

SubPostmaster Income

Wave 3

Research Study Conducted for
The National Federation of SubPostmasters



Ipsos MORI

February - March 2006

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Executive Summary

This is the third phase of a research project looking at subpostmaster income.

Here we focus on the major sources of sales-related income following the introduction of a range of new Post Office products and services by Post Office Ltd. We also look at the profitability of post offices and their attached businesses.

Ipsos MORI interviewed a representative sample of 751 subpostmasters about their income in January 2006 (sales and transactions undertaken in November 2005). Interviews took place in February and March 2006.

Unless otherwise stated, all financial data are self-reported monthly figures. In the case of payments from Post Office Ltd these come from the January 2006 payslip which covers sales and transactions carried out between 27 October and 23 November 2005. Personal drawings, staff costs and other overheads refer to January 2006.

Changes in the Post Office Network

- In recent years, changes in technology, greater mobility and different shopping habits have led to transformations in the way many people use post offices and a decline in business for the network.
- The Government's decision to pay state benefits and pensions electronically into accounts (Direct Payment) has also led to a substantial reduction in subpostmaster income from encashment of order books and benefit cheques. Prior to Direct Payment, benefit cheque and order book encashment brought subpostmasters an average income of £656 (August 2002).
- Post Office Ltd's new services were designed as major new sources of revenue to replace the loss of much of the post office network's traditional business. However, this report shows in many cases the new services are actually bringing in very small sums for subpostmasters.
- The new services include Post Office financial services, a focus on providing banking services to customers of high street banks, a telephone service and Bureau de Change.

Profile of Subpostmasters

- Over half (56%) the subpostmasters interviewed run rural post offices, 36% urban post offices in non-deprived areas and 8% post offices in urban deprived¹ areas.
- 78% of subpostmasters run another business (usually a shop) alongside their post office.

Pay

- Subpostmasters' pay is made up largely of two elements. Smaller post offices are paid an 'assigned office payment', which is a fixed sum. Larger post offices receive a 'core tier' payment which can be varied annually according to the amount of overall business an individual office transacts. Both receive a 'sales tier' or 'product payment' which depends directly on the products and services sold or transacted over the post office counter. Subpostmasters are paid different amounts for different types of transactions.
- From his or her pay, the subpostmaster must pay for the running of the post office, including staff wages, as well as taking their own personal drawings.
- The average net pay (payment after National Insurance has been deducted) is £2,593. The majority of subpostmasters (72%) were paid between £501 and £4,000. Although 8% were paid under £500 and 17% over £4,000.
- On average 55% of a subpostmaster's Post Office net pay is made up directly from the sales they make, though there are differences between rural and urban post offices. Nearly two-thirds of an urban subpostmaster's pay comes from their sales (63% in non-deprived areas and 60% in deprived urban areas), whereas only 45% of a rural subpostmaster's pay comes from the sales they make over the counter.
- Rural subpostmasters are more dependent on the fixed element of their income than other subpostmasters. On average 46% of a rural subpostmaster's net pay is made up from the fixed element. For most rural post offices this is currently being paid through the Government's Social Network Payment.

¹ A deprived post office is defined as any post office located in the 10% most deprived areas (Super Output Areas or Wards) as determined in the Indices of Multiple Deprivation.

Card Account Income

- Post Office card accounts are simple electronic accounts designed to receive state pension and benefit payments. Card accounts were introduced in April 2003 and provided a Post Office based product through which claimants could receive their money after the introduction Direct Payment. In January 2006, the Government announced that the card account would not be available after 2010. At the time of writing no Post Office based successor product has been announced.
- Post Office card account transactions brought in an average of £249 (10% of a subpostmaster's net pay).
- Subpostmasters in urban deprived areas are most dependent on card accounts as a source of income, as card accounts bring them an average of £403 (12% of net pay).

Banking

- Post Office banking transactions include those made over the post office counter for customers with current accounts at some of the high street banks. It also includes transactions for some basic bank account customers.
- Subpostmasters earned an average of £46 for providing banking services (1% of net pay).

Bill Payments

- Subpostmasters receive income from dealing with a range of payments provided by other companies and authorities, including utilities, telecommunication services and council tax. But recently alternative suppliers have been awarded some of the contracts previously held by Post Office Ltd, e.g. in April 2006, the TV Licensing contract.
- Subpostmasters earned an average of £132 (5% of net pay) for processing bill payments.
- For urban deprived subpostmasters, bill payments brought in an average of £309 (9% of net pay).

Financial Services

- Post Office financial services include personal loans, credit cards, instant saver accounts, guaranteed equity bonds, growth bonds, child trust fund, car insurance and home insurance.
- Subpostmasters earned an average of £7 for sales of financial services.

- 58% of subpostmasters received no income from counter sales of Post Office financial services.

Home Phone

- Home Phone is an alternative telephone service to British Telecom.
- Subpostmasters earned an average of £5 for sales of Home Phone.
- 83% of subpostmasters received no income from Home Phone.

Bureau de Change

- All post offices offer either a pre-order or on-demand Bureau de Change service.
- Subpostmasters earned an average of £56 (2% of net pay) for Bureau de Change transactions.
- Income from Bureau de Change was highest for non-deprived urban subpostmasters (£83) and lowest for subpostmasters in urban deprived areas (£29).

Post Office Overheads

- Overheads (excluding staff costs) are £750 (29% of net pay) on average for the post office part of the business.
- Staff costs are £782 (30% of net pay) on average for the post office part of the business.
- 65% of subpostmasters report an increase in total overheads over the last year. The main reason given for the increase is increased utility costs. Wage increases, increase in business rates, inflation and rent rises are also frequently mentioned.
- Average overheads (excluding staff costs) rose by 19% between February 2004 and January 2006. Average staff costs rose 12% over this period.

Personal Drawings

- Average personal drawings (money taken as a salary) were £941 (36% of net pay) from the post office part of the business. This is a 3% decrease since February 2004 (a 6% decrease in ‘real terms’²).
- Personal drawings range from zero (17% of subpostmasters took nothing as personal drawings) to over £2,000 (8% of subpostmasters took over this amount).
- Subpostmasters in rural areas took least personal drawings on average (£835) and deprived urban subpostmasters (£1,054) and urban subpostmasters (£1,078) most.
- 61% of subpostmasters said their personal drawings from their post offices are insufficient for them to live on – those subpostmasters with larger post offices are more likely to feel their personal drawings are sufficient to live on than are those with smaller offices (42% vs. 22%).
- Two thirds (67%) of subpostmasters say they supplement their household income from a business they run based alongside their post office. A quarter (23%) say they supplement their income with interest from personal savings/investments. 23% say they supplement their income with a personal or state pension; 14% mention borrowing on credit cards and 12% borrowing using a personal loan.

Post Office Profitability

- Urban non-deprived subpostmasters report an average of 9% of their net pay remains after paying for staff costs, overheads and personal drawings – i.e. “profit”. Urban deprived subpostmasters report an average of 3% profit and rural subpostmasters 1% profit.
- 40% of subpostmasters were unable to cover their post office staff costs, overheads and personal drawings from their net post office pay in January 2006 (i.e. made a ‘loss’).

Associated Business

- Subpostmasters in non-deprived urban areas are most likely to have an associated business (86%). 73% of post offices in deprived urban areas and rural areas are run alongside another commercial business on the same premises.

² ‘Real terms’ figure calculated using Consumer Price Index (CPI) for February 2004 and November 2005.

- Average personal drawings were £480 from the associated business. Although 41% did not draw any money from their associated business and 12% drew over £1,000.
- Average staff costs were £726 and average overheads £3,930.
- 57% of subpostmasters with an associated business report an increase in total overheads, including staff costs, over the last year. The main reason for the rise seen is increased utility costs. Wage increases, inflation, business rates, supplies/stock price and rent increases are also mentioned.

Associated Business Profitability

- Only 4% of subpostmasters cannot cover their associated business staff costs, overheads and personal drawings from their associated business income.
- Average profits from associated businesses are almost eight times higher in absolute terms than average profits from Post Office businesses.

Future

- 39% of subpostmasters said they could see no future whatsoever for their business.
- 17% of subpostmasters said they could see a strong future for their business.
- Subpostmasters in deprived urban areas are the most pessimistic about the future – over half (54%) of deprived urban subpostmasters see no future whatsoever for their business.
- A third (35%) of subpostmasters said the biggest fear for their business is the withdrawal of the Post Office card account. A quarter (23%) said their biggest fear is losing custom due to changes in the benefits payment system. Other major concerns mentioned are loss or withdrawal of Government work and a general decline in income. 6% of subpostmasters said their biggest fear is trying to stave off the onset of bankruptcy in the next six months.

Introduction

This report presents the findings of a survey among subpostmasters, conducted by Ipsos MORI on behalf of the National Federation of SubPostmasters (NFSP). The survey is the third conducted by Ipsos MORI for the NFSP in recent years.

Sub post offices make up 97%³ of the national network of post offices and are run by private business people, subpostmasters. Subpostmasters are not employees of Post Office Ltd, but act as agents contracted to provide services on behalf of Post Office Ltd. The National Federation of SubPostmasters is a trade union and independent membership organisation representing the interests of the UK's subpostmasters.

Background

In recent years, post offices have undergone many changes. Changes in technology, greater mobility and different shopping habits have led to transformations in the way many people use post offices and a decline in business for the network.

The decline in business looked set to accelerate when the Government announced that it would alter the way it paid state pensions and benefits. The paper-based order books and benefit cheques, previously cashed at post offices, were to be phased out and claimants would be asked to receive their payments directly into bank accounts or the new Post Office card account. This programme, Direct Payment, began in April 2003. Prior to the introduction of Direct Payment, around 40% of Post Office Ltd's income derived from benefits encashment. By February 2006, 98% of claimants were paid by Direct Payment; 77% into a bank account and 21% into a Post Office card account⁴.

The Government's Performance and Innovation Unit (PIU) published a major review of the post office network in June 2000⁵. While it recognised the high value placed by the general public on the social role of post offices in addition to the services they offered, the PIU concluded that Post Office Ltd had been slow to "modernise" the network in the face of a changing business environment.

Following the review 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 both 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. In addition the Government provided £30 million to invest in the urban post office network, through improvement grants for individual offices.

³ NFSP, June 2006

⁴ NFSP, June 2006

⁵ PIU, "Counter Revolution", 2000

The rural post office network, however, has not been affected by a major programme of change. The Government is currently considering the long term strategy for the rural post office network. Whilst it is doing so the Government is funding the non-commercial, i.e. loss-making for Post Office Ltd, section of the rural network (via the Social Network Payment). The Government's £150m a year subsidy runs until the end of March 2008 and covers the fixed payments made to subpostmasters (assigned office payments) by Post Office Ltd, as well as the costs of supporting the rural network infrastructure.

The PIU report recommended that Post Office Ltd needed to develop new products and services in order to "maximise the potential of the network". Since 2003 Post Office Ltd has introduced or relaunched a considerable number of products and services in the attempt to bring in new business and make up for the loss of much of the network's traditional business. Post Office financial services are a key part of the new business and include personal loans, credit cards, savings products, motor insurance and home insurance. In addition, current account customers with some of the high street banks can access their accounts at post offices, as can some basic bank account customers. Post Office Ltd has concentrated in growing its market share of travel products, including Bureau de Change and travel insurance. The company has also re-entered the telephony industry, with the introduction of the Post Office's Home Phone service.

The new products and services are designed to halt the decline in Post Office business and result in a viable, stable network of post offices for the UK. However, the National Federation of SubPostmasters is extremely concerned that the new services are not making up for the losses in the types of business traditionally carried out by post offices. NFSP commissioned Ipsos MORI to investigate subpostmasters' income and whether the new Post Office services are bringing in sufficient revenue to make up for the loss in traditional business. Ipsos MORI was asked to raise a number of key questions. Are subpostmasters making enough to live on? Are subpostmasters' businesses bringing in enough profit for ongoing investment and therefore long-term viability?

The first two phases of Ipsos MORI's research focussed on subpostmasters' income in the immediate aftermath of the introduction of Direct Payment. Phases 1 and 2 specifically examined subpostmasters' pay for August 2002, February 2003, August 2003 and February 2004. The third phase, with which this report deals, looks at income two and half years after the introduction of Direct Payment and focuses on the impact of the new Post Office products and services which were not yet available in post offices at the time of the earlier research phases. This third phase also looks at profitability and asks detailed questions about the associated businesses (usually shops) the majority of subpostmasters run alongside their post office businesses. This report is based on subpostmasters' pay for sales and transactions carried out between 27 October and 23 November 2005 (paid to subpostmasters in January 2006).

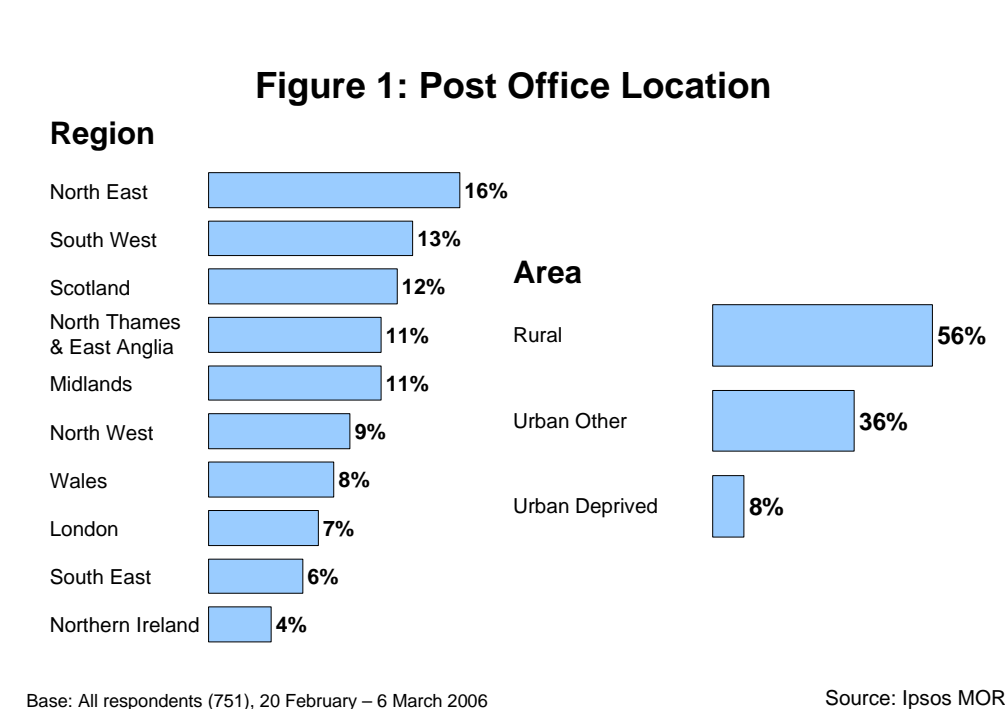
Detailed Findings

1. Profile of Subpostmasters

The sample of 751 subpostmasters was selected from NFSP's database of members. This sample was stratified by geographical location and by post office type (rural, urban and urban deprived) to ensure a representative profile was achieved⁶.

