

Department for Business Innovation and Skills - Review into the Future of the High Street

Written Evidence from the National Federation of SubPostmasters

August 2011

1 Executive summary

1.1 The post office network is the largest retail network in the UK - offering a unique range of services, trusted, professional and playing an exceptionally valuable role in supporting local communities. Post offices also provide vital services within local economies, providing access to cash and banking for the public, and services for local businesses. Post offices make an enormous and widely acknowledged contribution to local economies: bringing in customers and buying from local suppliers.

1.2 In turn, post offices are also extremely dependent on healthy high streets. But both the post office network and the high street are under threat from the severe downturn in the general economy, the rise in online shopping and the expansion of supermarkets and out-of-town shopping centres.

1.3 The decline of the high street is having a major impact on public wellbeing. Our increasingly uniform shopping centres are resulting in a reduced range of available products; a less personal and knowledgeable service for shoppers; problems in accessing essential goods and services; increased carbon emissions and reduced levels of exercise. Moving retail away from our high streets results in less social contact, more isolation and a general decline in social cohesion.

1.4 The knock-on impact of the closure of small and independent shops also results in money draining from the local community; supermarkets employ fewer staff than local shops, do not retain profits locally and do not tend to use local suppliers or services.

1.5 The government has planned a programme to revive the post office network, which includes a significant funding package, restructuring and new services. However, these proposals will not resolve the threats to the post office network unless the government also takes urgent action to deal with the problems facing the high street.

1.6 The government needs to strengthen the planning system for retail, including requiring retail developers to demonstrate the need for proposed expansions. Large retailers should also be required to show their developments will not adversely affect local small businesses or the character of the surrounding areas. National planning regulations should be amended to ensure a mix of outlets. Demand is finite and the continual expansion of out-of-town shopping will inevitably result in less money being spent in the high street.

1.7 Local authorities need powers to enforce competition limits to ensure large retailers do not set up local monopolies. Local planning strategies should contain policies that specifically support small shops and neighbourhood shopping centres.

Local transport policy, including parking, should also be used to support the high street.

1.8 The government should ban destructive pricing behaviour of large retailers, such as 'below-cost selling'.

1.9 The expansion of supermarkets into the convenience store sector should be curtailed as it is anticompetitive and destroys other local shops and high street diversity.

1.10 A levy should be imposed on large retailers and out-of-town car parking spaces. This levy should be ring-fenced for high street development and support for small retailers. With public spending under huge pressure, this funding mechanism has the huge advantage of being cost-neutral to government.

1.11 Out-of-town stores and large supermarkets should have their business rates charged at the same rate as smaller shops, rather than at the preferential rate they currently receive. There should be a 100% reduction from the full rates bill for all essential outlets, such as post offices.

1.12 Funds made available through a large retailers levy and the equalisation of business rates should be used to provide grants for shops deemed key for the survival of the high street. These funds would be cost neutral to government.

1.13 The government should look at different mechanisms to optimise the use of funds to support the high street. Models could include greater powers for local retailers in decision-making over neighbourhood retail planning, such as through a mutual organisation representing local shops.

2 The National Federation of SubPostmasters

2.1 The National Federation of SubPostmasters (NFSP) is the trade union and membership organisation which represents subpostmasters. Subpostmasters are independent business people who act as agents to Post Office Ltd (POL) and run sub post offices, which make up 97% of the national post office network. The NFSP is the only organisation recognised by POL to represent subpostmasters.

3 Background

3.1 The Department for Business Innovation and Skills has appointed Mary Portas to lead an independent review into the future of the High Street. The purpose of the review is to identify what government, local authorities and businesses can do to promote the development of more prosperous and diverse high streets. This is the NFSP's written submission to the review.

4 The post office network

4.1 Unique reach and range of services

4.1.1 The post office network is by far the largest retail network in the UK. With 11,800 post offices it is bigger than the major bank and building society networks combined. There are also more post offices than hypermarkets, supermarkets and superstores in the UK.

