, D and E.

A lack of local post office means that people have to travel further to access post office services, and possibly a local shop. Local post office closures also result in many people, particularly older and less mobile people, becoming dependent on others to access Post Office® services on their behalf or to take them to the post office.<sup>7</sup>

Post offices play important roles in providing direct support for vulnerable local residents, including elderly and disabled people. For example, subpostmasters frequently interpret official letters, field lost property, take messages and offer emotional support. Research for the postal services regulator, Postcomm, found that subpostmasters in both deprived urban areas and rural areas each keep an eye on significant numbers of residents - helping them deal with forms and officialdom, and enquiring to make sure they are not unwell if they do not make their normal visit to the post office.<sup>8</sup>

It is widely recognised that post offices also act as a focal point for communities. They give people a place to congregate and are used by the police, local authorities and tourist attractions to display information. This is supported by Postwatch research on post office closures. A high proportion of those interviewed for Postwatch stated that the community spirit of the village was badly affected by the closure of the post office. Many stated that it was as if "someone has taken the heart out of the village". Others referred to an increased feeling of isolation and the fact that people do not converse and meet as much as before.<sup>9</sup>

## **5 The Economy**

### **5.1 Direct services for local businesses**

Post offices provide many services for other local businesses. They provide stamps and posting services, bill payment services, cash and deposit facilities for small businesses. Business users also make frequent use of shops attached to post offices. Postcomm research found that in rural areas, 9% of customers were using the post office on behalf of their employer or business.<sup>10</sup> In a Countryside Agency survey, 12% of post office customers were business users. The Countryside Agency found that the business user spent an average of £189.50 per month on post office services, a high proportion of which was cash deposits.<sup>11</sup>

Postwatch also comments on the inconvenience caused to many local businesses in areas where post offices had recently shut. Local businesses say post office closures result in extra costs for petrol and lost work time in travelling to the post office to post letters and parcels, pay bills and access other services.<sup>12</sup>

### **5.2 Indirect services for local businesses**

Traditionally, post offices have been major sources of cash, and this role should expand with the introduction of new banking services at post offices. In 2001, Postcomm found that 23% of rural residents and 38% of urban deprived residents obtain cash from a post office.

Research strongly shows that people frequently spend cash locally to the place they access it. For example, the Countryside Agency looked at the economic significance of post offices in 20 villages and small towns in England. In local shops and businesses with a nearby post office, 15% of customers' expenditure is directly due to the presence of the post office, amounting to £194,000 on average per year. It is clear then that the existence of other local businesses is threatened when a post office closes. Postcomm estimates that in settlements with a population of 1,000-3,000 people £417,000 per year could be lost by nearby shops on the closure of a post office.<sup>13</sup>

This is further supported by the New Economics Foundation, which states that when the number of local retail outlets falls below a critical mass, the quantity of money circulating within the local economy will suddenly plummet sharply as people find there is not point trying to do a full shop with an impoverished range of local outlets. As local shops close, other local businesses lose valuable outlets for their products and services and may have to cease trading. The New Economics Foundation warns that recently "even more life has been squeezed out of ... the once dynamic small and independent retail sectors." Economic conditions for small retailers, service providers, suppliers and wholesalers have worsened and more jobs have been lost in the retail sector. In turn this leads to the loss of real choice for consumers about where to shop and the loss of diversity and identity through the "creeping homogenisation of British towns and villages."<sup>14</sup>

### **5.3 Employment**

As well as providing direct and indirect support to local businesses, post offices themselves are also sources of local jobs. There are approximately 15,000 subpostmasters in the UK, many of whom also employ staff themselves. Post offices and their adjoining shops are important employers in communities, as a key source of much-needed local part-time employment. Research carried out by NFSP in 2004 found that subpostmasters who employ staff provide jobs for an average of 4.6 people. 83% of employees work on a part-time basis, 40% work in the Post Office® only, 43% are employed in the attached retail business and 17% work in both the Post Office® and the retail business.<sup>15</sup>

## **6 The Environment**

One of the major consequences of post office closure is that people who formerly used the closed post offices find it more difficult to get to their "new" post office. Generally a post office closure results in people having to travel further to access the services they used to use at the now closed post office. This has clear environmental implications.

On the closure of their local post office, many people switch from walking to access post office services to travelling by car. Research shows

this applies in both rural and urban areas.