A 'booster' sample of 150 post offices in deprived urban areas was also included. The data was then weighted back to the naturally occurring proportions of deprived urban post offices as found across the whole UK network as well to region and area.⁷

Figure 1 shows the breakdown achieved - a representative spread across the nine regions and the split between rural and urban areas.

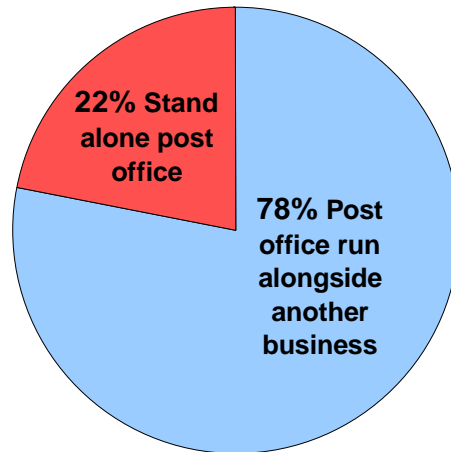


⁶ Further details of methodology can be found in the appendices.

⁷ It should be noted that the sampling method is not the same as that used in earlier research carried out for NFSP. Direct comparisons cannot therefore be accurately made with previous waves of NFSP research.

We also note that nearly four fifths of subpostmasters run their post office alongside another business.

Figure 2: Post Office Type



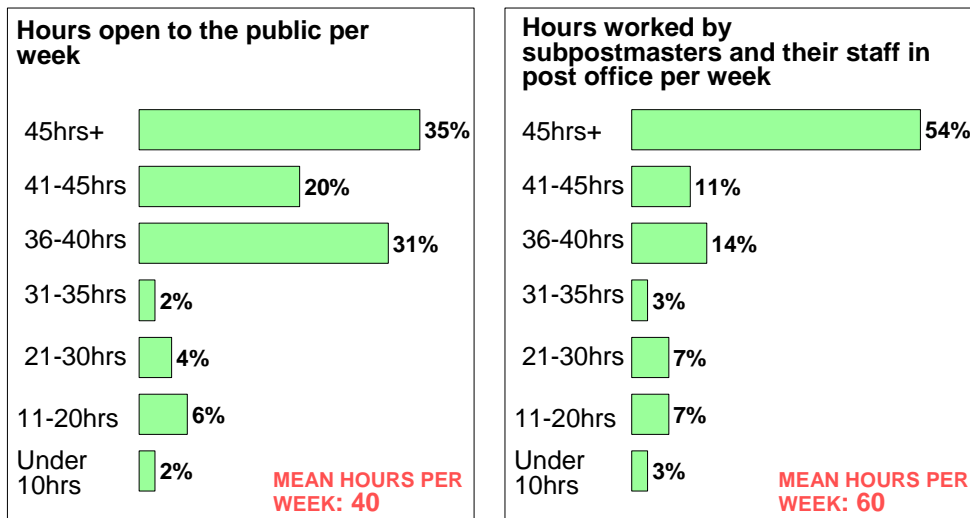
Base: All respondents (751), 20 February – 6 March 2006

Source: Ipsos MORI

2. Post Office Business

Subpostmasters were asked how many hours per week their post office is open to the public and how many hours per week they and their staff spend working solely in the post office on post office duties.

Figure 3: Post Office Hours



Base: All respondents (751), 20 February – 6 March 2006

Source: Ipsos MORI

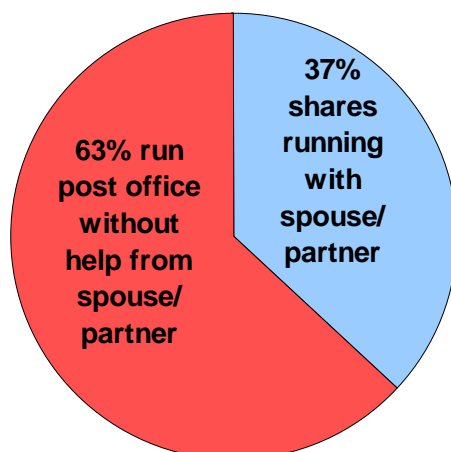
A trading time of over 40 hours per week is reported in just over half of all post offices. The mean average for opening is 40 hours. This average ranges from 37 hours in Scotland to 43 hours in London and the Midlands. Overall, opening hours in England are the highest in the UK (41 hours) and Northern Ireland and Scotland are the lowest (37 hours). Whilst the average opening hours has not changed since we last interviewed subpostmasters in May 2004, the number of post offices opening for 45 hours or more per week has increased from 25% to 35%.

Of the different types of post offices, rural post offices have the lowest stated average opening hours (37 hours) while urban other and deprived urban offices open for an average of 44 hours.

Weekly hours spent solely on post office duties in excess of 40 hours are worked in two-thirds of post offices. The stated mean average hours worked by subpostmasters and their staff is 60 hours per week. So, on average a total of 60 staff working hours per week results in a post office that is open to the public for 40 hours a week. The mean ranges from an average of 47 hours in Scotland to 75 hours in the South East of England.

In line with opening hours, rural post offices have the lowest working hours (47 hours) and urban post offices not in deprived areas have the highest (77 hours).

Figure 4: Post Office Working Arrangements



Base: All respondents (751), 20 February – 6 March 2006

Source: Ipsos MORI

Nearly two-fifths of post offices are run with the help of a spouse or partner. This figure rises to nearly half (46%) of all post offices in London though is only a quarter in Northern Ireland. A third of rural post offices are run with the help of a spouse or partner while the figure rises to just under half for urban post offices not in deprived areas.

2.1 Pay

In general, subpostmasters' pay is made up largely of two elements. Smaller post offices are paid an 'assigned office payment', which is a fixed sum. Larger post offices receive a 'core tier' payment which can be varied annually according to the amount of overall business an individual office transacts. Both receive a 'sales tier' or 'product payment' which depends directly on the products and services sold or transacted over the post office counter. Subpostmasters are paid different amounts for different types of transactions. From his or her net pay, the subpostmaster must pay for the running of the post office, including staff wages, as well as taking their own personal drawings.

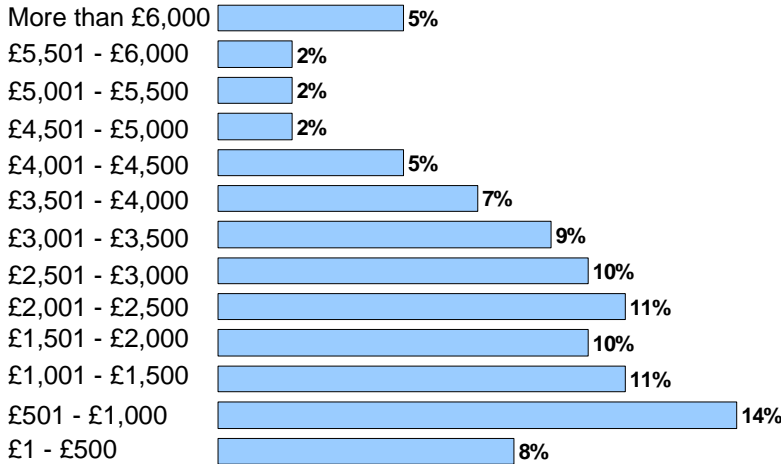
The mean average net pay (payment after National Insurance has been deducted) reported by subpostmasters for November 2005 (January 2006 payslip)⁸ was £2,593.

⁸ At the time of research subpostmasters were paid for sales made and transactions processed two months previously. The January 2006 payslip covers transactions processed 27 October to 23 November 2005.

Figure 5 shows the spread of net pay across the sub post office network, ranging from the 8% who were paid £500 or less, through the majority (72%) who reported net pay of between £501 and £4,000, to the 17% who were paid more than £4,000.

Figure 5: Net Pay

Q1b. Reading from your Post Office Ltd pay advice could you please tell me your net pay? That is, your payment after National Insurance has been deducted?



Don't Know (1%) and refused (*%),

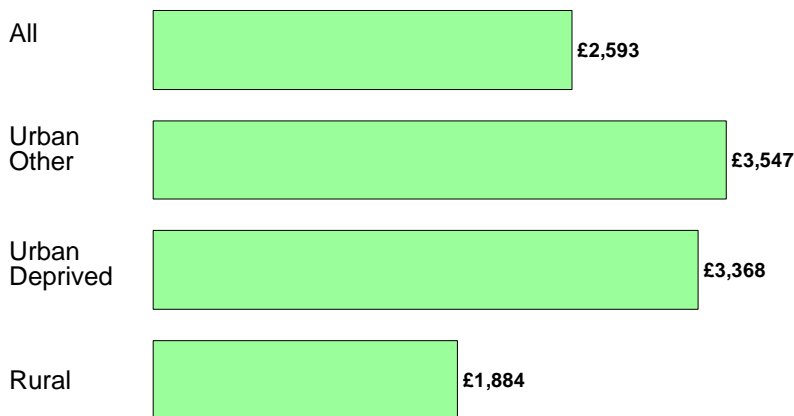
Base: All respondents (751), 20 February – 6 March 2006,

Source: Ipsos MORI

Urban post offices receive a much higher mean average net pay than those in rural areas. Sub post offices in deprived urban areas have slightly lower net pay than those in other urban areas (see Figure 6).

Figure 6: Average Net Pay

Q1b. Reading from your Post Office Ltd pay advice could you please tell me your net pay? That is, your payment after National Insurance has been deducted?



Average values shown

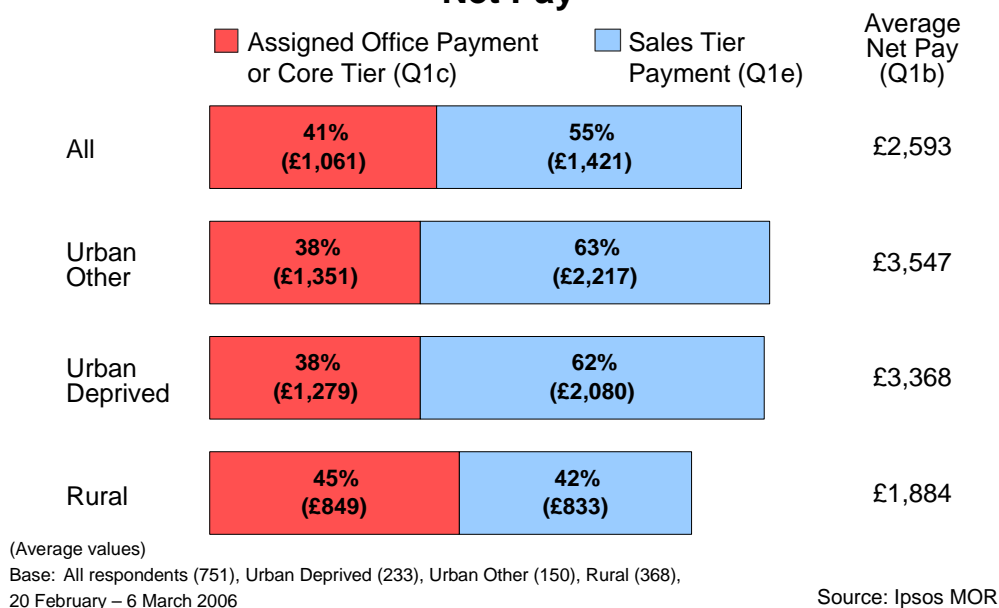
Base: All respondents (751), Urban Deprived (150), Urban Other (230), Rural (368), 20 February – 6 March 2006

Source: Ipsos MORI

Across the sub post office network as a whole the mean average core tier or assigned office payment was £1,061 and the sales-related payment (sales tier or product payment) was £1,421. It should be noted that other payments are made in addition to these two categories, but that these are relatively small by comparison.

The relative value of the fixed and sales-related elements varies considerably between the different types of post offices. On average, the sales-related component of pay (sales tier or product payment) makes up the majority 63% of a non-deprived urban post office’s pay and 62% of a deprived urban post office’s pay. However, it only makes up 45% on average of a rural office’s pay. Rural post offices are therefore generally more dependent on the assigned office payment. Government is currently funding the latter for most rural post offices via the Social Network Payment made to Post Office Ltd, but this arrangement is under review and may be discontinued from the end of March 2008. On average nearly half (45%) of a rural post office’s net pay comes from the assigned office payment.

Figure 7: AOP/Core and Sales Tier as a Proportion of Net Pay



In the previous phases of this research, we asked subpostmasters about their gross pay. Average gross pay for February 2004 was £2,504; this compares with gross pay of £2,817 for January 2006. This represents an increase of 13% (a 9% increase in ‘real terms’⁹, taking inflation into account). However, it is difficult to draw conclusions from this minimal increase in overall remuneration as during this time a new pay system designed to increase pay for the vast majority of subpostmasters was introduced. In addition many post offices, particularly smaller post offices and those with lower incomes, have closed over this two year period which is likely to affect the average net pay calculation.

⁹ ‘Real terms’ figure calculated using Consumer Price Index (CPI) for February 2004 and November 2005.

2.2 Sales Related Payments

The part of the subpostmaster's pay that depends directly on the products and services sold over the post office counter (the sales tier or product payment) makes up on average 55% of net pay (more in the case of urban post offices). Subpostmasters are paid different amounts for different types of transactions. The mean average sales-related pay is £1,421.

In this report we examine individually the major sources of sales-related pay for subpostmasters, with the exception of mails products and services. As these payments do not comprise the full range of product payments, the sum of the payments is therefore lower than the overall sales tier payment (or product payment).

Prior to the Government changing the way in which state pensions and benefits were paid in April 2003, pension and benefit encashment at post offices (in the form of benefit cheques and order books) brought in 40% of the post office network's income. In phase 1 (August 2002), we found that benefit cheques and order books brought an average income of £656 per month to subpostmasters. Currently pensions and benefits can be accessed at post offices via a bank account with a 'partner' bank, some basic bank accounts or a Post Office card account.

The Government has encouraged Post Office Ltd to boost income for the network and subpostmasters by introducing a range of new products and services, with a focus on financial services. A key concern to subpostmasters is whether these new products and services are bringing in the replacement income required now that it is no longer generated through benefit cheque/order book encashment and lost due to wider social and economic changes.

2.2.1 Post Office Card Account

Post Office card accounts are simple electronic accounts, available only through post offices, designed to receive state pension and benefit payments. Card accounts were introduced in April 2003. Subpostmasters are paid transaction payments, which relate to the amount of money withdrawn from the accounts by account holders. Subpostmasters are also paid a one-off payment for each card account opened. As can be seen below, we found that Post Office card accounts bring in a very high proportion of subpostmasters' sales-related income. However, in January 2006, during the course of this research, the Government announced plans to end the Post Office card accounts scheme after 2010. At the time of writing, no Post Office based successor product has been announced.

