

Business, Energy and Industrial Strategy Committee

Oral evidence: Post Office Network, HC 2130

Tuesday 21 May 2019

Ordered by the House of Commons to be published on 21 May 2019.

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Members present: Rachel Reeves (Chair); Stephen Kerr; Peter Kyle; Mr Ian Liddell-Grainger; Sir Patrick McLoughlin; Albert Owen; Mark Pawsey; Anna Turley.

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Witnesses

[I](#): Andy Furey, National Officer, Communication Workers Union; Anne Pardoe, Principal Policy Manager, Postal Services and Telecoms, Citizens Advice; and Calum Greenhow, Chief Executive Officer, National Federation of SubPostmasters.

[II](#): Carl Cowling, Managing Director of High Street Business, WHSmith plc; Edward Woodall, Head of Policy and Public Affairs, Association of Convenience Stores; and Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

Examination of Witnesses

Witnesses: Andy Furey, Anne Pardoe and Calum Greenhow.

Q1 Chair: Thank you very much to the three of you for coming to give evidence this morning to this important inquiry on the future of the Post Office. We have two sessions this morning, as you know. Following you, we have three more witnesses. There is obviously a lot of interest in this from Members across the House and from people in all of our constituencies, who are worried about the future of their local post office branch and, indeed, the crown post offices as well.

Can I perhaps start with you, Calum Greenhow? Has the Post Office's transformation strategy led to improvement or deterioration in areas such as queues, the range of services offered, disabled access? What is your view?

Calum Greenhow: Good morning. We need to consider what the aim of network transformation was, and that was to reduce the cost of the network to the UK taxpayer. It was to maintain a network of no less than 11,500 post offices and obviously to deliver a profit. The Post Office has achieved this, and it has also ensured that more post offices are open outside traditional hours. They have 200,000 extra hours across the network per week and 4,000 are now open on a Sunday. Access for vulnerable groups is also taken into account across the network, with hearing loops installed in every single post office. Plus, a few years ago a comprehensive survey was done at every single office to make sure we are DDA compliant.

We also have to take into account that 98% of the network is privately owned. If any adjustments are made to the actual office or building, that is the responsibility of the post office operator. That being said, through NT, we need to make sure they have not put targets before ensuring the post office was placed inside that retail outlet.

Q2 Chair: That sounds like a positive story, Mr Greenhow. People are getting a better service and more opening hours. Is that your view, Mr Furey?

Andy Furey: Absolutely not, no. I do not concur with any of that analysis. Network transformation has been an unmitigated disaster, and the Post Office of today is sleepwalking into a nightmare. Because of network transformation, it is the most unstable and vulnerable it has ever been. Many postmasters cannot make ends meet, and they are seriously thinking about whether they are going to continue to provide that service to the public. While the Post Office will be able to say it has 11,500 post offices and it has been stable for a few years, I think we are looking over the precipice of a real problem.

If we are not careful, postmasters will vote with their feet, because they are not being paid enough money. Many of them are on minimum wage. What will happen is that they will voluntarily give up the post office. Many of them are very elderly or senior in terms of their age. If they cannot

make a decent living out of the post office, that service is going to be completely and utterly vulnerable.

Q3 Chair: Calum Greenhow is nodding to quite a lot of what you said there. We are going to come on to the issue of whether the model is sustainable for the people running our post offices and their wages, but in terms of the transformation strategy, and what it has done to the services offered and the queues right now, are things better or worse than they were a few years ago?

Andy Furey: They are absolutely worse. The 200,000 hours extra is a bit like the emperor's clothing. Many post offices do not open the hours they purport to be open because they do not have the trained staff. They cannot afford to pay the wages of the staff. If there was a proper survey done and honest answers provided by people, they would say that they simply cannot afford to staff the additional hours they are due to be open when they have declining income. This is the combination here that just does not work: if you are going to be opening longer hours, your staff costs are going to increase at a time when your income from the post office has decreased. It just does not add up.

Q4 Chair: Anne Pardoe, what are your reflections on this point?