4.1.2 Post offices offer a uniquely wide range of products and services under one roof - from postal services, banking, financial services, travel, telephony and bill payments to government services and the secure transportation of cash. Eight in ten

post offices are run alongside a shop, and post office shops play important roles in providing local retail including stationery, newspapers, food and household goods.

4.1.3 The network provides easy public access to these essential services throughout the UK, including remote rural communities and deprived urban areas. Government access criteria require POL to maintain a minimum coverage. Nationally 99% of the population must be within 3 miles and 90% within 1 mile of a post office; specific criteria cover deprived urban areas and rural areas.

4.1.4 Post offices are extensively used, and used by all sections of society. Every week 20 million people conduct almost 60 million transactions. Research finds 98% of households use a post office, and 49% of consumers use a post office every week.^{1,2}

4.1.5 A major report on the future of post offices by the then House of Commons Business and Enterprise Committee emphasised the importance of the post office as providing “services to the total community”; as “an instrument of social cohesion”; preserving “the fabric of our society”; and offering “a place where vulnerable and non-vulnerable people alike share services”.³

4.2 Trusted and professional

4.2.1 Post offices, subpostmasters and their staff are viewed as highly trustworthy by the public. A programme of recruitment ensures people working in post offices have appropriate skills; training programmes ensure skills and knowledge are kept up to date; and staff performance is monitored on an ongoing basis by POL, ensuring consistency and high standards.

4.2.2 The post office network is underpinned by the Horizon IT system, which handles 750 transactions per second at peak rates and is available to staff working at every post office counter. Sophisticated cash logistics and delivery ensure large amounts of money can be transported securely and in time throughout the network.

4.2.3 POL’s support infrastructure ensures a reliability and uniformity of service throughout the network, and enables very rapid dissemination of information to all corners of the UK.

4.3 Community role

4.3.1 There is overwhelming evidence of the exceptionally valuable role played by the post office network in supporting local communities above and beyond that of providing Post Office and retail services. This includes providing assistance for vulnerable residents – interpreting official letters, fielding lost property, taking messages and offering emotional support. Post offices also provide a focal point for communities by offering a place to come together and a venue for agencies like the police, local authorities and tourist attractions to offer information and services.

4.3.2 Although all sections of society use post offices, certain sections of the population are more reliant on the network. The heaviest users of post offices are older people and those in the lower (C2 and especially DE) socioeconomic grades – some visiting the post office three or four times a week.⁴

4.3.3 Research shows disabled people are amongst the most frequent users – in rural areas 70% of disabled people have been found to use the post office at least once a week, and in urban deprived areas 59% of disabled people use the post office at least once a week.⁵ Residents of rural areas make particularly high use of the

network. A survey in Scotland found 67% of people in remote rural areas visit a post office once a week or more often.⁶

5 Current issues for the post office network

5.1 Closures

5.1.1 Despite its obvious strengths 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 in 2003, when the government introduced the direct payment of state pensions and benefits straight into bank accounts. Reduced customer numbers have resulted in many subpostmasters struggling to make a living from their post office.

5.1.2 These combined pressures have resulted in large numbers of post office closures: between 2001 and 2011 over 6,000 post offices (34%) closed. Most of these closures were a result of two government-sponsored closure programmes, with the aim of improving the sustainability of the remaining post offices.

5.1.3 In November 2010 concerns about the future viability of the post office network led the government to publish a range of proposals to modernise the post office network, to make it more financially viable and prevent further post office closures.⁷

5.2 Restructuring

5.2.1 The government is providing a £1.34bn funding package to restructure the network. The NFSP supports the planned restructuring programme which will see the introduction of two new models of post office service – Main and Locals – to operate alongside the traditional post office model. The network will remain at its current size. Main Post Offices will receive investment funding; Post Office Locals will integrate post office services within existing retail businesses. Both Locals and Mains will have longer opening hours than traditional post offices.