Figure 8: Card Account Transactions (Q2b)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All with a Standard 'Scale Monthly' or 'Modified' contract</i>	(570) %	(213) %	(139) %	(218) %
£0	6	4	2	8
£1 - £50	7	4	8	10
£51 - £100	14	9	4	21
£101 - £150	10	7	2	15
£151 - £200	13	11	4	17
£201 - £300	16	20	11	14
£301 - £400	13	17	23	7
£401 - £500	6	8	19	1
More than £500	12	18	23	4
Mean	£249	£310	£403	£158
Mean as a proportion of net pay	10%	9%	12%	8%
Refused	0	0	0	0
Don't know	2	3	3	1

Source: Ipsos MORI

Figure 8 (above), shows Post Office card account transactions brought in an average of 10% of a subpostmaster's net pay (£249).

Subpostmasters in urban deprived areas are most dependent on card accounts as a source of income, as card account transactions bring in £403 on average, or 12% of net pay.

Subpostmasters with non-deprived urban post offices receive an average of £310 (9% of net pay) for card account transactions. Rural subpostmasters receive an average of £158 (8% of net pay) for card account transactions.

These amounts unsurprisingly show a considerable increase in average incomes from card account transactions from the previous phases of this research, as the card account has become more established and claimants have moved from benefit cheques and order books to automated payment. By comparison, in August 2003 subpostmasters' average income from card account transactions was £12, this rose to £24 in February 2004.

Income from card account openings is now minimal, averaging £5. During the phase when card accounts were being set up, subpostmasters earned more from this transaction (an average of £28 in February 2004).

2.2.2 Banking

Banking transactions ('automated banking' on a subpostmaster's pay advice) includes current account banking transactions made over the post office counter with Post Office Ltd's 'partner banks'. Automated banking also includes payments for cash withdrawals and balance enquiry transactions for basic bank account customers using the post office. Subpostmasters are paid at fixed rates per transaction.

Three major banking groups – HSBC, Halifax Bank of Scotland and Royal Bank of Scotland Group – do not offer any access to their current accounts at post office counters. Sixty percent of basic bank accounts are not available at post office counters.¹⁰

Subpostmasters earned an average of £46 for providing banking services to partner banks, equivalent to 1% of net pay.

There is little variation in proportion of net pay contributed by automated banking for different types of post offices. However, Scottish post offices brought in particularly low level of income from banking transactions (£18 on average) – this reflects the fact that the major Scottish banks have not signed up to offer their services through the post office network.

¹⁰ NFSP, June 2006

Figure 9: Automated Banking (Q2d)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All with a Standard 'Scale Monthly' or 'Modified' contract</i>	(570) %	(213) %	(139) %	(218) %
£0	4	2	4	5
£1 - £15	12	7	5	18
£16 - £20	8	5	4	12
£21 - £25	7	5	4	9
£26 - £30	8	8	12	7
£31 - £35	7	7	6	8
£36 - £40	8	9	8	8
£41 - £50	14	18	8	11
£51 - £60	10	11	11	9
£61 - £80	10	12	12	8
£81 - £100	4	5	9	2
More than £100	5	7	14	2
Mean	£46	£55	£61	£33
Mean as a proportion of net pay	1%	2%	2%	1%
Refused	*	*	0	0
Don't know	2	2	3	2

Source: Ipsos MORI

The previous phases of this research found subpostmasters were paid an average of £6 in August 2003 and £16 in February 2004 for providing banking services. Banking services at post offices were, however, a very new service in 2003 and 2004.

2.2.3 Benefits Cheques

A total of 2%¹¹ of pensioners and benefit recipient receive their payments by cheque rather than by direct payment into a bank account or Post Office card account. Subpostmasters receive their income from cashing these cheques under the Giro DSS Coloured Orders category on their pay advice.

Subpostmasters received an average of £34 for processing benefits cheques.

Average income was highest for subpostmasters in urban deprived areas (£60) and lowest for rural subpostmasters (£20).

2.2.4 Bill Payments

Subpostmasters receive income from dealing with a range of payments for services provided by other companies and authorities, under the heading of 'Auto Payments'. Auto Payments include processing bill payments which has traditionally been a large part of many subpostmasters' business. This covers dealing with post office customers' payments for bills ranging from electricity and gas bills to cable television, telecommunications services and council tax. Auto Payments also include savings stamps, the charging of pre-payment cards for utility companies, local authorities and a range of bill issuers. The precise availability of these services at post offices varies from region to region, depending on negotiations with local suppliers.

However, recently, alternative suppliers have developed bill payment services, which are available in local shops, e.g. PayPoint. These alternative suppliers have been awarded some of the contracts previously held by Post Office Ltd. Most recently, in April 2006 the TV Licensing contract was awarded to PayPoint. This presents particular challenges for subpostmasters in urban deprived areas, who are more reliant on Auto Payments for their income (see Figure 10).

On average, bill payments brought in £132 (5% of net pay).

For urban deprived subpostmasters, bill payments brought in £309 (9% of net pay).

¹¹ NFSP, June 2006.

Figure 10: Auto Payments/AP Bill Payments (Q3a)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751) %	(233) %	(150) %	(368) %
£0	4	2	5	5
£1 - £10	11	3	1	18
£11 - £20	9	3	2	14
£21 - £40	11	5	3	16
£41 - £60	9	7	1	12
£61 - £80	7	7	2	8
£81 - £120	10	13	3	8
£121 - £160	8	14	6	5
£161 - £200	7	11	7	4
£201 - £300	11	17	26	4
£301 - £500	6	8	30	2
More than £500	4	7	12	1
Mean	£132	£197	£309	£68
Mean as a proportion of net pay	5%	6%	9%	4%
Refused	*	*	0	0
Don't know	3	3	3	3

Source: Ipsos MORI

The amounts for the previous phases of research are broadly similar – for example, in February 2004, the mean average was £142 for automated bill payments.

2.2.5 Financial Services

Post Office financial services have been available since March 2004. Following encouragement from the Government, Post Office Ltd introduced a range of financial products designed to bring considerable new business into the post office network. Post Office financial services include personal loans, credit card, instant saver account, guaranteed equity bonds, growth bonds, child trust fund, car insurance and home insurance.

Subpostmasters are paid in two ways for Post Office financial services. Firstly, subpostmasters may be paid for generating a 'lead', i.e. if the customer picks up a leaflet or finds out about the service at the post office and then goes on to purchase the product (this is a 'counter sale'). Secondly, if the sale is made via the internet or telephone, payment is credited to a post office near to the customer's home address (this is a 'direct sale').

Income brought in by sales of Post Office financial services was very low. Subpostmasters earned an average of £5 for counter sales of financial services.

Urban deprived subpostmasters fared slightly better, averaging £14 for counter sales. However, 58% of subpostmasters received no income at all from financial services counter sales. In rural areas, this figure was higher; 65% of subpostmasters received no income from Post Office financial services. Only 1% of subpostmasters received over £100.

Earnings for direct sales were lower, on average subpostmasters earned £2 for direct sales. Seventy-nine percent of subpostmasters earned nothing from direct sales of financial services; only 2% earned over £20.

Figure 11: Post Office Financial Services – Counter (Q3b) and Direct Sales (Q3c)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751) %	(233) %	(150) %	(368) %
£0	50	41	32	58
£1 - £10	37	39	50	33
£11 - £100	10	17	12	5
More than £100	1	1	2	1
Mean	£7	£8	£17	£4
Mean as a proportion of net pay	*%	*%	1%	*%
Don't know/refused	2	3	3	2

Source: Ipsos MORI

Overall, on average subpostmasters earned £7 for sales of financial services (counter sales and direct sales).

2.2.6 Home Phone

Post Office Ltd's Home Phone service was launched in January 2005. Home Phone is an alternative telephone service to British Telecom. As with Post Office financial services, subpostmasters may earn income via counter sales or direct sales.

Subpostmasters earned an average of £4 for counter sales of Home Phone. A total of 83% received no income at all from Home Phone (counter sales). Only 1% of subpostmasters earned over £50 for counter sales of Home Phone.

Sales in rural areas were even lower than those in urban areas. Rural post offices averaged £1 counter sales, with 87% receiving nothing. Post offices in deprived urban areas averaged £7 and post offices in non-deprived urban areas averaged £8.

As with financial services, income from direct sales was lower than for counter sales. On average subpostmasters received £1 for Home Phone direct sales in (79% received £0).

Overall subpostmasters earned an average of £5 for Home Phone sales (counter sales and direct sales).

2.2.7 Bureau de Change

All post offices offer a Bureau de Change service – the majority offer a pre-order service only, but around 2,000 offer a full or limited (euros and dollars only) on-demand service.

Subpostmasters' pay for Bureau de Change services is divided into 'automated' and 'manual' categories. Subpostmasters receive relatively little income for transactions processed under the 'manual' category (this includes travellers cheques and some other services).

On average, subpostmasters received £49 for automated Bureau de Change transactions.

Half of all subpostmasters (50%) received nothing for automated Bureau de Change. But 5% of subpostmasters received over £300. It is important to bear in mind that business of this type may be subject to seasonal fluctuations.

Income from Bureau de Change was highest for non-deprived urban subpostmasters, and lowest for subpostmasters in urban deprived areas.

Figure 12:

Bureau de Change - Automated (Q3f) and Lost and Stolen Travellers Cheques (Q3h)

Foreign Exchange Services - Manual (Q3g)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751)	(233)	(150)	(368)
	%	%	%	%
£0	26	21	32	28
£1 - £10	42	38	48	43
£11 - £20	13	13	4	14
More than £20	17	24	14	13
Mean	£56	£83	£29	£43
Mean as a proportion of net pay	2%	2%	1%	2%
Don't know/refused	2	3	3	1

Source: Ipsos MORI

Average income paid under the Foreign Exchange Service manual category was £7. But 68% of subpostmasters received some payment under this category. Again, payments were lowest for subpostmasters in deprived urban areas. This is unsurprising, as residents in deprived areas might be expected to use foreign travel services least.

Overall, subpostmasters earned an average of £56 for Bureau de Change services (automated and manual categories).

2.3 Post Office Business Costs

Subpostmasters were asked about their business costs. This covers staff costs, overheads and personal drawings. Overheads include all non-staff costs related to the post office side of the business such as rent or mortgage, rates and utility costs.

In some cases, where post offices are part of a larger retail unit, subpostmasters found it difficult to distinguish between post office related costs and non post office costs. In these instances a “Don’t know” response was coded.

2.3.1 Overheads and Staff Costs

Overheads include all non-staff costs related to the post office side of the business such as rent or mortgage, rates and utility costs. Staff costs include wages, employer National Insurance contributions and any pension contributions.

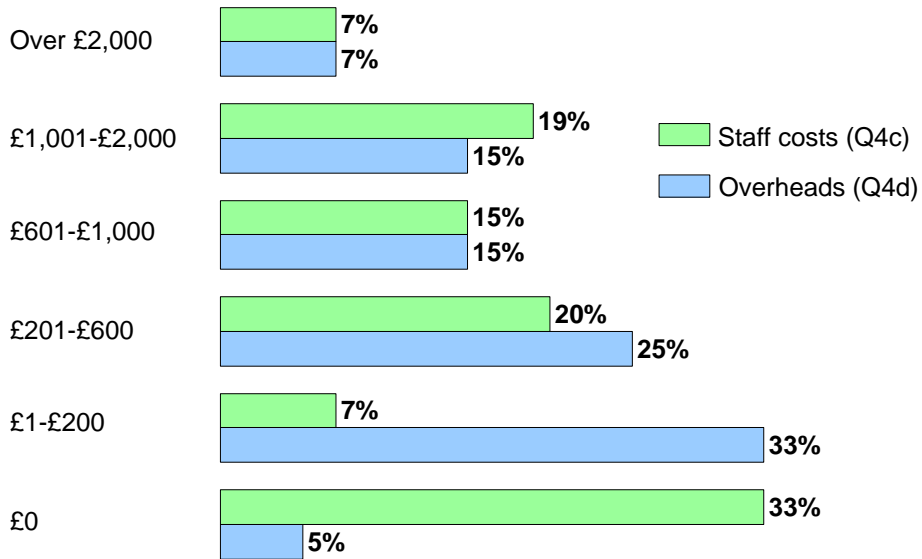
Average monthly overheads are £750 (29% of average net pay). But range from 7% of subpostmasters with over £2,000 in overheads to 15% with overheads of £50 or less.

Overheads in rural post offices are far smaller on average (£520) than those for non-deprived urban post offices (£1,010) or deprived urban post offices (£1,127). Urban deprived subpostmasters also have the highest relative overheads (34% of net pay).

Average staff costs are £782 (30% of average net pay). These range from 7% of subpostmasters with over £2,000 in staff costs to 33% with no staff costs.

Again, staff costs in rural offices are lower with an average of £519. Non-deprived urban offices have average staff costs of £1,140 and deprived urban post offices £1,039.

Figure 13: Post Office Overheads and Staff Costs



Base: All excluding 'Don't know/Refused', Q4c (736), Q4d (625) 20 February – 6 March 2006 Source: Ipsos MORI

Two thirds (65%) of subpostmasters report an increase in total overheads, including staff costs, over the last year. This is supported by the data from previous phases. In February 2004, average overheads (excluding staff) were £629, this compares with the January 2006 figure of £750 – a 19% increase. Average staff costs in February 2004 were £699, and in January 2006 £782 – a 12% increase.

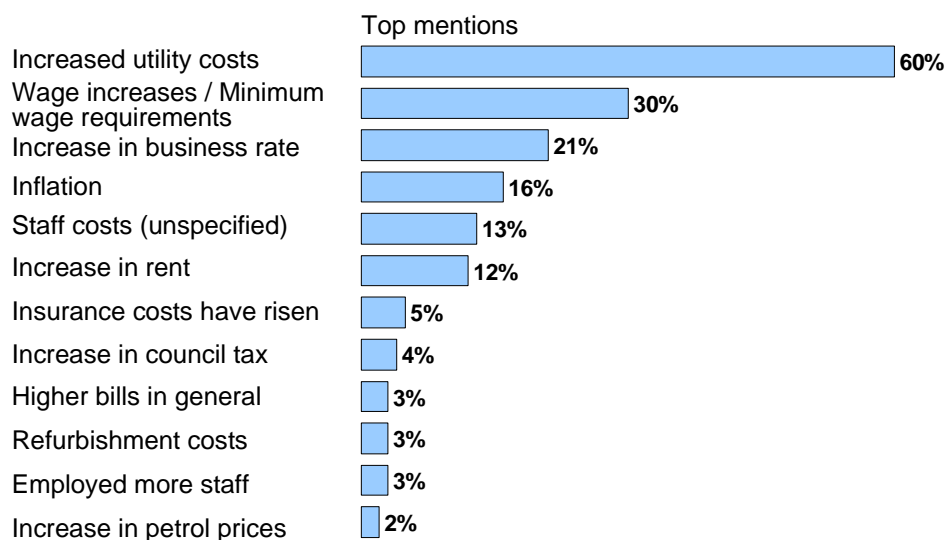
The main reason given for the increase in overheads is increased utility costs – mentioned by 60%. Increases in business rates and council tax were mentioned, as was increased rent, higher insurance premiums and changes in staff costs. A general increase due to inflation was also cited. Rural subpostmasters are more likely to say total overheads have stayed the same, perhaps a reflection of the smaller contribution staff costs and other overheads make to their total business costs.