Anne Pardoe: I probably agree with parts of both Calum and Andy's analyses. Broadly, the NTP has maintained the overall size of the network. The initial research we have done has found that the new models are performing broadly in line with or in some cases better than the old models when it comes to things like queuing times. It is also true that there are, as Calum said, 200,000 extra hours a week, but the research we did found that consumer awareness of those extended opening hours is often quite low. The majority of the capacity still tends to be focused in those core hours or just either side. So there is a slight question about whether those hours are really being utilised.

You also get quite a bit of variation between the model types in where those opening hours are, particularly where we have seen a significant increase in the number of outreach post offices. Where previously a community may have had a full-time post office with a full range of services, now perhaps they have a post office from a neighbouring community coming in for a couple of hours a week. We still see quite a bit of inconsistency in the accessibility of post offices across the network for disabled people. We still see some issues with people being able to use hearing loops and access those services. Overall, it is a bit of a mixed bag.

Q5 Albert Owen: Can I bring to the attention of the Committee that I have worked closely with the three organisations before us on post offices? I am a member of the APPG, and my CLP has received financial support from the CWU in the past. I just wanted to put that on record.

Can I come back to you, Ms Pardoe, with regards to the sustainability of the network, and ask a very random question? How national is the Post Office network in the services it provides and where they are hosted?

How much of a unified network is it?

Anne Pardoe: As I touched on before, we see quite a bit of variation across the country. If you look at opening times, post office locals and mains generally need to be open the same hours as the shop they are hosted within. As I mentioned, we see that people still tend to use post offices within the core hours. Whether that is a case of awareness of the extended opening hours is a question. In those rural areas with outreach branches, you see quite a bit of variation. You may only be able to—

Q6 **Albert Owen:** On that, do mobile postal services, and postal services hosted in venues such as pubs and village halls, contribute fully to this national service, in your opinion? I will then ask the other two the same question.

Anne Pardoe: They are a useful model. Without them, that community might have no access to Post Office services at all without travelling. There is without doubt a benefit to having those, but we are concerned about access for consumers in those locations where they have been used to a permanent post office before. If the Post Office expands its role in things like providing access to banking, those are the very communities that would arguably be left most stranded without access to banking. There is a question as to whether you could safely and well provide those services from those locations. It may be that people in those areas struggle more in the future, too.

Q7 **Albert Owen:** I will ask the same question of you, Mr Greenhow. Is it a national network? Secondly, do these hosted venues and mobiles add value or are they just plugging gaps at a second rate to what was previously on offer?

Calum Greenhow: If you look at where they tend to be, they tend to be in the most rural communities. The network classes about 3,500 of its network as community offices or the last shop in the village. Since 2009, the number of outreach models or mobiles, as you are saying, has virtually doubled. It has gone from about 800 to 1,500. As an organisation, we are concerned at the rise in the number of part-time offices in comparison to the number of full-time offices. It comes down to a change within those environments as well. As the number of people within the environments continues to decline and as we continue to move towards an urban society, that is pulling people away from post offices.

Interestingly, I can remember visiting, not so long ago, an office on the isles of Lewis and Harris. It was a little place called Scalpay, which is an island just off it. He had an office there. He had worked 30 years in the Post Office and 30 years in the fishing industry. He was concerned that he used to have 200 customers and now he had 20.

Q8 **Albert Owen:** I live on the island of Anglesey. I just wanted to take a little bit of an argument with you there about people being pulled away. If a post office closes, those people are not being pulled away; they are being sent away, in many ways, to other services.

Calum Greenhow: Sorry, I meant that there are more people living within urban areas than within rural areas. That is what I meant.

Q9 **Albert Owen:** The population is stable and growing in many of these rural areas. The broad-brush analysis you give does not quite reflect what is happening in these communities.

Andy Furey: I am very worried about the network. What Calum has just described about part-time and full-time post offices is a very real threat. I would describe what is happening as smoke and mirrors. The Post Office says there is a stable 11,500 post offices, but at any given time up to 1,000 are actually closed. They are offering remedial services and then saying that counts against the one that is being closed. A full-time post office closes, and then they open up a service for a single hour in a village elsewhere in the UK. They are saying that is like for like and one for one. That is not the reality of the situation.

