



Department for
Business, Energy
& Industrial Strategy

BEIS Orals Hot Topics Pack: January 2017

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Top Lines

There are **over 11,600 post office branches** in the UK, the largest retail network in the country. The Post Office network is at its **most stable in over two decades**.

Government will have **provided nearly £2 billion** during the period 2010 to 2018 to maintain a network that meets nationwide access criteria and to invest in transformation of the business.

Government has **committed to secure the future of 3,000 rural post offices**, recognising the important role post offices play in service their communities. There is a **£20 million investment fund for 3,000 Community Branches**, many of which are in rural locations.

93% of the national population (and over 95% in urban areas) live within one mile of their nearest post office branch.

Around 18 million customers & a third of SMEs visit post offices every week.

Post Office Ltd was separated from Royal Mail in April 2012, and is an independent company. It remains in public ownership.

The Government consultation on the Post Office network closed on 21st December. The responses will help us to understand what the public and businesses expect from the Post Office and to understand more fully what subsidy is needed and what it should be used for. Government will provide a response to its consultation in due course.

Attack: The CWU have threatened further industrial action in protest against job losses (c.2000) and changes to pensions. They claim Government should step in.

- This is an operational matter for Post Office Ltd. As its annual accounts show there has been a continuing improvement in Post Office's financial performance, and a reduced reliance on taxpayer support.
- Previous strikes have had little effect on customers, with 99% of the network of open as usual.
- Our investment has led to the most stable network for decades, over 200,000 extra opening hours a week and more than 4,200 branches open on Sundays. Between 2010 and 2018 Government will have invested nearly £2 billion to modernise and sustain the Post Office. This funding has driven the progress the business has made; there is no need for the Government to step in.

Attack: Why is POL cutting more jobs at its HQ? They are cutting the support functions that provide training and support to postmasters.

- These changes do not involve staff who train subpostmasters. These changes are recognising that there is less need for direct POL HQ activity as the core functions delivered by POL reduce (such as fewer external customers for the cash supply chain).
- There will be no reduction in the service the public will see.

Attack: Why is Government supporting more franchising of the directly run Crowns when this leads to worse service and poorer pay for staff at those branches?

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- Almost all services currently provided at a Crown branch can be offered at a franchise.
- Service quality is not reduced either - customer satisfaction for the branches franchised in 2012 is as high as when they were Crowns.
- WHSmith and all other businesses operating post offices must comply fully with UK employment law on paying their staff.
- Through the current franchising and crown transformation programme, crown offices have moved to a position of financial break even compared to annual losses of £40m per annum.

Attack: Criticism on profitability of Post Office services for host retail businesses

- The Department regularly engages with the Post Office and its stakeholders on the issues affecting the network including about its overall profitability and thus sustainability.
- Postmasters in modernised branches are reporting an average increase of 11% in their associated retail sales. Customer satisfaction with branches has also remained high, at over 95%.
- Network Transformation has allowed the hosting businesses to improve their retail offer – by removing the fortress counter to free up space in the shop to sell other items and by integrating the post office counter into the main retail counter enabling efficiencies in running the store. Both changes were made to allow a postmaster's business to become more profitable – while at the same time making a reduction in what Post office pays to the business (in this case withdrawing fixed subsidy).
- When added to the effects of footfall which brings customers to the shop who then spend money on additional items, the presence of a post office in a business is more than the sum of the revenue Post Office pays - it's about the total package of benefits and its impact on the profitability of the whole store.
- The Government appreciates the concerns and difficulty that can sometimes be involved when running a small business. But we do not accept the argument that because some feel that the remuneration for post office transactions is too low that post offices are being subsidised by their hosting retail partners.

Post Office Horizon system

- This is an operational matter for Post Office Limited. As legal proceedings have been announced, we are unable to comment further.

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