Only one in twenty (4%) feel overheads have decreased, with just under three in ten (28%) saying that they have stayed the same.

The 4% of subpostmasters claiming to have no overheads for their post office business were asked to give an explanation; most said that these were covered by the shop they ran alongside the post office or that their post office was in their home. A third (32%) of subpostmasters had no staff costs (other than themselves).

Figure 14: Increases in Monthly Overheads

Q4f. (If post office monthly overheads have increased) Why is that?



Base: All whose monthly overheads have increased (489), 20 February – 6 March 2006

Source: Ipsos MORI

2.3.2 Personal Drawings

Subpostmasters were asked about their personal drawings, that is the money they took as a salary, for January 2006. It should be noted that the amount a subpostmaster takes as his or her personal drawings is entirely at their discretion.

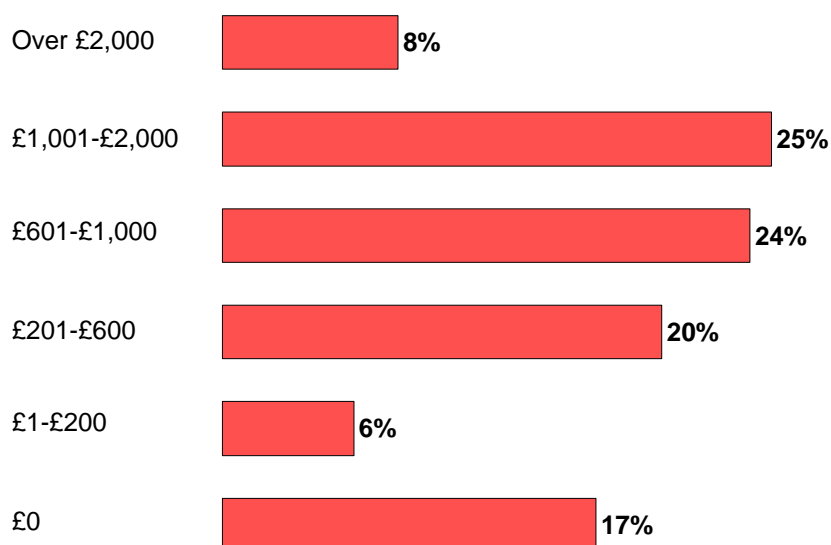
Average personal drawings were £941 (36% of average net pay). This ranges from 17% of subpostmasters who took nothing as personal drawings from their post office business, to the 8% of subpostmasters who took over £2,000.

Subpostmasters in rural areas took least on average (£835) and deprived urban subpostmasters (£1,054) and urban non-deprived (£1,078) most.

Average personal drawings show a decrease in personal drawings from phase 2 of the research. In February 2004, subpostmasters took £969, this represents a decrease of 3% (a 6% decrease in 'real terms'¹²).

¹² 'Real terms' figure calculated using Consumer Price Index (CPI) for February 2004 and November 2005.

Figure 15: Post Office Personal Drawings (Q4a)



Base: All excluding 'Don't know/Refused', Q4a (669), 20 February – 6 March 2006

Source: Ipsos MORI

Subpostmasters were asked if their personal drawings from their post office business are sufficient for them to live on. A majority of subpostmasters (61%) said their personal drawings from the post office are insufficient for them to live on which varies only slightly across the network (64% of urban deprived subpostmasters, 58% of non-deprived urban and 62% of rural subpostmasters also said their personal drawings from the post office alone are insufficient for them to live on).

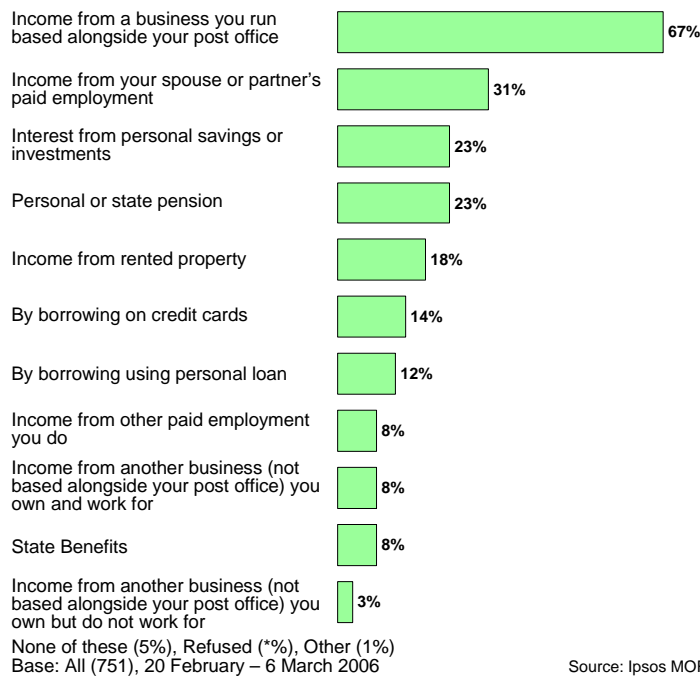
Of those post offices without an associated business, 65% of subpostmasters feel their personal drawings are inadequate - a similar proportion to those with a separate business attached to their post office. However, in the former, there is no other business income with which to supplement these drawings.

Further subgroup analysis reveals that those subpostmasters with larger post offices (a standard 'scale monthly' contract) are more likely to feel their personal drawings are sufficient to live on than are those with smaller offices (42% vs. 22%).

Subpostmasters supplement their household income in range of different ways, including using income from paid employment from their spouse or partner, interest from savings or investments, a pension or borrowing on credit cards or with a personal loan. By far the most common way to generate additional income though, is by running another business alongside their sub post office. Two thirds (67%) supplement their household income in this way.

Figure 16: Supplementing Household Income

Q5b. Which, if any, of these sources do you use to supplement your household income?



2.4 Post Office Profitability

Sub post offices operate as small businesses and as such, subpostmasters need to return a profit on their investment. An examination of profit can therefore give some indication of the financial health of sub post offices. It may also give some indication of how much money subpostmasters could have to spare to expand or invest in their businesses, or how much financial “breathing space” they have.

With profit as the key measure of the viability of any business, we sought in this survey to reach the most meaningful formula to enable a calculation of profitability for individual sub post offices and consequently the financial health of the network.

For the purposes of this report, the definition of sub post office profitability has been calculated by asking subpostmasters about any money from their net pay that was left from the operation of their post office business after they had paid staff costs and other overheads and taken any personal drawings.

$$\text{Profitability} = \text{Net pay} - (\text{Personal Drawings} + \text{Staff Costs} + \text{Overheads})$$

The figures for net pay were taken from the subpostmasters’ January 2006 pay advice slip; those for personal drawings, staff costs and overheads were estimates and not taken from the pay advice slip.

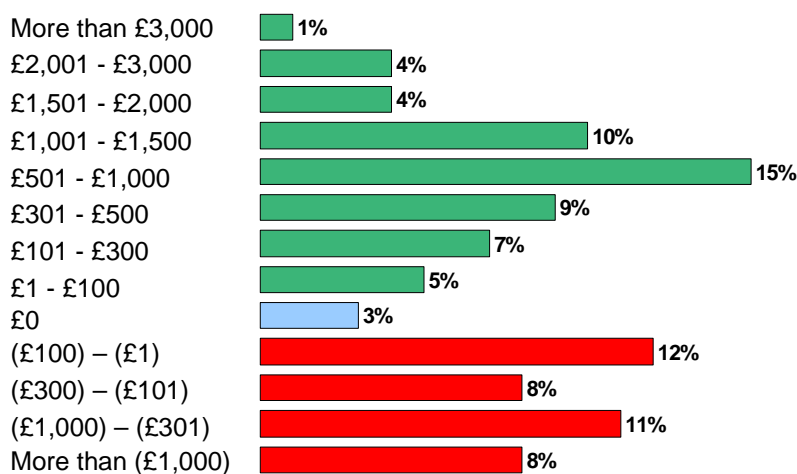
How costs are divided between the different components of the calculation is to an extent open to the discretion of the individual subpostmaster. It should be noted that the figures for personal drawings are the amount the subpostmaster chooses to take from their post office business as a salary and therefore is purely at their discretion. However, a measure of profitability enables a like for like comparison between sub post offices.

The calculation excludes anyone who answered “don’t know” or who refused to give an answer to any of the four elements within the profitability calculation.

Figure 17 shows the spread of profitability across the sub post office network. Just under three fifths (57%) had money left after paying for their staff costs, overheads and taking their personal drawings (‘profit’). The mean average profit was £134. But 40% of subpostmasters were unable to cover their post office staff costs, overheads and personal drawings from their post office net pay (i.e. they made a ‘loss’).

Figure 17: Post Office Profitability

Net Pay (Q1b) – (Personal Drawings (Q4a) + Staff Costs (Q4c) + Overheads (Q4a))

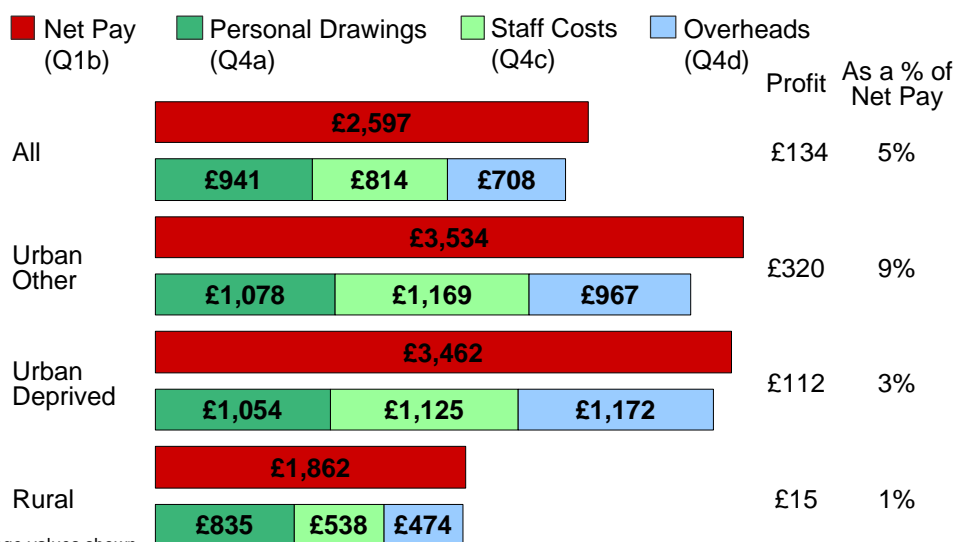


Base: All answering (567), 20 February – 6 March 2006

Source: Ipsos MORI

As suggested in Figure 18, urban non-deprived post offices may have more relative financial leeway than urban deprived and rural post offices. Urban non-deprived post offices report an average of 9% of their net pay remaining (‘profit’) after paying for staff costs, overheads and personal drawings. Urban deprived (3%) and rural post offices (1%) report least profit.

Figure 18: The Components of Profitability



Average values shown

Base: All answering (567), Urban Other (175), Urban Deprived (120), Rural (272), 20 February – 6 March 2006

Source: Ipsos MORI

3. Associated Business

3.1 Profile

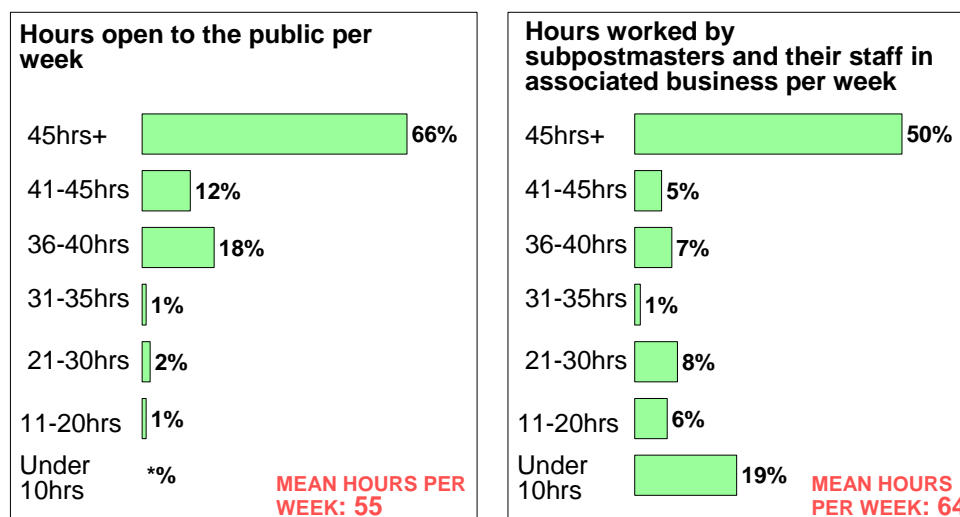
The overwhelming majority (78%) of subpostmasters run another business alongside their post office. The other business is most commonly a shop.

Subpostmasters in non-deprived urban areas are more likely to have an associated business (86%). But nearly three-quarters (73%) of post offices in deprived urban areas and rural areas are also run alongside another commercial business on the same premises.

Associated businesses are on average open longer than the post office business¹³ (55 vs. 42 hours), though the hours worked in each are the same (64 hours). Urban associated businesses tend to be open slightly longer than those in rural areas (59 vs. 52 hours); total staff hours also tend to be longer (72 vs. 56 hours).

Fifty nine percent of subpostmasters with an associated business have a spouse or partner who shares the running of the non post office part of the business.

Figure 19: Associated Business Hours



Base: All with an associated business (579), 20 February – 6 March 2006

Source: Ipsos MORI

¹³ Figures are for those post offices with an associated business

3.2 Associated Business Costs

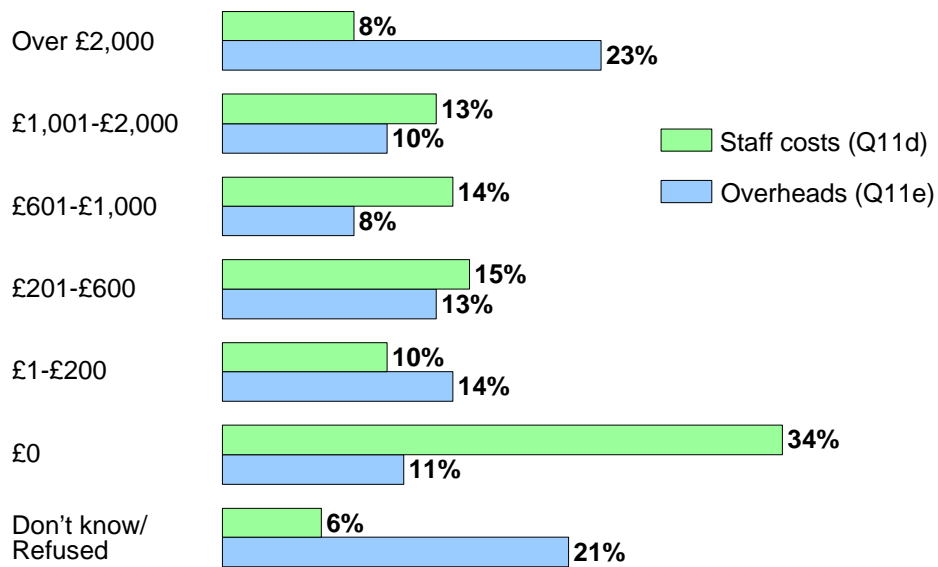
Subpostmasters were asked about the costs of their associated businesses. This covers their staff costs, overheads and personal drawings for the non-post office part of the business. As with the questions about post office business costs, a number of subpostmasters were unable to separate their personal drawings and overheads between post office and non-post office businesses.