5.3 Mails services

5.3.1 POL is part of Royal Mail Group which also includes Royal Mail. The government plans to separate POL (the post offices) and Royal Mail (the mail), so that they become two entirely separate companies. Income from mail transactions accounts for one-third of total post office income, but the separation of POL and Royal Mail may mean current business arrangements between the two companies will change. The NFSP believes existing levels of Royal Mail work at post offices must be maintained and is lobbying for a 10 year agreement between the companies.

5.4 Government services

5.4.1 The government has proposed that post offices should become the 'front office' for government, providing a face-to-face complement in a trusted local environment to web-based government information and services. This proposal builds on the many central and local government services already available at post offices. The NFSP agrees with these plans, which need to translate into significant amounts of additional work across post office counters.

5.5 Banking services

5.5.1 The government also says the Post Office needs to expand further into financial services. This should include developing new Post Office financial services products, and making all UK current accounts accessible through the post office network. The NFSP has long been lobbying for comprehensive access to banking and financial services at post offices.

5.6 Mutualisation

5.6.1 The government is considering mutualising POL. Increasingly, the interests of POL and subpostmasters are not aligned. Subpostmasters have £2 billion of their own money invested in the network, and the NFSP agrees they should have a far greater say in how it is run.

6 Post offices and local economies

6.1 Access to cash

6.1.1 The survival of the post office network is particularly important to the well-being of high streets and local economies because post offices are significant local sources of cash. For every £1 transacted in the UK, 14p is handled through post office network, and over £80bn of cash a year passes through the post office network.

6.1.2 The Post Office's role in cash provision is likely to become increasingly critical as more and more banks close their branches. The UK already has relatively few bank branches compared with other European countries – with 170 branches per million inhabitants, compared with 480 per million in Germany and 1,010 per million in Spain. Banks in other European countries tend to be far better dispersed than in the UK, which has suffered a disproportionate number of closures in rural, suburban and urban deprived communities. The Campaign for Community Banking Services believes further significant closures in these areas are likely as banks will increasingly invest in “sales focussed outlets in high footfall sites”.⁸ Already only 12% of bank branches are located in rural areas.⁹

6.1.3 In contrast, the post office network is larger than all the retail bank branches put together. Furthermore, the spread of the post office network is far more geographically even – for instance, there are three times as many post offices as bank branches in rural England.¹⁰ With 55% of post offices based in rural areas, and 11% based in urban deprived areas, the Post Office is the only national network with the geographical reach and expertise needed to provide access to banking facilities in all communities.

6.2 Wider economic impact

6.2.1 Local access to banking services is not just a question of access for individuals. Access to banking is key to the survival of retail and other services in many rural and suburban communities and inner cities. Cash is often spent near to where it is withdrawn - people who take out money from a bank or cashpoint spend 50-67% in nearby shops.¹¹

6.2.2 A research study undertaken this year by the New Economics Foundation (NEF) in conjunction with the NFSP analyses how the presence of a post office on the high street boosts the local economy.¹² The study looks at one post office in a large village in the Midlands. Researchers found the post office's customers spent an average of £5 in one visit to the post office and over half (58%) of the post office customers' main reason for visiting the high street was to visit the post office. But seven in ten post office customers also visited other shops on the high street during their trip to the post office. On average post office customers spent £22 at the other shops including a high street supermarket, butcher, chemist, art shop, card shop and jeweller.

6.2.3 The study concluded that between 1,200 and 1,700 people per week visit the high street with the post office as their main purpose. This results in about 100 extra

shoppers per day – who might not otherwise visit the high street – frequenting other shops on the high street.

6.2.4 As well as pulling in extra shoppers to the locality, post offices support local businesses by using them as their suppliers. In this case, the post office buys supplies from 94 different businesses and spends over £74,000 a year. The majority of the expenditure is on stock, but the post office also pays for services from accountants in the large adjacent town and waste management from a company in the neighbouring county. Seven suppliers are from the village itself.