While we support the concept of extended opening hours, there is no joined-up thinking with Royal Mail, because we do not have Royal Mail collections on those extended openings or those Sunday collections. If you are posting a special delivery on a Sunday morning, it still will not get collected until Monday. There is no joined-up thinking across the Post Office and Royal Mail.

There is a bigger problem. It is not just queuing times that are the problem; it is the quality of the service that is being provided and the mistakes that are made. The staff are not as well trained to do work at 8 o'clock or 9 o'clock at night. Customers are being turned away and told, "Sorry, I cannot do this transaction, because I am not trained or I do not know how to do it. Can you come back during the core hours?" The reality is that these are not all-singing, all-dancing opening hours. The fact that we have gone from 8,000 to 1,500 outreach services masks the real problem you are seeing, which is closures happening and being replaced by a very small alternative in an entirely different place. That is moving the problem around the UK.

Q10 **Albert Owen:** I have a final brief question to you all, starting with you, Mr Furey. You do not believe there is this national network. Therefore, should a range of services across the network be included in the Government's minimum access criteria?

Andy Furey: There is a national network, but it is very random and it is hit and miss as to whether it is sustainable. Yes, I would certainly support the question you have posed about the Government's range of services.

Anne Pardoe: That is certainly an interesting idea. It would be worth exploring more whether you could include within the access criteria that a certain proportion of the population should be within X distance of particular services. It would be interesting to explore further the extent to which that would be possible, yes.

Calum Greenhow: Absolutely, we would concur. With everything that has been said, one of the things we are very concerned about is those

within rural communities and their access to services. If a post office is lost, particularly if it is connected to the last shop in the village, that last shop could be lost as well. In terms of banking, as banks continue to close and exit communities, we feel that the post office, as an experienced handler of cash, should provide the services that the banks provided, to ensure social and financial inclusion, particularly of those within rural areas. The elderly and the most vulnerable can find a place where they will be treated with respect and can carry out their business on a daily basis.

Albert Owen: That is a yes to a minimum range of services.

Calum Greenhow: Yes.

- Q11 **Sir Patrick McLoughlin:** Good morning, everyone. Can I start by asking, perhaps starting with you, Calum, whether you feel the declining use of post offices is basically a simple reflection of the changing mode in which people get their benefit payment or old age pension? Whereas at one stage it would be collected via the post office, it is now paid directly into the bank and there is a lot of internet banking going on. How much is that a reflection of what is happening?

Calum Greenhow: I would agree with that. When I joined the Post Office and took over my post office in West Linton in 1995, the Post Office had 26 million customers per week. About 13 million of those were benefit claimants, whether it was a pension, farm allowance or state benefit. By 2003, that had declined to 4 million, and now it is down to 1.2 million benefit claimants. We are very concerned about where those individuals are going to go, because the Government's plans are to cancel the POCA account beyond November 2021. What is going to happen to these people?

As a business, we are not alone on the high street in having online affect us. Rent and rates is also an issue for us, and so is declining footfall, but we can operate in an omnichannel way. There are retailers out there who are doing very well with omnichannel offerings. They started the journey—

- Q12 **Sir Patrick McLoughlin:** Sorry, what was that?

Calum Greenhow: Omnichannel is where you use online and different media as well as a physical bricks-and-mortar location. They are using that very well to drive footfall into their networks, and we should be doing exactly the same. We have to recognise that a significant section of society wants face-to-face, and we have to make sure that is there for them. We also have to remember that generation X and generation Z are coming through. My daughters are on their phones all the time. We have to recognise that, but, by using technology, we can ensure that we are relevant to tomorrow's customers while being still relevant to today's.

- Q13 **Sir Patrick McLoughlin:** Does anybody else want to comment on that?

Andy Furey: Yes. Unfortunately, there is not joined-up Government thinking between the DWP, BEIS and suchlike. The DWP is migrating

more and more work away from post offices, which is taking important revenue away. That gap then has to be filled by the Government subsidy from BEIS. We are really worried about the direction of travel here.