Overheads include all non-staff costs related to the non-post office side of the business such as rent or mortgage, rates, utility costs and stock. Personal drawings were defined as the money taken as salary.

Figure 20 shows the range of overheads and staff costs to the subpostmasters' associated business.

Average staff costs were £808 and average overheads £3,820 in January 2006.

Figure 20: Associated Business Overheads and Staff Costs

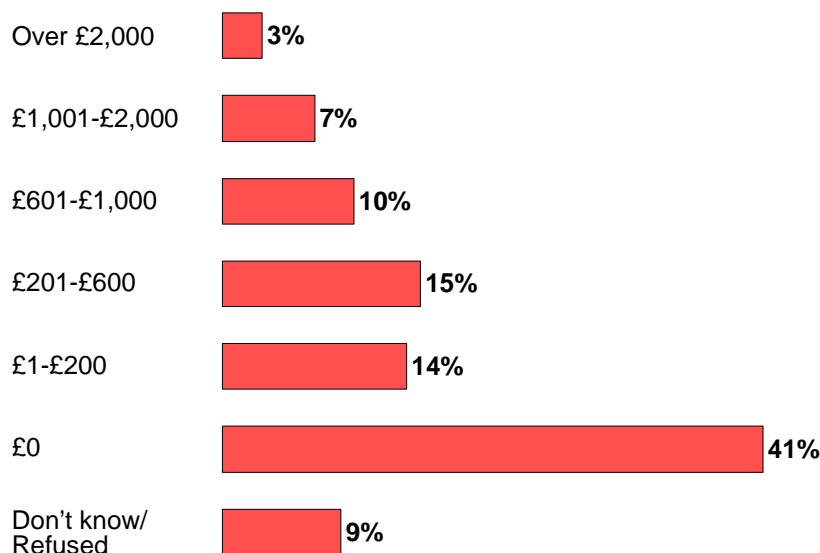


Base: All with an associated business (579), 20 February – 6 March 2006

Source: Ipsos MORI

Average personal drawings were £480 from the associated business. Although 41% did not draw any money from their associated business and 11% drew over £1,000.

Figure 21: Associated Business Personal Drawings (Q11b)



Base: All with an associated business (579), 20 February – 6 March 2006

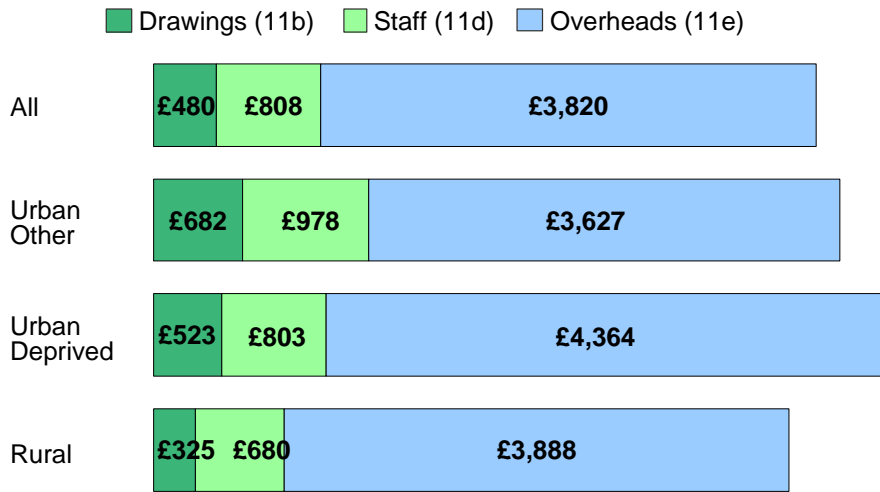
Source: Ipsos MORI

Urban post offices have higher average total business costs than those in rural areas but the difference is not as great as that seen for the post office business. It is also interesting to note that as for deprived urban sub post offices, the attached businesses have much higher non-staff costs than those in rural or other urban areas.

Total business costs for the associated business are on average £5,107 compared to £2,633¹⁴ for the post office business – almost twice as much. A difference that can be explained by substantially higher non-staff overheads and understandable when we consider that stock costs for retail businesses will be included in this figure. Personal drawings are on the whole somewhat lower for the associated business than for the post office, as are staff costs.

¹⁴ Figures are for those post offices with an associated business

Figure 22: Associated Business Costs by Post Office Type



Average values shown

Base: All respondents with an associated business (579), Urban Deprived (111), Urban Other (201) Rural (267), 20 February – 6 March 2006 Source: Ipsos MORI

Around six in ten subpostmasters (57%) with an associated business report an increase in total overheads, including staff costs, over the last year. A smaller proportion than when asked the same question for their post office business (67%). Only one in twenty (6%) feel they have decreased, with a third (34%) saying that they have stayed the same. The main reason for the increase seen is, as for the post office business, increased utility costs – mentioned by 48%. Wage increases (27%) again feature prominently as does inflation (19%), business rates (18%), supplies/stock prices (15%), staff costs (12%) and increases in rent (9%).

3.3 Associated Business Profitability

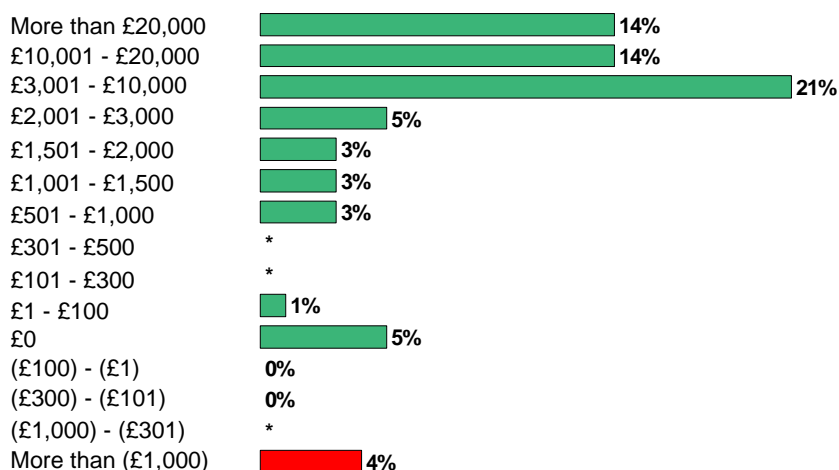
As we have already seen, a majority of subpostmasters (61%) feel the personal drawings from their post office business are insufficient to live on and that two thirds (67%) of subpostmasters supplement their household income from an associated business.

It appears that many post offices do not operate profitably on their own and that by having another business alongside offers subpostmasters a viable business model. Whether it is a case of the associated business subsidising an unviable post office business or that the two separate operations (the post office and the other business) are mutually interdependent is difficult to conclude from these data.

Figure 23 points to a much healthier picture for the associated business than is the case for the post office business. This is both in terms of the proportion of associated businesses that are profit making (only 4% are loss making compared to 40% of sub post offices) and in the amount of profit generated. On average the annual profit is £12,670 for the year (or £1,056 a month ignoring seasonal fluctuations) compared to the January 2006 monthly figure of £134 for the post offices (£121 for those with an associated business).

Figure 23: Associated Business Annual Profitability

Q11a. Thinking now about the last 12 months as a whole. From your most recent accounts, what was the total NET profit from the non-post office part of your business for the year? By profit I mean gross takings minus the total cost of goods, staff costs, any personal drawings and all other overheads?



Base: All with an associated business (579), 20 February – 6 March 2006

Source: Ipsos MORI

There is also a much more consistent pattern across the different types of area. Rural associated businesses make less money, as was the case for the post office business, but the gap in profitability between rural and urban post offices is much smaller. In addition, unlike the post office businesses in deprived urban areas, the associated businesses are just as profitable as those in other urban areas.

Figure 24: Associated Business Annual Profitability

Q11a. Thinking now about the last 12 months as a whole. From your most recent accounts, what was the total NET profit from the non-post office part of your business for the year? By profit I mean gross takings minus the total cost of goods, staff costs, any personal drawings and all other overheads?



Average values shown

Base: All with an associated business (579), Urban Other (201), Urban Deprived (111), Rural (267), 20 February – 6 March 2006 Source: Ipsos MORI

Looking at profitability by region we can see that those associated businesses in North Thames & East Anglia (£18,635) and the Midlands (£14,664) are most profitable, with those in the North East (£8,663) and Wales (£8,799) least profitable.

4. The Future

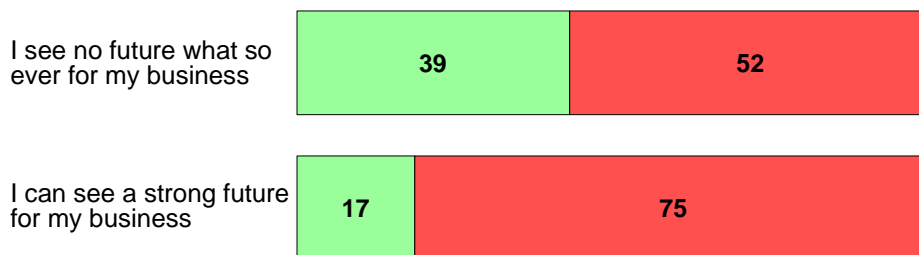
Subpostmasters were asked about whether they felt there is a future for their business.

- 39% said they could see no future whatsoever for their business;
- Only 17% said they could see a strong future for their business.

Figure 25: The Future

Q6a. Please tell me to what extent you agree or disagree with the following statements:

■ % Agree ■ % Disagree



Base: All respondents (751), 20 February – 6 March 2006

Source: Ipsos MORI

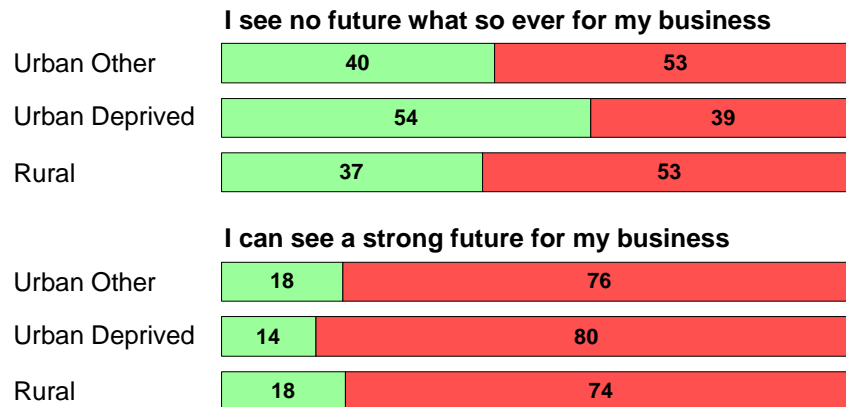
Subpostmasters in deprived urban areas are the most pessimistic about the future – over half (54%) of deprived urban subpostmasters see no future whatsoever for their business. As our research shows it is deprived urban subpostmasters who have most to lose from any loss of income following the withdrawal of the Post Office card account and the loss of custom to rival bill payment providers. Rural and other urban subpostmasters are somewhat less negative but are nonetheless concerned for their business.

Of equal concern is the relatively small proportion of subpostmasters (17%) who see a strong future for their business, a level of “optimism” shared by rural and urban subpostmasters alike.

Figure 26: The Future

Q6a. Please tell me to what extent you agree or disagree with the following statements:

■ % Agree ■ % Disagree



Base: All Urban Deprived (233), Urban Other (150), Rural (368),
20 February – 6 March 2006

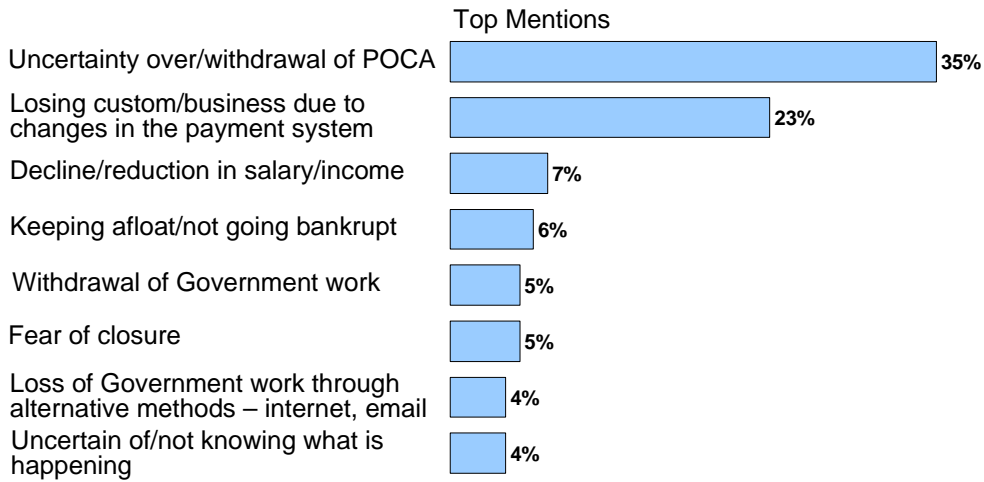
Source: Ipsos MORI

We asked subpostmasters about their single biggest fear for their post office over the next six months. The most common concern, mentioned spontaneously by over one third of subpostmasters (35%) relates to the withdrawal of the Post Office card account. As we have seen, this currently provides subpostmasters with 10% of their net pay on average. Nearly a quarter of subpostmasters (23%) said their biggest fear was losing custom due to changes in the benefits payment system. Other major concerns mentioned are loss or withdrawal of Government work and a general decline in income.

With one in twenty (6%) subpostmasters saying their biggest fear is trying to stave off the onset of bankruptcy in the next six months, the overall picture that is painted is one of a frail network with some of the biggest financial challenges still lying ahead.

Figure 27: Biggest Fears

Q6b. What, if anything, is your single biggest fear for your post office over the next six months?