Postcomm found that in rural areas where the local post office has not closed, half of all customers walk to the post office.<sup>16</sup> However, once a rural post office closes, 81% get to their new post office by car.<sup>17</sup>

Similarly in urban areas, Postwatch found that prior to the closure of the local post office, 70% of post office customers walked. After closure this fell to only 42%, whilst 44% now went by car.<sup>18</sup>

## **7 Policy Initiatives to Promote a Healthy High Street in 2015**

Post offices are an integral part of a healthy high street. They provide Post Office services, access to cash, local jobs and usually also offer much valued retail services for the community. Crucially, the very presence of a post office supports the existence of other local shops and businesses.

However, in the most recent independent study of the post office network, the National Audit Office (NAO) supports NFSP's analysis of the considerable risks facing the UK's post office network.<sup>19</sup> The NAO concludes that it is still too early to know whether there will be sufficient demand for the new Post Office® products and services designed to replace the services that post offices traditionally provided. The rural post office network is threatened by the fact that many rural post offices have relatively few customers and a very high proportion of them lose money for Post Office Ltd. In addition, there are serious questions to be asked about whether the urban network reinvention programme will produce an urban network that is viable in the longer term.

But the National Federation of SubPostmasters believes there are a number of steps the Government can and should take to secure the future of our national post office network.

The Government should urgently undertake a thorough assessment of the social and economic role played by post offices. Following the assessment, the Government must provide the post office network with an ongoing payment for the social service it provides, in areas where post offices are not commercially viable.

The Government should ensure that all post offices have access to sufficient start-up capital to pay for necessary refurbishment. To complement this funding, the Government should make certain that a specialist business advice service is available to help all subpostmasters take full advantage of all financial assistance and commercial deals. NFSP currently has some funding to provide a business advice service to a limited pool of subpostmasters.

There is also a part for Government to play in directly supporting many of the specific services provided by post offices. For instance, NFSP strongly believes that the Post Office® should build on its current role as a source of guidance and advice. The post office network should become the UK's most trusted and used access point for official information, basic advice and transactions. We hold that subpostmasters should be given a formal role as trained Government General Practitioners, providing information and basic advice on government issues and helping the public to carry out routine transactions with local and national government. The Government must fund this service.

Banking is one of the post office network's key new services, its success is necessary to make up for the income previously generated by the encashment of state pensions and benefits. Post offices are ideally placed to provide the public with convenient free local access to cash and banking services. Although so far access to bank accounts at post offices has proved to be popular, significant numbers of bank accounts remain unavailable at post offices. In addition, many of the banks that do enable account access only allow their customers to use a very restricted range of transactions at post offices. NFSP believes the Government must take a leading role in ensuring that the banks enable their customers to access their bank accounts and carry out a wide range of transactions at post offices.

Without urgent Government action, our much-loved national post office network is in serious danger of extinction. UK citizens deserve access to a network of bigger, better and brighter post offices, supporting healthy high streets by providing local communities with postal services, banking and financial services, access to national and local government services and anchorage to local shops.

## **References**

- 1 Postcomm, December 2001, Serving the Community I - evidence of the community value of post offices in rural areas**
- 2 Postcomm, December 2001, Serving the Community II - evidence of the community value of post offices in urban deprived areas**
- 3 Postcomm, July 2001, Post Offices, Customers and Communities**
- 4 MORI/National Federation of SubPostmasters, February 2004, Subpostmaster Income**
- 5 Performance and Innovation Unit, June 2000, Counter Revolution - modernising the post office network**
- 6 Postwatch, November 2002, The Impact of Post Office Closures in the Rural Community**
- 7 See 1 and 2**
- 8 See 1 and 2**
- 9 See 6**
- 10 See 1**
- 11 Countryside Agency, July 2000, The Economic Significance of Rural Post Offices**
- 12 See 6**
- 13 See 1**
- 14 New Economics Foundation, December 2002, Ghost Town Britain I  
New Economics Foundation, December 2003, Ghost Town Britain II**
- 15 National Federation of SubPostmasters, October 2004, Consultation on the National Minimum Wage 2004**
- 16 See 1**
- 17 See 6**
- 18 See 7**
- 19 National Audit Office, February 2005, Financial Support for Post Offices**