In terms of financial services, with the direction of travel of banks closing across the UK at a rate of knots, the Post Office could be the natural destination for a post bank. The CWU has been a champion and advocate for a post bank for many, many years. This would be very similar to the former Girobank, which was the sixth biggest bank in the UK at the time of it being sold to Alliance & Leicester. The post bank model is hugely successful across the globe. Many other postal administrations operate a post bank model. Unfortunately, the arrangement with the Bank of Ireland at the moment is not delivering. It is not ambitious enough; there is not enough imagination. Only recently, this year, the Post Office announced the closure of its current accounts.

Chair: We are going to come on more specifically to these points around banking services and the Post Office. Do not worry. There is going to be more chance to talk about those.

Q14 **Sir Patrick McLoughlin:** Do you have anything to add to what has just been said?

Anne Pardoe: Yes, I would echo what Calum and Andy have been saying. We have been seeing a big decline in access to Government services at post offices, but our research shows that younger people are more likely to use post offices for services like the pick-up and drop-off of parcels and returning mail-order items. There is hope there, I suppose, in that that is the growing part of the mail market. If they can capitalise on that, there are opportunities there.

It is also worth saying that the people who still use post offices and will continue into the future are those more vulnerable groups, who are either unable to or do not feel confident to access services online. Simply because fewer people are using those does not mean they are any less important. In some ways they are more important, as access to face-to-face services is really declining in other areas.

Q15 **Sir Patrick McLoughlin:** Calum, can I ask you a few questions about the National Federation of SubPostmasters? What are the numbers of members you have now?

Calum Greenhow: We have around 8,000 members. They operate around 9,000 post offices.

Sir Patrick McLoughlin: Where there is a post office in a branch of, say, WHSmith or the Co-op, would the people running that be members of the national federation or would they tend to be direct employees of those companies?

Calum Greenhow: You are talking about the employees of—

Q16 **Sir Patrick McLoughlin:** I am talking about the members of the national

federation. Let me be a bit more open about where I am going to come to eventually, and you might be able to answer it all. One of the problems is that, when somebody decides to retire, they will sell their business and quite often they will not find a buyer for their business, particularly if it is part of a property. I just want to get a feel for how much that has changed. That does not affect the franchise model that runs in one of the big high street chains such as WHSmith. I wondered whether you could give us an indication of what is happening there.

Calum Greenhow: Let me give you my own perspective on that. The reason I say that is that my wife and I have owned and operated our own post office for the last 24 years. I am an investor in the network, and the vast majority of members of the national federation are likewise. They are individual small businesspeople who have invested their own money in the network. For many of them, it is their pension. As you quite rightly say, they will either own the property or rent the property, but the actual business is their pension. They are looking to buy it, earn a living from it and then at some point retire or move on and do something different, and they want to get that investment out.

If I can come briefly back to the NT, you can get a post office for free now. The impact that has on the value of my business—

Q17 **Sir Patrick McLoughlin:** What do you mean by “get one for free”?

Calum Greenhow: If you want a post office and you happen to have retail, you can get a post office if you happen to be in the right location. I know you will want to talk about the NNLs or the white space. You can get that for free, and you can get the investment of installing a post office done as well. Why would you buy my business when you could go to the next town and get one for free?

To give you an idea, there are about 400 offices classed as “hard to place”. Those are offices that the postmaster has indicated they do not want to convert to the new models of a local or a mains, and they have decided to exit the business. My wife and I looked at it and we went, “If we converted to a local it would be financial suicide for us. Reluctantly, we will opt to leave the network”. Nobody in our community wants our post office. There are 400 offices of a similar nature around the country. I am in a fortunate position. I am in my late 40s, so I have time. Many of our members are well past retirement age and they have health issues et cetera. Nobody wants their office, and they cannot even give it away for free. The numbers—

Q18 **Sir Patrick McLoughlin:** Do you have any idea of the number that fall into that category?

Calum Greenhow: Yes, around 400.

Q19 **Sir Patrick McLoughlin:** There are 400 that want to get out and cannot sell their property, and we will lose a post office as a result.