None/nothing (17%)

Base: All respondents (751), 20 February – 6 March 2006

Source: Ipsos MORI

5. Overview of Network Sectors

5.1 Urban Deprived Network

This research shows those products under threat – the Post Office card account and bill payments – are also those on which the urban deprived network is currently more dependent than other parts of the network. Although no less successful than in other sectors of the network, banking still brings in low levels of income compared with that derived from the card account and bill payment. Bureau de Change, which across the network brings in four times the total income from financial services and telephony, benefits the urban deprived sector least. Overall, this socially critical sector of the network appears to be under greatest pressure as a result of the threat to the Post Office card account and bill payments.

Looking first at individual product payments, we see that income from Post Office card account transactions average £403 (12% of net pay). This is higher than in other parts of the network and the single biggest amount among the products surveyed.

The financial dependence the urban deprived network has upon bill payments is a potential source of worry, especially if the loss of the Post Office's TV Licence contract is a sign of things to come. At an average payment of £309, bill payments constitute a higher proportion of income than for other network sectors (9% of net pay v. 5% across the network.)

Figures for income from banking are more encouraging – at £61 (or 2% of net pay), this is similar to other parts of the network. This may suggest that if all banks allow free access to their accounts at post office counters, banking is one area that could provide further income growth for subpostmasters in deprived urban areas. However, as this income is currently negligible in comparison with that from card account and bill payment transactions, even that is unlikely to offset likely future losses in income from other products.

Income from Bureau de Change at an average of £29, though lower than the overall average of £56, is not unexpected, given the demographics of urban deprived areas.

Income from financial services, at an average of £17, is higher than the £7 network-wide average. But it is still a small part of subpostmasters' income at 1% of net pay. However, the additional revenue from financial services does not make up for the lower income received from Bureau de Change compared with the network as a whole.

Average net pay for deprived urban subpostmasters stood at £3,368, lower than the £3,547 received by non-deprived urban subpostmasters. However, deprived

urban subpostmasters' overheads are the highest both in absolute and in relative terms.

Around two-thirds (64%) of subpostmasters in deprived urban areas believe their personal drawings are insufficient to live on. When it comes to methods for supplementing their income, urban deprived subpostmasters are more likely to depend on personal loans (20% against network average of 12%) or borrowing on credit cards (23% against 14%).

In terms of the overall financial health of their post office business, urban deprived offices are far less profitable than urban non-deprived offices, reporting a profit of £112, or 3% of net pay. This is in large part due to higher overheads than other parts of the network.

Associated businesses run alongside urban deprived post offices see smaller personal drawings taken, much higher overheads (though slightly lower staff costs), but on average are still profitable.

When it comes to their view of the future, urban deprived subpostmasters are the most pessimistic, and this is backed-up by the remainder of the survey's findings. 54% see no future whatsoever compared to a 39% average in all network sectors. Urban deprived subpostmasters' single biggest fear (reported by 47% in contrast to a network average of 35%) is the Government's withdrawal of Post Office card account. This is unsurprising in view of this part of the network's disproportionate dependence on the card account for its income.

5.2 Urban Non-Deprived Network

This part of the network appears to be in best health relative to the urban deprived and rural sectors. It is not however without challenges of its own.

Post office net pay for non-deprived urban subpostmasters averaged £3,547, higher than the average of £2,593 across the network as a whole.

Whilst they are less dependent than their urban deprived counterparts on Post Office card account transactions (£320, or 9% of net pay) or bill payments (£197, or 6% of net pay), both these figures are higher than those for rural subpostmasters and still form very significant proportion of overall income.

Income from Bureau de Change is highest in this part of the network at an average of £83, higher than the overall mean of £56. Yet income from financial services is lower than that received within the urban deprived network (£8 against £17). In any case, both figures are dwarfed by income generated by those products currently at risk – bill payment and the card account.

69% report an increase in overheads, and while the biggest common reason given for this is increased utility costs.

Turning to personal drawings, 18% report taking no personal drawings from their post office business (a similar level to the network wide average of 15%). At the other end of the scale, 22% (compared to an average 17%) report taking over £1,500.

Non-deprived urban offices are the most profitable part of the network, recording an average profit of £310 (9% of net pay) compared to an overall average of £134 (5%). This can be attributed to lower overheads and higher average net pay offsetting their slightly higher staff costs and slightly greater personal drawings in comparison with the deprived urban network. Even for this section of the network, 32% report deriving no profit from their post office business.

77% of non-urban deprived subpostmasters also have another business running alongside their post office, in contrast to a network wide average of 67%. Of these associated businesses, only 2% ran at a loss, with 31% reporting an annual profit of over £10,000.

5.3 Rural Network

Rural subpostmasters currently face considerable uncertainty regarding their future. The £150m a year Social Network Payment, paid by the Government to Post Office Ltd to fund the loss-making parts of the rural network, is due to end in March 2008 and there is no certainty of any direct financial replacement¹⁵. What emerges from this research is a picture of a rural network operating on very tight margins, with rural subpostmasters receiving significantly less net pay and taking lower personal drawings than their urban equivalents.

At £1,884, average net pay is much lower for the UK's rural subpostmasters than for their urban counterparts. Moreover, 37% of rural subpostmasters received net pay of less than £1,000 (compared with a network-wide figure of just 22%).

The proportion of UK rural subpostmasters' pay made up from the individual product payments surveyed is similar to that of their urban counterparts. Post Office card account transactions account for 8% of net pay (compared to the network-wide average of 10%), and bill payments are 4% of net pay (compared to an average of 5%). For income from banking, financial services products, Home Phone and Bureau de Change, in terms of percentages of net pay there is little to separate rural and urban subpostmasters.

¹⁵ NFSP, June 2006

Average overheads for the post office business stand at £520, with average staff costs at £519. This is at least in part because a higher proportion of rural subpostmaster have no staff costs – 45% against network average of 32%. Rural subpostmasters are more likely to report that overheads have stayed the same (32% to 28%), which perhaps reflects the smaller contribution made by staff costs and other overheads to the business. Of those who do report an increase in overheads (61% compared with network-wide average of 65%), rural subpostmasters are more likely to report that this is due to increased utility costs.

While rural subpostmasters' personal drawings are lower than their urban counterparts (at an average of £871), the proportion of those who say that this is sufficient to live on is in line with the average across the whole network. Similarly, when asked about the future of their business and about their greatest fear, responses largely correspond to those voiced across the network as a whole.

Perhaps predictably in view of their lower net pay, profitability margins are much tighter for the rural network, averaging just £15 or 1% of net pay (compared to network average of 5%). Just under half (46%) of rural subpostmasters (compared to an average across all offices of 40%) made a loss on their post office business.

Annual profitability of associated businesses attached to rural post offices is £11,151 compared to a network average of £12,670. Of those rural subpostmasters who report increased overheads in their associated business, a higher proportion (56% compared to 48% across the network) cites increased utility costs.

5.4 Comparison of Product Payments

The following table sets out mean product payments for the three sections of the network, together with the network-wide mean total.

Figure 28: Average Product Payments

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751)	(233)	(150)	(368)
Card Account Openings and Transactions	£254	£318	£410	£160
Banking	£46	£55	£61	£33
Benefits Cheques	£34	£44	£60	£20
Bill Payments	£132	£197	£309	£68
Financial Services	£7	£8	£17	£4
Home Phone	£5	£10	£7	£1
Bureau de Change	£56	£83	£29	£43

Source: Ipsos MORI

From this, we can see that if income for January 2006 were repeated across the year, subpostmasters would earn on average an annual total of £3,048 for card account transactions and £1,584 for bill payments, yet only £60 for Home Phone and £84 for Financial Services.

6. Key Findings and Implications

- Some of the more traditional services are still bringing subpostmasters a significant proportion of their income. Post Office card account transactions brought in an average of 10% of a subpostmaster's net pay and bill payments brought in 5% on average. However, the Post Office card account is due to end by 2010, with no successor product currently lined up to replace it, and the bill payments market is under considerable and increasing pressure from competitors.
- Post Office Ltd says that banking, financial services and telephony are vital to the future of the post office network. However, we have found that these services are bringing very little income for subpostmasters.

Average earnings in January 2006:

- £46 banking services (1% of net pay)
- £7 financial services
- £5 Home Phone

Many subpostmasters earned nothing from these key services. 58% of subpostmasters received nothing from counter sales of Post Office financial services. 83% of subpostmasters received no income from Home Phone.

- Bureau de Change is a relatively successful service, bringing in £56 per month on average for subpostmasters.
- Meanwhile, overheads and staff costs which account for an average of 59% of the income subpostmasters receive from the post office have been increasing (two thirds of subpostmasters report an increase over the last year). Average overheads (excluding staff costs) have risen by 19% and staff costs by 12% over the past 2 years.
- Subpostmasters' personal drawings from their post office business have reduced by 3% since February 2004 (6% in real terms¹⁶). 61% of subpostmasters say these drawings are insufficient for them to live on. Three quarters of subpostmasters depend on supplementing their income from their associated businesses. A quarter (23%) use personal savings and a quarter (23%) use pensions to supplement their income.

¹⁶ 'Real terms' figure calculated using Consumer Price Index (CPI) for February 2004 and November 2005.

- Two fifths of subpostmasters could not cover their post office staff costs, overheads and personal drawings from their post office pay, therefore operating at a loss.
- Two fifths of subpostmasters say they see no future whatsoever for their business. Only 17% of subpostmasters say they can see a strong future for their business.
- Deprived urban post offices are most dependent on income from bill payments and card accounts and have the highest relative overheads.
- Rural subpostmasters are most dependent (46% of net pay) on the fixed element of their income. For most rural subpostmasters this is currently being paid by the Government, but this payment is due to cease in 2008.

This report paints a bleak picture of subpostmasters operating on tight margins, with decreasing personal drawings and increasing overheads. Subpostmasters are heavily reliant on income from the Post Office card account and bill payments, both of which are under threat; and the new flagship products, intended to offset loss in pay from traditional products, are bringing in low levels of income and in many cases nothing at all.

Appendices

Methodology

Product Payments

Statistical Reliability

Methodology

Interviews were conducted by telephone, using CATI (Computer Assisted Telephone Interviewing) between 20 February and 6 March.

A representative sample was randomly selected from NFSP's members' database. The sample was stratified by country (England, Wales, Scotland and Northern Ireland) and by post office type (Rural, Deprived Urban and Urban Other) to reflect the overall proportions according to data provided by the NFSP. Survey data have been weighted to reflect these overall proportions.

A key focus of this report is on deprived urban areas. If sample were selected on a truly random basis, it would not contain sufficient post offices in deprived urban areas to be able to analyse them separately. A deprived post office is defined as any post office located in the 10% most deprived areas (Super Output Areas or Wards) as determined in the Indices of Multiple Deprivation.

For this reason the number of these post offices in the sample was artificially boosted. A total of 150 interviews were completed with this group spread across the UK network.

To compensate for this over representation and to allow reporting at an overall level, data were weighted back to the naturally occurring proportions of deprived urban post offices as found across the whole UK network. The change in sampling methodology means that this stage of the research programme is not longitudinal – i.e. it is not possible to make individual comparisons to the data collected during Phases 1 and 2.

All those sampled (3,669) were sent a letter from Colin Baker, NFSP's General Secretary, in advance of fieldwork inviting them to take part and giving them the option to opt-out of the research. As the interview concentrated on specific elements of subpostmaster pay (from their 'pay advice slips'), the letter confirmed that the subpostmaster should have the January 2006 'pay advice slip' ready, the types of payment of interest, as well as an over-view of the topic areas to be covered.

A total of 751 subpostmasters were then interviewed by telephone from Ipsos MORI's telephone centre in Edinburgh.

Sample Breakdown

	All		Urban Other		Deprived Urban		Rural	
	Population %	Sampled %	Population %	Sampled %	Population %	Sampled %	Population %	Sampled %
England	74.8	75.6	30.1	25.5	6	16.6	38.7	33.4
Northern Ireland	4.3	4.3	0.8	0.5	0.2	0.6	3.4	3.1
Scotland	12.3	13.0	3.0	2.7	0.9	1.9	8.5	8.2
Wales	8.2	6.9	2.2	2.1	0.3	0.6	5.8	4.1
TOTAL	100.0	100.0	36.1	31.0	7.4	19.9	56.4	49.0

Source: Ipsos MORI

Reporting

In the graphs and tables, the figures quoted are percentages. The size of the sample base from which the percentage is derived is indicated. Please note that the base may vary – the percentage is not always based on the total sample. Caution is advised when comparing responses between small sample sizes. As a rough guide, please note that the percentage figures for the various sub-samples or groups need to differ by a certain number of percentage points for the difference to be statistically significant. This number will depend on the size of the sub-group sample and the percentage finding itself - as outlined in the appendices.

Where an asterisk (*) appears, it indicates a percentage of less than half, but greater than zero. Where percentages do not add up to 100% this can be due to a variety of factors – such as the exclusion of ‘Don’t know’ or ‘Other’ responses, multiple responses or computer rounding.

Publication of Data

Our standard Terms and Conditions apply to this, as to all studies we carry out. Compliance with the MRS Code of Conduct and our clearing is necessary for any copy or data for publication, web-siting or press releases which contain any data derived from Ipsos MORI research. This is to protect our client’s reputation and integrity as much as our own. We recognise that it is in no-one’s best interests to have survey findings published which could be mis-interpreted, or could appear to be inaccurately, or misleadingly, presented.

Product Payments

The following tables detail the amount of income generated by a range of specific product payments the values of which contribute towards the total Sales Tier payment.