6.2.5 The payroll for the post office includes nine people, most of whom work part time, and totals £90,000. All employees live within 15 miles, and three employees live within two miles, and are therefore likely to ‘recycle’ a high proportion of their wages back into the village high street.

6.2.6 These findings support the conclusions of a previous NEF study which focussed on post offices in Manchester. NEF concluded each post office contributes around £310,000 to the local economy each year, of which £120,000 is direct spending on local goods and services. In addition, NEF’s analysis reveals that each post office saves small businesses in their direct vicinity around £270,000 a year.¹³

6.2.7 A University of Chichester study also backs these findings. Academics found 44% of post office customers use other shops and businesses every time or most times they visit the post office. The Chichester study looked at the impact of post office closures in a number of locations in West Sussex and discovered residents spent between 17% and 49% less in shops in the vicinity of a closed post office, following the closure.¹⁴ Similarly Essex County Council reports closure of a post office resulted in nearby businesses experiencing a 25% decrease in turnover.¹⁵

6.3 Services for local businesses

6.3.1 Post offices provide a wide range of services directly to local businesses. The Federation of Small Businesses (FSB) finds 88% of small businesses use the post office for mails services.¹⁶ The FSB reports 20% of small businesses use the post office every day and 47% use it more than once a week.¹⁷ Local firms also use post offices for DVLA issues, passport renewals, parcel collection, bill payment, foreign exchange and accessing cash.

6.3.2 Eighty-two percent of small businesses consider that the closure of their local post office would have a significant impact on their business. Businesses say one of the main effects is increased travel time, which damages small businesses because it takes time out of the business day. In addition, a longer trip to the post office is likely to entail a journey by car or public transport – also impacting on small businesses financially, as well as on the environment.¹⁸

7 High streets

7.1 Importance of high streets

7.1.1 The importance of high streets is well documented. High streets and neighbourhood shopping areas provide convenient access to goods and services that are needed on a day-to-day basis. This is particularly important for residents without a car, including older people and people with disabilities. With an increasingly older population, high streets are likely to become more vital rather than less.

7.1.2 Retail is central to the economy. In 2010 UK retail sales were over £293 billion and more than a third of consumer spending goes through shops. The retail industry

employs over 2.9 million people, 11% of the total workforce.¹⁹ In rural England retailing is the single largest employer.²⁰

7.1.3 Small shops are a particularly integral part of the sector – as well as providing more jobs per sale than large retailers, independent outlets play valuable roles in promoting diversity and innovation. Local independent shops are particularly adept at adapting and meeting the specific needs of the local population.

7.1.4 As the end point for supply chains, retailers are vital to producers. Small retailers and distributors carry a particularly high percentage of locally made goods, and thereby create jobs for local producers.

7.2 Interdependence of outlets

7.2.1 At the local level, small shops clustered together rely on each other for survival.²¹ Outlets such as post offices, newsagents, butchers and grocery stores may all depend on each other to attract people to a location rather than any one specific shop. The loss of a few of these shops may render a local shopping trip unviable and lead to further closures – a domino effect. Post offices are particularly key because of their unique social value and sheer diversity and range of services which distinguishes them from other retailers. The post office is also highly valued and trusted compared with other retailers, especially in disadvantaged communities.

8 Current issues for the high street

8.1 Closures and changes

8.1.1 For over three years the retail market has been in the biggest recession and undergone the biggest changes in its history, according to the Local Data Company.²² Since 2007 the number of vacant shops has tripled to over 14% and the Centre for Retail Research expects 10,000 shops to close this year.²³ Small independent retailers are forecast to be the most vulnerable, and neighbourhood shopping centres have suffered more store closures than any other location.²⁴ Colliers International warns that some of the UK's high streets and shopping centres are "in danger of terminal decline". Colliers' research into 364 of the UK's retail centres has identified over one-third (35%) are either degenerating or failing.²⁵

8.2 General economy

8.2.1 The state of the UK economy is one of the major factors affecting the health of the high street. Wage growth fell in March to 1.8% which, given the high rate of inflation, means that in real terms wages are falling. Annual disposable household income fell in 2010 for the first time in 30 years.