Calum Greenhow: No, not necessarily. The idea is that it is “one in, one out”. In other words, if I said I did not want it, and you had retail, such

as a newsagent or a convenience store, and you said, "I will take the post office on", it would be taken from me and given to you for free. The Post Office would install the post office counter as well. That would take it away from me. The post office has not closed—it has moved from point A to point B—but my business personally would close, and that would be a loss to the community.

- Q20 **Mr Liddell-Grainger:** Can I follow on from what Patrick said? We cover Derbyshire and Somerset. I do not know—Patrick has been here longer than me—but I have lost so many post offices in 18 years. I have lost four in Bridgwater alone, one crown and three small ones. You make this point about free, but nobody is going to take these on because you cannot earn a living out of these things. I go round my rural post offices—I mean, the *Daily Mail* and others have covered it today, and it is quite scary. Can you actually make a profit being a postmaster? Forget the retail; forget the cards and all the rest of it. Can you make a profit just being a post office owner?

Calum Greenhow: In some cases, yes, but in a lot of cases—

- Q21 **Mr Liddell-Grainger:** Define "yes" and "maybe". We are politicians.

Calum Greenhow: To some extent, without actually seeing the books of every single—

- Q22 **Mr Liddell-Grainger:** No, make an estimate. You must have an idea. You are not getting away with that.

Calum Greenhow: We have highlighted this, but we did a survey of our members back in January or February of this year. We asked them what they felt about the future of the Post Office and what their plans were, and 22% said that they planned to close, sell, move on or downsize. It is getting harder and harder to earn a living. I know a lot of members are coming to me to say that they are analysing their business and the operating of the post office, and seeing that it is a cost to them rather than an income generator. That is a concern.

We need to look at a slightly bigger picture than that. In 2005, just to give you an example, income through Government services was in the region of £576 million a year to the post office. In the last financial results, that was down to £99 million. Income from Government services alone declined last year by 60% through the network. It is getting harder and harder. In 2018 there was a £17 million decline in remuneration to the network. In 2018-19 it is going to be £11.5 million. Sorry, I am giving you a lot of facts and figures. It is getting harder and harder to earn a living.

What we need—Andy has highlighted this—is joined-up thinking. We really need to ensure that is across Government and the Post Office, including Royal Mail. That is very important, because 56% of the network's income comes from Royal Mail. As we know, tomorrow they are going to be announcing their profits. What are they going to be like? Certainly, the share price is in decline. We need to make sure that the

contract with Royal Mail continues. Otherwise, we are really in serious trouble.

- Q23 **Mr Liddell-Grainger:** No, I understand your last point, and I know Andy will agree. The point about this is that you are not going to continue running anything if you are going to make a loss—you have said that about your own experience. We are basically going to see another load of post offices going. Another one in my constituency has announced that it is shutting, because the lady has got to an age where she does not want to continue. Nobody is going to take it on. Your point is right. You have put out these statistics, and all of them show that you cannot make a profit. That is basically what you have just told us all. Boil it down; take it down to a basic level. You have told us here that you cannot really make a profit out of a post office. Is that right?

Calum Greenhow: Yes.

- Q24 **Mr Liddell-Grainger:** It then really boils down to two things: Government putting in more money or, as you pointed out, more services. The other thing is the cut in services in post offices. If you try to do car tax or insurance, a lot of these little sub-post offices are not allowed to do them. What is the reason for that?

Calum Greenhow: Some of that can be client-based. The client will say, "We only want X number of post offices to do it". DVLA is one of them; passports is another one where they cannot do it. There is also the local model and the mains model. There are slightly different services provided through them. The idea of a local model is that it is quick, easy and simple, with fewer paper-based transactions. In the mains, it is more complex and there is a full range of products.

In a lot of what you have said, there are two aspects. There is Government subsidy up until March 2021 for the community network. It is currently worth about £50 million to the network. We would urge the Government to consider that seriously and, sooner rather than later, commit to funding the community network beyond that. If it stops, post offices are going to have to find that £50 million. Their aim, as they have indicated, is to have £100 million worth of profit. They are not going to do that if they have suddenly lost another £50 million. But we do not want to be totally subsidy-based; we want to work and earn a living. We want to be able to be in a situation where there are customers coming through our door.