Card Account Openings (Q2a)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751) %	(233) %	(150) %	(368) %
£0	55	31	21	75
£1	4	6	9	3
£2	17	27	23	9
£3	1	1	1	0
£4	3	5	3	1
£5	8	12	15	4
£6	1	2	0	1
£7 - £10	6	8	12	5
£11 - £14	2	2	6	1
More than £14	3	4	6	2
Mean	£5	£8	£7	£2
Refused	0	0	0	0
Don't know	2	2	3	1

Source: Ipsos MORI

Card Account Transactions (Q2b)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All with a Standard 'Scale Monthly' or 'Modified' contract</i>	(570) %	(213) %	(139) %	(218) %
£0	6	4	2	8
£1 - £50	7	4	8	10
£51 - £100	14	9	4	21
£101 - £150	10	7	2	15
£151 - £200	13	11	4	17
£201 - £300	16	20	11	14
£301 - £400	13	17	23	7
£401 - £500	6	8	19	1
More than £500	12	18	23	4
Mean	£249	£310	£403	£158
Mean as a proportion of net pay	10%	9%	12%	8%
Refused	0	0	0	0
Don't know	2	3	3	1

Source: Ipsos MORI

Automated Banking (Q2d)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All with a Standard 'Scale Monthly' or 'Modified' contract</i>	(570) %	(213) %	(139) %	(218) %
£0	4	2	4	5
£1 - £15	12	7	5	18
£16 - £20	8	5	4	12
£21 - £25	7	5	4	9
£26 - £30	8	8	12	7
£31 - £35	7	7	6	8
£36 - £40	8	9	8	8
£41 - £50	14	18	8	11
£51 - £60	10	11	11	9
£61 - £80	10	12	12	8
£81 - £100	4	5	9	2
More than £100	5	7	14	2
Mean	£46	£55	£61	£33
Refused	*	*	0	0
Don't know	2	2	3	2

Source: Ipsos MORI

Giro DSS Coloured Orders (Q2c)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All with a Standard 'Scale Monthly' or 'Modified' contract</i>	(570) %	(213) %	(139) %	(218) %
£0	5	2	2	9
£1 - £5	8	3	2	14
£6 - £10	13	6	5	22
£11 - £15	11	10	3	13
£16 - £20	9	7	3	12
£21 - £30	13	14	9	13
£31 - £40	12	16	14	8
£41 - £50	7	8	15	5
£51 - £100	15	25	30	3
More than £100	5	7	14	1
Mean	£34	£44	£60	£20
Refused	0	0	0	0
Don't know	2	2	3	1

Source: Ipsos MORI

Auto Payments/AP Bill Payments (Q3a)				
	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	<i>(751)</i> %	<i>(233)</i> %	<i>(150)</i> %	<i>(368)</i> %
£0	4	2	5	5
£1 - £10	11	3	1	18
£11 - £20	9	3	2	14
£21 - £40	11	5	3	16
£41 - £60	9	7	1	12
£61 - £80	7	7	2	8
£81 - £120	10	13	3	8
£121 - £160	8	14	6	5
£161 - £200	7	11	7	4
£201 - £300	11	17	26	4
£301 - £500	6	8	30	2
More than £500	4	7	12	1
Mean	£132	£197	£309	£68
Mean as a proportion of net pay	5%	6%	9%	4%
Refused	*	*	0	0
Don't know	3	3	3	3

Source: Ipsos MORI

Post Office Financial Services – Counter Sales (Q3b)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751) %	(233) %	(150) %	(368) %
£0	58	50	39	65
£1	18	19	20	17
£2	5	5	10	5
£3	3	3	4	3
£4	2	3	4	2
£5 - £10	6	8	9	4
£11 - £100	5	8	8	3
More than £100	1	1	2	1
Mean	£5	£6	£14	£3
Refused	*	*	0	0
Don't know	2	2	3	2

Source: Ipsos MORI

Post Office Financial Services – Direct Sales (Q3c)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751) %	(233) %	(150) %	(368) %
£0	79	72	72	85
£1 - £5	8	8	13	7
£6 - £10	6	9	5	4
£11 - £20	3	6	5	1
More than £20	2	2	3	1
Mean	£2	£3	£3	£1
Refused	*	*	0	0
Don't know	2	2	3	1

Source: Ipsos MORI

Post Office Home Phone – Counter Sales (Q3d)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751) %	(233) %	(150) %	(368) %
£0	83	77	76	87
£1 - £5	7	7	8	6
£6 - £10	4	5	3	3
£11 - £25	2	3	4	1
£26 - £50	2	2	2	2
More than £50	1	2	4	0
Mean	£4	£8	£7	£1
Refused	*	*	0	0
Don't know	2	2	3	1

Source: Ipsos MORI

Post Office Home Phone – Direct Sales (Q3e)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751) %	(233) %	(150) %	(368) %
£0	79	71	83	83
£1	14	17	11	13
£2 - £5	4	7	4	2
More than £5	1	2	0	*
Mean	£1	£2	£*	£*
Refused	*	*	0	0
Don't know	2	2	3	1

Source: Ipsos MORI

Bureau de Change - Automated (Q3f)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751) %	(233) %	(150) %	(368) %
£0	50	40	58	55
£1	12	17	13	9
£2	11	8	10	13
£3	4	5	1	4
£4	3	3	0	4
£5 - £10	5	4	3	7
£11 - £100	4	6	4	2
£101 - £300	3	5	4	2
More than £300	5	9	4	3
Mean	£49	£75	£25	£36
Mean as a proportion of net pay	2%	2%	1%	2%
Refused	*	*	0	0
Don't know	2	2	3	1

Source: Ipsos MORI

Foreign Exchange Services - Manual (Q3g)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751) %	(233) %	(150) %	(368) %
£0	32	28	39	33
£1	8	7	17	8
£2 - £5	24	23	27	23
£6 - £10	15	17	9	14
£11 - £20	13	15	3	14
More than £20	6	7	2	5
Mean	£7	£8	£4	£7
Refused	*	*	0	0
Don't know	2	2	3	1

Source: Ipsos MORI

Bureau de Change – Lost and Stolen Travellers Cheques (Q3h)

	All	Urban Other	Deprived Urban	Rural
<i>Base: All respondents</i>	(751) %	(233) %	(150) %	(368) %
£0	98	96	96	99
£1	*	0	*	0
£2	0	0	0	0
£3	*	*	1	0
£4	0	0	0	0
£5	0	0	0	0
£6	*	1	1	0
More than £6	0	0	0	0
Mean	£*	£*	£*	£0
Refused	*	*	0	0
Don't know	2	2	3	1

Source: Ipsos MORI

Statistical Reliability

Because a sample (751 members) was interviewed, rather than the entire population of subpostmasters (8,922 members as January 2006), the percentage results are subject to sampling tolerances – which vary with the size of the sample and the percentage figure concerned. For example, for a question where 50% of the people in a sample of 751 respond with a particular answer, the chances are 95 in 100 that this result would not vary by more than 3 percentage points, plus or minus, from the result that would have been obtained from a census of the entire subpostmaster population (using the same procedures). The tolerances that may apply in this report are given in the table below:

Approximate sampling tolerances applicable to percentages at or near these levels (at the 95% confidence level)			
<i>Size of subpostmaster population (8,922)</i>	10% or 90%	30% or 70%	50%
	±	±	±
Size of sample (751)	2	3	3

Source: Ipsos MORI

Tolerances are also involved in the comparison of results between different elements of the sample. A difference must be of at least a certain size to be statistically significant. The following table is a guide to the sampling tolerances applicable to comparisons between sub-groups:

Differences required for significance at the 95% confidence level at or near these percentages			
	<i>10% or 90%</i>	<i>30% or 70%</i>	<i>50%</i>
Post Office Type	5	8	8
Associated Business(579) vs. Stand alone (172)			
Area			
Deprived Urban (150) vs. Rural (368)	5	8	9
Deprived Urban (150) vs. Urban Other (233)	6	9	9
Urban Other (233) vs. Rural (368)	5	7	8

Source: Ipsos MORI

Questionnaire

SUBPOSTMASTERS 2006 / J24221

FINAL – 17/02/2006

SPEAK TO NAMED RESPONDENT ONLY

ASK ALL

Good morning/afternoon/evening, my name is, and I'm calling from Ipsos MORI, the Market Research Agency. We are currently conducting a survey on behalf of the National Federation of SubPostmasters. You should have received a letter about the research from the Federation a few days ago.

This research is part of a larger study undertaken in order to ascertain how subpostmasters' incomes have changed since the introduction of Direct Payment.

ASK ALL

The interview should take about twenty minutes. For some of the questions we will focus on your payment transactions and income amounts. To help us collect accurate data, it will be necessary for you to refer to information on your Post Office Ltd pay advice – specifically we would like to collect data that relates to your January 2006 payslip (covering transactions from 27th October to 23rd November 2005). If you run another business alongside your post office, we will also need you to refer to your January 2006 accounts for this part of your business.

Do you have this information fairly close to hand? IF YES – ASK TO COLLECT (hopefully should take no more than 2 minutes to locate) IF NO – ASK TO MAKE AN APPOINTMENT, IDEALLY WITHIN NEXT 10 MINUTES OR SO.

Please be reassured that the information collected will be reported in an aggregate way; no individual figures or responses will be identified with you personally.

INT: IF RESPONDENT RUNS MORE THAN ONE POST OFFICE AND ASKS WHICH POST OFFICE WE ARE REFERRING TO READ OUT THE NAME/ADDRESS ON SCREEN.

From sample:	
QUOTA CELLS:	
Non deprived urban	1
Deprived urban	2
Rural	3
REGION:	
England:	
London, North West, South East, Midlands, North East, South West and North Thames & East Anglia	1
Rest of UK:	
Guernsey & Jersey, Scotland, Wales, Northern Ireland	2

Section 1: Screening checks

CHKA. POST OFFICE HAS SHUT DOWN SO INELIGIBLE FOR INTERVIEW – CODE 1

Open	1
Shut down	2

ASK ALL

CHK1. **Which of the following changes, if any, have happened in the last 12 months...?**
 READ OUT. MULTICODE OK.

Increased opening hours at your Post office	1	GO TO CHK3
Decreased opening hours at your Post office	2	
Your Post Office merged with another post office	3	
Other post offices in the local area have closed	4	GO TO ROUTING BEFORE CHK2
Other post offices in the local area have opened	5	GO TO CHK3
None of these (DO NOT READ OUT)	6	
Other (SPECIFY – DO NOT READ OUT)	7	

ASK CHK2 OF ALL THOSE WHO ANSWER CODE 4 AT CHK1. OTHERS GO TO CHK3.

CHK2. **You say another post office has closed in your local area, is this a result of network reinvention? By network reinvention I mean Post Office Ltd’s strategy for restructuring the urban post office network, which involved the closure of around two and a half thousand urban post offices across the UK between 2002 and 2005.** SINGLE CODE ONLY. IF MORE THAN ONE POST OFFICE HAS CLOSED IN THE LAST 12 MONTHS, RECORD YES IF ANY HAVE BEEN DUE TO NETWORK REINVENTION

Yes	1	GO TO CHK3
No	2	
Don't know (DO NOT READ OUT)	3	

ASK ALL

CHK3. **And is your post office run alongside a shop, store or other business or is it a standalone post office? By standalone we mean the post office does not have any other commercial business on the same premises.** SINGLE CODE ONLY.

Run alongside another business	1
Stand alone post office	2

CHK4. **In a typical week, how many hours is the post office part of your business open to the public?** ANSWER TO NEAREST HOUR

HOURS

DON'T KNOW

CHK 5. In a typical week, how many hours in total do you and your staff spend working SOLELY in your post office or on post office duties? INTERVIEWER TO ENTER TOTAL NUMBER OF MAN HOURS. ANSWER TO NEAREST HOUR

HOURS

DON'T KNOW

CHK6. Do you have a spouse or partner who shares the running of the post office with you? SINGLECODE ONLY

Yes	1
No	2

CHK7. And can you tell me whether you have a STANDARD ('scale monthly') CONTRACT, or some other kind - for example a 'scale annual/annual revised office' contract?

AT THE BOTTOM OF EACH PAY SLIP (UNDER GROSS PAY) THE CONTRACT TYPE OF EACH POST OFFICE IS GIVEN

READ OUT CONTRACT TYPES IF NECESSARY

Yes – I have STANDARD 'SCALE MONTHLY' contract	1
No - I have a 'MODIFIED' contract	2
No – I have a 'SCALE ANNUAL/ANNUAL REVISED OFFICE' contract	3
No - I have a 'COMMUNITY' contract	4
No – I have a 'RESTRICTED OPENING' contract	5
No – I have a 'MINIMUM PAYMENT' contract	6
No – I have some OTHER form of contract which is NOT STANDARD	7
Don't know	8

Section 2A: January 2006 pay advice slip - Core Payments

These next few questions relate to your **JANUARY 2006** *Post Office* Ltd pay advice. The payslip should cover transactions from 27th October to 23rd November 2005.

ENSURE RESPONDENT HAS CORRECT PAY ADVICE IN HAND: JANUARY 2006

ASK ALL

Q1a. **So, reading from your *Post Office* Ltd pay advice could you please tell me your gross pay?**

REASSURE ABOUT CONFIDENTIALITY **Please be reassured that the information collected will be reported in an aggregate way; no individual figures or responses will be identified with you personally.**

Q1b. **And again from your *Post Office* Ltd pay advice could you please tell me your net pay? That is, your payment after National Insurance has been deducted?**

Q1c. **And could you also tell me your Assigned Office Payment or Core Tier payment?**

Q1d. **And your mail baseline?**

Q1e. **And your sales tier payment?**

Q1A-Q3e: ASK RESPONDENT TO ROUND TO NEAREST POUND. PLEASE READ FIGURE BACK TO RESPONDENT TO CHECK YOU HAVE THE CORRECT AMOUNT. TAKE CARE TO ENSURE THAT YOU TYPE THE RIGHT FIGURE – NO EXTRA "0" ARE ADDED (ETC)

IF RESPONDENT SAYS THEY GET AN ANNUAL PAYMENT DIVIDED INTO 12 INSTALMENTS, ASK THEM TO PROVIDE THE MONTHLY FIGURE FROM THE PAY SLIP IN QUESTION

FOR Q1C TO Q1E IF PAYMENT DOES NOT APPEAR ON PAYS LIP CODE £0

	Q1A	Q1B	Q1C	Q1D	Q1E
	PLEASE COLLECT ACTUAL AMOUNT IN POUNDS				
Refused	2	2	2	2	2
Don't know	3	3	3	3	3
IF ANSWER DOES NOT CONFORM WITH THESE CHECKS, PROMPT INTERVIEWER TO RE ENTER, IF STILL WRONG, THEN PROMPT INTERVIEWER TO PROBE WHY FIGURE IS SO "HIGH/LOW/HIGHER THAN X/ LOWER THAN Y" AND GET THEM TO RE RECORD IT AS AN INTEGER AND WRITE THE REASON, IN AN O/E BOX.	MIN: £250 MAX: £15,000	MIN: £250 MAX: £15,000	Q1C MUST BE LESS THAN OR EQUAL TO Q1A OF SAME PAYS LIP.	Q1D MUST BE LESS THAN OR EQUAL TO Q1A OF SAME PAYS LIP	Q1E MUST BE LESS THAN OR EQUAL TO Q1A OF SAME PAYS LIP
	Q1C+Q1D+Q1E MUST BE LESS THAN OR EQUAL TO Q1A OF SAME PAYS LIP				

Section 2B: January 2006 pay advice slip - Product Payments

SKIP Q2B, C & D IF CODED 3-7 (NO) AT CHK7

Next, looking at pay for specific products ...