8.2.2 Total UK retail sales in March 2011 were down 1.9% on March 2010, the worst drop since the British Retail Consortium started collecting data 16 years ago. But there are no signs of improvement and the Office for Budget Responsibility forecasts the recovery in consumer spending is likely to be the slowest of any post-recession period since 1830.²⁶

8.2.3 Retailers are facing further financial pressures from rises in business rates, rents, utilities and commodity prices. The lack of bank lending causes particular problems for smaller independent shops. Figures show more than half (55%) of small businesses with up to nine employees had not applied for a loan in the last 12 months because they expected to be turned down.²⁷

8.3 Online shopping

8.3.1 The shift to online shopping presents a major challenge for high street retailers. A PricewaterhouseCoopers survey reveals that internet shopping has moved from being used occasionally to becoming routine, with 14% of people now buying on the web more than once a week compared with only 4% in 2007.²⁸

8.3.2 Last year internet shopping accounted for 11% of total retail spending in the UK and internet shoppers are expected to spend an average of £1,435 each online this year, a 12% increase on 2010.²⁹ Total online spending is expected to almost double between 2010 and 2015.³⁰

8.4 Supermarkets and out-of-town retail

8.4.1 The dramatic rise of the supermarket is perhaps the best documented threat to the high street. A recent survey by ResPublica confirms that small and medium sized retailers identify national chains as the main obstacles facing their businesses.³¹ The rise has been swift and is becoming increasingly all encompassing.

8.4.2 In 1971 44% of groceries were sold by large or regional grocery retailers. Today supermarkets account for 97% of total grocery sales and 76% of groceries are sold by the four biggest retailers. One pound in every seven spent in UK retailers is spent in Tesco. In contrast non-affiliated independent shops are in “long-term collapse” and experienced a 5% decrease in the last year alone.³²

8.4.3 The big supermarkets’ expansion into the convenience store sector is increasing pressures on the independents. Tesco now has over 1,280 Tesco Express stores, and Sainsbury’s plans to open one or two Sainsbury’s Locals a week.³³ The move to small format stores in local neighbourhoods, together with extended opening hours, has seen small retailers lose much of their previous comparative advantage in terms of location and opening hours.

8.4.4 As the supermarkets are also increasingly looking to expand into non-food markets, more high street retailers are likely to struggle. Tesco has been focusing on this area for many years. Sainsbury’s is now the seventh biggest fashion retailer in the UK by volume, and has recently stated plans to grow its ‘beyond food’ sales from 25% to 45% of its business by 2020.³⁴

8.4.5 Verdict data shows a steady decline in town centre retailing and a steady rise in out-of-town retailing over the past 15 years. In 1996 town centre retailing took 50% of UK retail turnover, but only 42% in 2011. However, out-of-town centres took 26% of retail turnover in 1996, and 32% in 2011.³⁵

9 Impact of the decline of the high street

9.1 Local distinctiveness

9.1.1 The expansion of out-of-town centres and the buying up of independent local shops by large chains leads to a uniformity on our high streets. A recent study found most people believe there is less variety on the high street than there was 10 years ago. Almost three quarters (73%) of people surveyed perceive no local identity or a poor local identity when they walk down their high street.³⁶

9.2 Range of products

9.2.1 Independent retailers are able to adapt rapidly to demand and wider changes in the economy due to their size and lean decision-making structure. Surveys show shoppers find there is a reduced range of things to buy when independent local shops are replaced by large chains.³⁷

9.3 Personal service

9.3.1 The majority of shoppers also believe the decline of the independent shop results in a less friendly and personal service where you shop.³⁸ Many independent retailers have a passion for the goods they sell and possess a comprehensive knowledge of their products. Subpostmasters, for example, are renowned for their expertise and the attention and care they pay to their customers.