As you quite rightly said, a lot of the services have been driven online. The Government have operated a "digital by default" policy. That is encouraging more and more people to use online rather than to come through the door. It is interesting. We are living in a society where we are becoming more sedentary. Isolation is increasing. That is having an impact on mental health and physical well-being as well. The post office is a physical place that you have to come to; you have to do what we have been designed to do since Adam, which is to talk to someone. That is what the Post Office can do. We want to encourage the Government to

bring more services through the Post Office. We want to work with Government; we want to work with Royal Mail; we want to work with the Post Office to make sure this network is viable and actually has a value going forward.

- Q25 **Mr Liddell-Grainger:** Andy, can I ask you about training briefly? Quite a lot of the postmasters need training. They cannot leave the Post Office. It is a "chicken and egg" situation. Are people trained enough? Does there need to be more training? Is that a problem? How do we do it?

Andy Furey: Postmasters do deserve, need and require training, and ongoing training, because the nature of the business changes. There needs to be decent compliance. There are all manner of things about how the posting needs to be done appropriately. But it is more about their staff, if they have staff, and the people they employ. Trying to keep their knowledge and awareness up to speed is very onerous and very costly to boot. The reality here is that the Post Office would advocate that the postmaster should make their money from their retail business and not from the post office. The retail business is subsidising the post office. That is the reality of what is happening here.

Calum talked about how the investment in property was their pension, but they cannot sell the property now so they have lost their pension. They are losing income on a weekly and monthly basis, but they have lost all their investment as well. Here is the reality. I will not apologise about this. The reality is that the National Federation of SubPostmasters and the Post Office have reached agreements on remuneration for many, many years. For Calum to say that it is now not working and that postmasters are losing their livelihoods and their pensions and not being paid enough is a little bit rich, when the fact is that the deals that have been done, promoted and advocated have been between the Post Office and the National Federation of SubPostmasters. It is a sorry state of affairs.

- Q26 **Stephen Kerr:** It is worth picking up on that point. Calum, Andy makes a fair point. You are bankrolled by the Post Office. How independent are you really, in representing the interests of subpostmasters?

Calum Greenhow: It is a good question, and it is a fair question. There are lots of organisations that are funded and supported by the main player within their industry. As an organisation, we are, without question, funded by the Post Office, but the aim and purpose of that is to focus on the network. Through that, we provide a significant number of services to help and support the network. We have two teams on the ground. A lot of postmasters have not seen anybody from the Post Office in years. Fortunately, through discussions with the federation, we have been arguing that that should change, and that is changing. Now there are some area managers, who are going to be coming round and visiting post offices to provide help and support. The federation provides a retail team and a mails team.

- Q27 **Stephen Kerr:** The subpostmasters are members of the national

federation, right?

Calum Greenhow: Yes.

Q28 **Stephen Kerr:** What is the accountability between the federation and the members?

Calum Greenhow: It is there. As a member organisation, we have branches, regions and regional directors, who are all voted on by the members.

Q29 **Stephen Kerr:** The members vote for their representatives in the national federation.

Calum Greenhow: Yes.

Q30 **Stephen Kerr:** You are receiving this money. It is £25 million over the next few years. Is that right? That is how much money you are getting.

Calum Greenhow: It was a 15-year agreement. Yes.

Q31 **Stephen Kerr:** Yes, £25 million. How much of a creature of the Post Office are you, really? How much credence should we give to the views of the national federation as opposed to other voices such as the CWU, which has a slightly different view of how things are going from the one you have been presenting?

Calum Greenhow: I have not been presenting a negative perspective, but I have not—

Q32 **Stephen Kerr:** No, you have been very positive.

Calum Greenhow: I try to be positive, because I have a vested interest as an investor in the network. I want to see the network work; I want to see it succeed. The reality is that we represent the network; we represent those who have invested in it. They hold the board to account, and the board holds me to account.

Q33 **Stephen Kerr:** We all have a vested interest in the success of the network. Let us be honest. In my constituency, I can tell you that the subpostmasters are struggling. My colleague got to the nub of the issue: you cannot make a living from running a post office. Subpostmasters in Stirling tell me that they are cross-subsidising their businesses at best, and at worst they are taking money out of their own pockets to pay their staff. It has been made worse by the closure of bank branches, because they are asked to do more and more, and they are getting less and less support from anybody. They feel abandoned.