FOR Q2A TO Q2D IF PAYMENT DOES NOT APPEAR ON PAYS LIP CODE £0

- Q2a. **And for card account OPENINGS (this is reference 5034 on your pay advice)?**
- Q2b. **Could you please tell me what your payment for card account transactions (this is reference 5033 on your pay advice)?**
- Q2c. **And also your payment for Giro DSS Coloured Orders please (reference number 5110)?**
- Q2d. **Now, can you tell me what your payment for automated banking (reference 5545 “automated banking”) was? THERE MAY BE MORE THAN ONE INSTANCE OF THIS REFERENCE ON THE RESPONDENT’S PAYS LIP. ASK RESPONDENT TO READ OUT TOTAL FIGURE CORRESPONDING TO THIS REFERENCE NUMBER.**

	Q2A	Q2B	Q2C	Q2D
	PLEASE COLLECT ACTUAL AMOUNT IN POUNDS			
Refused	2	2	2	2
Don't know	3	3	3	3
IF ANSWER DOES NOT CONFORM WITH THESE CHECKS, PROMPT INTERVIEWER TO RE ENTER, IF STILL WRONG, THEN PROMPT INTERVIEWER TO PROBE WHY FIGURE IS SO "HIGH/LOW/HIGHER THAN X/ LOWER THAN Y" AND GET THEM TO RE RECORD IT AS AN INTEGER AND WRITE THE REASON, IN AN O/E BOX.	MIN: £0 MAX: £1,000	MIN: £0 MAX: £1,000	MIN: £0 MAX: £501	MIN: £0 MAX: £1,501 Q2D MUST BE LESS THAN/EQUAL TO Q1E

Section 2C: January 2006 pay advice slip – Other Post Office product payments

Q3a. And your payment for Auto Payments – often known as AP Bill Payments (reference 5567)?
THERE MAY BE MORE THAN ONE INSTANCE OF THIS REFERENCE ON THE RESPONDENT'S PAYSIP. ASK RESPONDENT TO READ OUT TOTAL FIGURE CORRESPONDING TO THIS REFERENCE NUMBER.

FOR Q3B TO Q3H IF PAYMENT DOES NOT APPEAR ON PAYSIP CODE £0

Q3b. And your payment for Post Office Financial Services – counter sales (reference 5001)?

Q3c. And your payment for Post Office Financial Services – direct sales (reference 5002)?

Q3d. And your payment for Post Office Home Phone (or POHP) – counter sales (reference 5003)?

Q3e. And your payment for Post Office Home Phone (or POHP) – direct sales (reference 5004)?

Q3f. And your payment for Bureau de Change – automated (reference 5193)?

Q3g. And your payment for Foreign Exchange Service – manual (reference 5395)?

Q3h. And your payment for Bureau de Change – lost and stolen travellers cheques (reference 5192)?

	Q3A	Q3B	Q3C	Q3D	Q3E	Q3F	Q3G	Q3H
	PLEASE COLLECT ACTUAL AMOUNT.							
Refused	2	2	2	2	2	2	2	2
Don't know	3	3	3	3	3	3	3	3
IF ANSWER DOES NOT CONFORM WITH THESE CHECKS, PROMPT INTERVIEWER TO RE ENTER, IF STILL WRONG, THEN PROMPT INTERVIEWER TO PROBE WHY FIGURE IS SO "HIGH/LOW/HIGHER THAN X/ LOWER THAN Y" AND GET THEM TO RE RECORD IT AS AN INTEGER AND WRITE THE REASON, IN AN O/E BOX	MIN: £0	MIN: £0	MIN: £0	MIN: £0	MIN: £0	MIN: £0	MIN: £0	MIN: £0

- Q3A MUST BE LESS THAN/EQUAL TO Q1E
- Q3B MUST BE LESS THAN/EQUAL TO Q1E
- Q3C MUST BE LESS THAN/EQUAL TO Q1E
- Q3D MUST BE LESS THAN/EQUAL TO Q1E
- Q3E MUST BE LESS THAN/EQUAL TO Q1E
- Q3F MUST BE LESS THAN/EQUAL TO Q1E
- Q3G MUST BE LESS THAN/EQUAL TO Q1E
- Q3H MUST BE LESS THAN/EQUAL TO Q1E
-
- TOTAL OF Q2A, Q2B, Q2C, Q2D, Q3A, Q3B, Q3C, Q3D, Q3E, Q3F, Q3G AND Q3H MUST BE LESS THAN OR EQUAL TO Q1E OF SAME PAYSIP

Section 3: Current Income

Now, looking again at your post office income only (IF POST OFFICE HAS AN ATTACHED BUSINESS (CODE 1 AT CHK 3) ADD excluding any income from your shop, store or other business).

INTERVIEWER NOTE: PLEASE COLLECT ACTUAL FIGURES HERE – E.G. “Whatever is left” IS NOT APPROPRIATE, WE ARE ASKING ABOUT JANUARY 2006 SPECIFICALLY SO WILL COLLECT ACTUAL VALUES.

IF CODE 1 AT CHK 3 READ OUT: **If you do not have separate figures for your post office business and other business, perhaps you could provide me with an estimated figure?**

Q4a. What were your personal drawings [IF POST OFFICE HAS AN ATTACHED BUSINESS (CODE 1 AT CHK 3) ADD associated with just the post office] for JANUARY 2006? This is the money you took as a salary for January 2006, but excluding money paid to staff, overheads or money which was re-invested in your post office business.

ASK ALL THOSE WHO HAVE SPOUSE/PARTNER SHARING POST OFFICE DUTIES (CODE 1 CHK6)

Q4b. Do you pay your spouse or partner, who helps with the running of the post office, in addition to these personal drawings? SINGLE CODE

Yes - Pay in addition	1
No - Salary covered by personal drawings	2
Don't know	3

ASK ALL

Q4c. And what are your average monthly staff costs [IF POST OFFICE HAS AN ATTACHED BUSINESS (CODE 1 AT CHK 3) ADD: just associated with the running of the post office?] [IF PAY SPOUSE IN ADDITION (CODE 1 AT Q4B) ADD: (including wages paid to your partner or spouse)]. These are total staff costs, including wages, employer National Insurance contributions and any pension contributions.

Q4d. And what are your monthly overheads (excluding all staff costs) just associated with the running of the post office? This includes rent, utility bills, mortgage/business loan, rates, building maintenance, cleaning and money which was re-invested in your post office business.

Q4e. Overall, have these combined monthly overheads, including both staff costs and other overheads, increased, decreased or stayed the same compared to this time last year? SINGLE CODE

ASK IF MONTHLY OVERHEADS HAVE INCREASED OR DECREASED (CODE 1 OR 2 AT Q4D)

Q4f. Why is that? ELICIT FULL AND SPECIFIC RESPONSES. PROBE. Anything else?

	Q4A	Q4C	Q4D	Q4E	Q4F
Refused	2	2	2		
Don't know	3	3	3		
	PLEASE COLLECT ACTUAL AMOUNT				
IF ANSWER DOES NOT CONFORM WITH THESE CHECKS, PROMPT INTERVIEWER TO RE ENTER, IF STILL WRONG, THEN PROMPT INTERVIEWER TO PROBE WHY FIGURE IS SO "HIGH/LOW/HIGHER THAN X/ LOWER THAN Y" AND GET THEM TO RE RECORD IT AS AN INTEGER AND WRITE THE REASON, IN AN O/E BOX	MIN:£ 0	MIN: £0	MIN:£ 1 MAX: £50,00 0	1. Increased 2. Decreased 3. Stayed the same 4. DK 5. Refused	RECORD O/E RESPONSE 2. Don't know 3. Refused

DP NOTE:
POST OFFICE PROFIT: TO BE CALCULATED BY :
Q1B – (Q4A + Q4C + Q4D)
NET PAY – (PERSONAL DRAWINGS + MONTHLY STAFF COSTS + MONTHLY OVERHEADS)

ASK ALL

Q5a. Are your personal drawings sufficient for you to live on or not? SINGLE CODE

Yes	1
No	2
Don't know	3
Refused	4

Q5b. Which, if any, of these other sources do you use to supplement your household income?
 READ OUT. MULTICODE OK.

	Q5B
(ALL WHO HAVE BUSINESS/CODE 1 AT CHK3) Income from a business you run based alongside your post office	1
Income from other paid employment you do	2
Income from another business (not based alongside your post office) you own and work for	3
Income from another business (not based alongside your post office) you own, but do not work for	4
Income from your spouse or partner's paid employment	5
By borrowing using personal loan	6
Interest from personal investments or savings	7
Personal or state pension	8
State benefits	9
Income from rented properties	10
By borrowing on credit cards	11
None of these (DO NOT READ OUT)	12
Other (SPECIFY – DO NOT READ OUT)	13
Refused (DO NOT READ OUT)	14
Don't know (DO NOT READ OUT)	15

Q6a Please tell me to what extent you agree or disagree with the following statements?
 READ OUT. REVERSE ORDER. SINGLE CODE FOR EACH STATEMENT

	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	No opinion	DK
I can see a strong future for my business	1	2	3	4	5	6	7
I see no future what so ever for my business	1	2	3	4	5	6	7

Q6b. What, if anything, is your single biggest fear for your post office over the next six months?

DO NOT READ OUT. PROBE FULLY. MULTICODE

Customers	
Losing custom/business due to changes in the payment system	1
Financial	
Keeping afloat/not going bankrupt	2
Decline/reduction in salary/income	3
Products	
New products are not attractive or relevant	4
Uncertainty over / withdrawal of POCA (Post Office Card Account)	5
Withdrawal of Government work	6
Loss of Government work through alternative methods – internet, email	7
Other	
Having to reduce staff/let staff go	8
Not being able to sell my business	9
End of Government subsidy for rural network	10
Uncertain of/not knowing what is happening	11
Other (SPECIFY)	12
None/Nothing	13
Don't know	14

- **Section 4: Associated Business**

ASK ALL WITH AN ASSOCIATED BUSINESS (CODE 1 AT CHK3) ONLY. OTHERS SKIP TO Q RE-CONTACT.

Now turning to your shop, store or other business that you run alongside your post office.

ASK RURAL ENGLAND POST OFFICE (FROM SAMPLE) WITH AN ASSOCIATED BUSINESS (CODE 1 AT CHK3) ONLY.

Q7. What types of goods or services do you sell in the non post office part of your business?
MULTICODE DO NOT READ OUT

Stationery or greeting cards	1
Confectionery	2
Cigarettes	3
Groceries and Household Goods	4
Fresh food, e.g. fresh meat or vegetables	5
Bakery	6
Alcohol	7
Newspapers or magazines	8
Other (SPECIFY)	9
Refused	10

ASK ALL WITH AN ASSOCIATED BUSINESS (CODE 1 AT CHK3) ONLY

Q8. In a typical week, how many hours is the non post office part of your business open to the public? ANSWER TO NEAREST HOUR

HOURS

DON'T KNOW

Q9. In a typical week, how many hours in total do you and your staff spend working SOLELY in the non post office part of your business or on non post office duties? INTERVIEWER TO ENTER TOTAL NUMBER OF MAN HOURS. ANSWER TO NEAREST HOUR

HOURS

DON'T KNOW

Q10. Do you have a spouse or partner who shares the running of the non post office part of your business? SINGLECODE ONLY

Yes	1
No	2

Now, thinking about the financial side of the non-post office part of your business only.

If you do not have separate figures for your post office business and other business, perhaps you could provide me with an estimated figure?

Q11a. Thinking now about the last 12 months as a whole. From your most recent accounts, what was the total NET profit from the non-post office part of your business for the year? By profit I mean gross takings minus the total cost of goods, staff costs, any personal drawings and all other overheads?

COLLECT ACTUAL AMOUNT IN WHOLE POUNDS (RANGE IS -99,999 TO +999,999).

Don't know	2	
Refused	3	

Q11b. And now thinking just about January 2006. What were your personal drawings associated with the non post office part of your business during January 2006? This is the money you took as a salary for January 2006, but excluding money paid to staff, overheads or money which was re-invested in your non-post office business.

ASK ALL THOSE WHO HAVE SPOUSE/PARTNER SHARING POST OFFICE DUTIES (CODE 1 AT Q10) WITH AN ASSOCIATED BUSINESS (CODE 1 AT CHK3).

Q11c. Do you pay your spouse/partner, who helps with the running of the non post office part of your business, in addition to these personal drawings?

Yes - Pay in addition	1
No - Salary covered by personal drawings	2
Don't know	3

ASK ALL WITH AN ASSOCIATED BUSINESS (CODE 1 AT CHK3)

Q11d. And what were the staff costs associated with the running of the non post office part of your business [IF PAY SPOUSE IN ADDITION (CODE 1 AT Q11C) ADD: (including wages paid to your partner/spouse) during January 2006? This is the total staff costs, including [(IF CODE 1 AT Q11C) payment to your spouse/partner], staff wages, employer National Insurance contributions and any pension contributions.

Q11e. And what were your monthly overheads (excluding staff costs and personal drawings) associated with the running of the non post office part of your business during January 2006? This includes cost of stock, rent, utility bills, mortgage/business loan interest payments, rates, building maintenance, cleaning.

Q11f. Overall, have these combined monthly overheads, including both staff costs and other overheads, increased, decreased or stayed the same compared to this time last year? SINGLE CODE

ASK IF OVERHEADS HAVE INCREASED OR DECREASED (CODE 1 OR 2 AT Q11F)

Q11g. Why is that?

	Q11B	Q11D	Q11E	Q11F	Q11G
Refused	2	2	2		
Don't know	3	3	3		
	PLEASE COLLECT ACTUAL AMOUNT				
IF ANSWER DOES NOT CONFORM WITH THESE CHECKS, PROMPT INTERVIEWER TO RE ENTER, IF STILL WRONG, THEN PROMPT INTERVIEWER TO PROBE WHY FIGURE IS SO "HIGH/LOW/HIGHER THAN X/ LOWER THAN Y" AND GET THEM TO RE RECORD IT AS AN INTEGER AND WRITE THE REASON, IN AN O/E BOX	MIN: £0 MAX: £99999	MIN:£0 MAX: £99999	MIN:£0 MAX: £99999	1. Increased 2. Decreased 3. Stayed the same 4. Refused 5. DK	RECORD O/E RESPONSE 2. Refused 3. Don't know

ASK RURAL ENGLAND POST OFFICE (FROM SAMPLE) WITH AN ASSOCIATED BUSINESS (CODE 1 AT CHK3) ONLY.

Q11h. **What was the total or gross takings from the non post office part of your business (including VAT) in the last month? If you cannot give me a figure for the last month perhaps you could tell me your total gross takings during January 2006, or estimate the total or gross takings for the last year?** SINGLE CODE ONLY

INTERVIEWER CODE 'LAST MONTH', 'JAN 06' OR 'LAST YEAR'. THEN ENTER THE AMOUNT. IF RESPONDENT UNSURE: **Please estimate the total or gross takings for the last year.**

Last month	1
During January 2006	2
For last year	3

COLLECT ACTUAL AMOUNT IN WHOLE POUNDS.

Don't know	4
Refused	5

ASK RURAL ENGLAND POST OFFICE (FROM SAMPLE) WITH AN ASSOCIATED BUSINESS (CODE 1 AT CHK3) ONLY.

Q12. **If your post office were to close, would the remaining business (i.e. the shop/store/other business you run alongside your post office) provide you with a reasonable living?** SINGLE CODE ONLY

Yes	1
No	2
Don't know	3
Refused	4

ASK ALL

Q RE-CONTACT. **Many thanks for taking part in this survey. In the future, the National Federation of Subpostmasters may want to carry out further research, would you be willing to be contacted again? Your answers to this survey will remain confidential to Ipsos MORI** SINGLE CODE

Yes	1
No	2

Thank & close