9.4 Social cohesion

9.4.1 Small shops and high streets are essential centres for social contact. Many groups in society, especially older people, rely on small shops to provide a hub for interaction with others, as well as the fulfilment of their day-to-day needs. A recent YouGov survey found that more than a quarter (28%) of British residents feel isolated, or have a friend or relation who does, because of difficulty accessing shops and services.³⁹

9.4.2 There are also warnings that moving economic activity from town centres and high streets to out-of-town locations has had an impact on public respect, social obligations and general relationships with our fellow residents and neighbours.⁴⁰

9.5 Local economies

9.5.1 Independent shops sustain local economies. Over 50% of the turnover of independent retailers goes back into the local community, compared with just 5% from supermarkets.⁴¹ In contrast, Tesco's payroll makes up just 7% of its total turnover; and the great bulk of the company's retail profits flow from the stores back to the head office, and ultimately to the corporation's shareholders around the world.⁴²

9.5.2 Smaller businesses tend to use local suppliers, local producers, local auditors and local accountants, as the recent NEF/NFSP research shows (see 6.2). Small businesses also usually employ more staff per sale and the owners of the business far more likely to spend any profits in the local area.

9.5.3 Various studies have debunked supermarket claims that new stores create net additional jobs for local people.^{43, 44}

9.6 Food deserts and food security

9.6.1 Areas where there are few or no shops selling fresh, wholesome and affordable foods are described as 'food deserts'. The relocation of food retailers away from high streets to out-of-town centres causes major problems for those who cannot easily access them. Those worst affected are likely to be people on low incomes, disabled people and older people. Clearly this issue has a knock-on impact on health as poor diet is a major contributor to health problems.

9.6.2 The supermarket model, in which the supply and distribution of food is centralised and remote, is coming under increased scrutiny. Many policymakers are becoming more aware of the inherent vulnerability of this system. ResPublica suggests that as in the banking sector, "market concentration and a business monoculture may provide efficiencies, but at the cost of increased exposure to global and systemic risks." Risks to 'food security' range from food contamination and transport problems to fuel price rises, climate change and political instability.⁴⁵

9.7 Environment

9.7.1 Global climate change is the single biggest environmental threat facing the planet. But supermarkets have a major impact on climate changing emissions.

Supermarkets import a high proportion of the food they sell, transport foodstuffs large distances around the country and are housed in large, energy inefficient buildings. In addition the very exacting specifications they place on their suppliers result in high levels of pesticide usage and food wastage to meet uniform standards amongst the fruit and vegetables they sell.⁴⁶

9.7.2 Access to supermarkets and out-of-town shopping sectors is almost exclusively by car. Around one in ten car journeys in the UK are for food shopping, and it has been estimated that the carbon dioxide emissions generated by people driving their food shopping home could equal those generated by the commercial transportation of food within the UK.⁴⁷

9.8 Public health

9.8.1 Car-based shopping also has a significant impact on public health. A lack of physical activity is risk factor for many health conditions and walking for everyday journeys around the neighbourhood is one of the easiest ways to integrate regular exercise into the daily routine. According to YouGov research, 70% of British adults would be likely to walk more if they had all the shops and services they needed within walking distance.⁴⁸ Local outlets such as post offices are usually visited on foot. Research finds between 60% and 74% of people walk to the post office.^{49, 50}

10 Recommendations

10.1 High streets and post offices

10.1.1 The decline of the high street is a critical issue for the post office network. Not only are high streets significantly boosted by the presence of a post office, but the post office network is extremely dependent on healthy high streets. The government is currently putting considerable resources into the post office network: plans include a major restructuring and a £1.34bn funding package. However, proposals for the Post Office will never fully succeed unless the government also deals with the problems facing the high street.