How accountable is the Post Office in, for example, the way it allocates subsidies and set up franchises? Again, the subpostmasters in my constituency tell me that people can have a pop-up post office at a counter pretty much at the drop of a hat a few yards down the street from a business that is already struggling. What is the accountability in all this? Calum, I will give you the first response, and then I will go to Andy.

Calum Greenhow: If you are talking about the white space or NNL programme, we have challenged the Post Office since we first started to hear about it. We argued with them about it for the very reasons you have put forward. From that, we have been able to put ourselves into a position where members can come to us. We advertise. If they feel that a white space or an NNL is going to open and it is going to have a detrimental impact on their business, we encourage members to come to us. We go to the Post Office and we present their case. We are discovering that the impact in general tends to be minimal. That does not mean to say that in every case—

Q34 **Stephen Kerr:** That is not what they tell me.

Calum Greenhow: As I say, that is in general. For those where we can prove that is the case, we can help them by putting in a retail team or a mail team to help them with their business. We are also encouraging the Post Office to look seriously at whether that is the right decision to make. I would say that the Government are taking an arm's length approach to the Post Office.

Q35 **Stephen Kerr:** I will come on to the Government in a minute; let us talk about the Post Office. What accountability, Andy, do you feel the Post Office has for the way it allocates subsidies and sets up these new franchises?

Andy Furey: The strategy of the Post Office is all wrong. Personally, I think the senior leadership—I am talking at board level—needs to go. It needs a brand new approach with imagination and investment. It can be very, very successful. It is not a basket case that is ready to die. It just needs people who are innovative and want to make a success of it. The Post Office has incrementally increased its profits year on year, but it has only done so by taking that money directly away from postmasters. It is easy to do that. You pay the postmasters less money; you do not grow the top line in any material way; and then you declare a profit. The profit is coming about because postmasters are getting less and less; they are getting a raw deal. I do not believe there is accountability.

Q36 **Stephen Kerr:** Is the Government's position on this that they are not providing adequate constructive tension with the Post Office around these subsidies and so forth?

Andy Furey: The Government would say that they have an arm's length relationship and that the board is at liberty to run the Post Office as it sees fit. They would support its strategic plan, but its strategic plan, particularly with white spaces, is a disaster. While you can say to the public, "We are giving you more choice and more options; you will potentially be able to have a more local post office than you have at the moment", you can only spread the income so far. The reality is that, where you open up a white space in the vicinity of another post office, it detrimentally impacts upon that post office to such a point that it could tip it over the edge and you could lose that post office altogether.

In some of the examples I have seen of white space, they open up eight or 10 doors up the street from the current post office. There is no rhyme or reason to this. It is all just a numbers game, where the Post Office says, "We have a closure over here, but we are replacing that with a white space post office".

Q37 **Stephen Kerr:** Do subpostmasters require greater rights and protections?

Andy Furey: They do, absolutely. They need an independent trade union to represent them.

Q38 **Stephen Kerr:** Your contention is that the national federation is far from an independent voice for subpostmasters.

Andy Furey: It is astonishing. The closed shop agreements went many, many years ago. You have auto-enrolment into the National Federation of SubPostmasters. The only way you can come out of it is to write to the Post Office and say, "Do not pay my subscription to the NFSP". Most postmasters will not even be aware that they have that right. The Post Office has this arrangement with the National Federation of SubPostmasters for 15 years. Who does a 15-year contract, for a start? There is no independence there. It is the tail wagging the dog.

Stephen Kerr: I join with you in asking for the end of the closed shop. There we go. Conservative MP agrees with trade union official.

Sir Patrick McLoughlin: Yes, a Scottish MP.

Stephen Kerr: Yes, a Scottish Conservative MP as well.

Chair: On that note, we will pass to Mark Pawsey.