10.1.2 Demand is finite and the continual expansion of out-of-town shopping will inevitably lead to the decline of the high street. The decisions that government, local authorities and businesses make affecting the high street will determine not only the kinds of shops, goods and services that are available to people, but ultimately the nature of the very communities in which we live.

10.2 Planning

10.2.1 Good planning is key to sustaining and developing thriving high streets. Planning processes need to ensure high streets become more diverse, bring in customers and increase the money that stays circulating in the local economy.

10.2.2 The disproportionate degree of influence and advantage in the planning system held by the biggest supermarkets is well-documented. The resources available to major retailers make it difficult to challenge submissions by supermarkets for planning permission. Local authorities' decisions may be influenced by a cost-benefit analysis on the basis that supermarkets are able to fund costly appeals against refusals and claim costs if they win, or resubmit modified versions of refused applications. Better resourcing also allows major developers to exploit legal loopholes and offer local authorities sweeteners in exchange for planning permission.⁵¹

10.2.3 The government needs to introduce radical reforms to the way planning decisions are made. Many agencies have made detailed recommendations on how

to strengthen the planning system for retail to optimise the sustainability of local economies. The NFSP believes the UK's planning system needs serious attention and that all these proposals should be urgently investigated, and applied in the way that best supports our high streets.

10.2.4 A central proposal is the concept of a 'need' test, which requires developers, such as large supermarkets, to demonstrate there is a need for the amount of additional floorspace being proposed. This applies to planned developments on out-of-town sites and helps indicate where a proposed store would take trade away from existing retail centres.⁵² A 'need' test previously operated, but was abolished in 2009, a move which has been heavily criticised for loosening the reins on large format, out-of-town retail developments.

10.2.5 Developers should be required to show that their project will not increase neighbourhood blight, or adversely affect local small businesses or the character of the surrounding area.⁵³ National planning regulations such as Use Class Orders should be amended to ensure a mix of outlets on the high street.⁵⁴

10.2.6 Local authorities also need to ensure their spatial planning strategies (Local Development Frameworks in England and Wales) contain policies that specifically support small shops and neighbourhood shopping centres.

10.2.7 Transport infrastructure is also key to the survival of the high street. High streets that are poorly served by public transport and have a lack of free or readily available parking will inevitably suffer. In contrast the majority of supermarkets have free and plentiful parking. As part of the solution to the high street's problems, national and local planning authorities need to deal with this issue. Solutions could include a tax on supermarket and out-of-town retail centre car parks, with revenues used to fund high street development and transport infrastructure; while local authorities should, when developing parking strategies, be alert to decisions which could disincentivise occasional short trips to local shops.

10.3 Competition

10.3.1 Local authorities need powers to enforce local competition limits, to ensure large retailers do not set up local monopolies, such as the six Tesco branches in Bicester, a town with a population of 30,000. This could involve setting up a local competition commission and forcing retail developers to demonstrate they will improve economic diversity.⁵⁵

10.3.2 The big supermarkets' expansion into the convenience store sector is a particular problem that needs to be tackled. The NFSP believes this is anti-competitive as the supermarkets use their buying power to sell products at lower prices than other convenience stores and independent shops. This expansion should be curtailed as it leads directly to the closure of independent shops, and results in a swift reduction to diversity in the high street.

10.4 Pricing behaviour and buying power

10.4.1 The government needs to tackle the pricing behaviour of large retailers. This includes 'below-cost selling', in which large retailers lower prices and absorb the loss, which means competing retailers can only compete at a loss. Such practices should be banned, as they are in several European countries. France bans selling below the cost of production and Germany bans selling below wholesale price. The NFSP would like to see these practices also banned in the UK.

10.4.2 The government should also address 'price flexing', in which large retailers vary pricing in particular markets in order to exploit their local market share for additional profit or their national market share to weaken local competition.

10.4.3 A further problem for independent retailers derives from the buying power of large supermarkets. Large retailers have sufficient market power to dictate terms to their suppliers. This leads to a 'waterbed effect', in which suppliers pass the costs of doing business with large supermarkets to the small independents. ResPublica comments that this leads to a "perverse and unsustainable subsidy of supermarket profits and low prices, and exaggerates the disadvantages of scale to which independent shop owners and retailers are already subject."⁵⁶

10.5 Large retailers' levy

10.5.1 The NFSP would like to see a levy imposed on large retailers, and ring-fenced for high street development and support for small retailers. The levy could incorporate, or be based on, available car parking spaces assigned to the retailer. Many local high streets and shopping parades are in a poor state of repair and their viability could be aided by improvements. Ring-fencing or hypothecation would ensure that the sum was spent directly and transparently in local communities. For the UK government this proposal has the significant benefit of being cost-neutral.

10.5.2 A large retailers' levy was proposed by the Scottish government at the beginning of the year. This would have generated £30 million, 90% of which was to have come from the very largest supermarket branches or out-of-town retail parks, 0.1% of business properties. Scottish Finance Secretary John Swinney said it would provide "more investment in economic recovery and local services, from which almost all businesses benefit."⁵⁷ The plans were supported by the Federation of Small Businesses in Scotland, but heavily opposed by the supermarkets and eventually defeated in the Scottish parliament.

10.6 Business rates

10.6.1 For the average small business, business rates are their third largest overhead after rent and wages.⁵⁸ In comparison with other types of small business, small shops suffer disproportionately from business rates because shops generally have much higher rates than other business properties. This threatens the economic viability of smaller shops as rates can easily be the equivalent of the cost of a member of staff.

10.6.2 Evidence suggests small shops are disadvantaged by the workings of the valuation process and pay far higher rates per square metre than supermarkets.⁵⁹ This amounts to a hidden subsidy for the big retailers. The NFSP would like to see an equalisation of business rates to remove this discrepancy, so that out-of-town stores pay the same rate per square foot as smaller shops.

10.6.3 The NFSP would also like to see a 100% reduction from the full rates bill for all essential outlets such as post offices. A Scottish Executive evaluation of the impact of the small business rates relief scheme operating in Scotland confirms the importance of rates reductions in helping maintain "marginal retail enterprises".⁶⁰

10.7 Grants

10.7.1 Funds made available through a large retailers levy and the equalisation of business rates should be used to provide grants for shops deemed key for the survival of the high street. Grants could be used for shop refurbishment, equipment, security, training and business support. Again, this funding mechanism has the advantage of being cost-neutral to government.

10.7.2 Analysis of the impact of previous grant schemes that have been made available to post offices shows an overwhelmingly positive picture. Post offices have used grants to fund structural and aesthetic improvements, security measures and improving access or facilities for people with disabilities. Grants have also been provided to expand service provision by introducing new goods or services.

10.7.3 Evaluations of post office grants show the vast majority of recipients would not have undertaken improvements without the funding. Grant programmes have also levered additional money, either through business owners' contributions or loans. Customer increases averaging around 26% were also reported following improvement work and sales turnover for the business increased by an average of 20%. Evaluations also show improvements resulted in additional jobs in the post offices and the creation of work for other local businesses such as suppliers of goods and services. One evaluation found 29% of customers spent more in local shops following grant-funded post office improvements.^{61, 62}

10.8 Mutual association of traders

10.8.1 Traditionally grants and spending on maintenance and improvements to local high streets has been administered by local authorities and devolved and central government. However, it is worth investigating other models. Models could include the oversight of local funding by a board of local businesses. Alternatively funding could be administered by a 'mutual' organisation representing neighbourhood shops – comparable with a traders' association with finance and the remit to act strategically at a local level.

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