Q39 **Mark Pawsey:** Can I ask about the consultation involved in the processes here? We have heard from all our witnesses that this is a sector that is moving fast as people receive more and more of their services digitally. Part of that process of the diminishing level of activity is that crown post offices are being franchised out; they are being taken up by others. I am particularly interested to ask Anne whether local communities are properly consulted when that process starts. What is your view?

Anne Pardoe: We worked quite closely with Post Office Ltd, when the franchising of the crown was announced, to agree a new set of principles on community engagement for the crown franchising, because the agreement we had in place for the NTP programme had come to an end. Basically, we agreed with them that the Post Office would commit to carrying out a six-week public consultation for each crown branch that is moving to a different location.

Q40 **Mark Pawsey:** Are those carried out properly, in your view? Are the six weeks adhered to? Does everybody who is concerned get to know about it? Is it effective?

Anne Pardoe: It is fairly effective, in that people do have the opportunity to feed into that. Citizens Advice, as the statutory advocate

for postal consumers, reviews each of the public responses to consultations and brings all that feedback together to talk to Post Office Ltd about it. In the case of one change, we received over 1,000 public responses to go through.

Q41 **Mark Pawsey:** How many changes have you been involved in over the last year, for example? How extensive is this process?

Anne Pardoe: I do not have those figures in front of me. I can get back to you.

Q42 **Mark Pawsey:** Andy, would you happen to know?

Andy Furey: From my experience, there has only been one crown office that has not gone ahead for privatisation.

Q43 **Mark Pawsey:** Out of how many? How many would take place in a year?

Andy Furey: Last October, 74 were announced for WHSmith. The vast majority of them have gone ahead. There is one, in Kendal, that has not. That is in the Post Office's evidence. I do not believe—

Q44 **Mark Pawsey:** Is there any evidence that the views of local consumers and the people in the community are being listened to? In your view, is it a bit of a tick-box exercise?

Andy Furey: The evidence is that they are not being listened to. The consultation is not effective. It is a tick-box exercise. I have to disagree with Anne. In the consultations that Citizens Advice agreed with the Post Office last year, the document changed from a 19-page document to a three-page document. Brevity might be good, but the reality—

Q45 **Mark Pawsey:** This goes to somebody objecting.

Andy Furey: Yes, absolutely. The Post Office will tell you that it is not for anybody to veto its decisions and its plans. They have been before the APPG and have said that the consultation arrangements do not give anybody the right of veto. Even if every single local resident, small business and politician was up in arms over it, the Post Office's attitude is that it will go ahead and do it unless there is some demonstrable reason around accessibility.

Q46 **Mark Pawsey:** Is the consultation a complete waste of time?

Andy Furey: It is a sham. The consultation arrangements are completely and utterly meaningless.

Q47 **Mark Pawsey:** You take a less stringent view.

Anne Pardoe: I would certainly question whether it is a total waste of time. We have extensive conversations with Post Office Ltd about each of those changes and share the feedback. We have secured changes around accessibility and access. You are right: whether it goes ahead is ultimately a decision for the Post Office, and we do not have the power to stop that going ahead. We cannot enforce, if they decide to go ahead with something despite our concerns. That is true.

Q48 **Mark Pawsey:** Your organisation has a strong reputation for defending the rights of people who are disabled. What is your view about the views of disabled customers? Are there any disabled customers who are being disadvantaged by the franchising of crown post offices?

Anne Pardoe: We have found broadly across the network—this includes crown branches—that there is variation in terms of disabled people's access. You get some examples of really good practice and you get some examples of less good practice.

The difficulty is that, where a change has been made and those accessibility changes have not been made, going back and retrofitting post offices can be really expensive, particularly for small branches. We have seen that the new crown branches are more accessible than the old ones were. If they move offsite, it is an opportunity to get that right first time. We plan to do more follow-up work on the new crowns, because they are quite new. Our initial research shows that they are in line with or better than the previous version, but we are going to check on that.

Q49 **Mark Pawsey:** Andy, in terms of the process of others taking over the services that were previously run by crown post offices, if there is not enough business to sustain the crown post office, it is common sense to put it in a WHSmith, a Co-op or some other outlet, is it not?

Andy Furey: Nobody is saying there is not enough business. In actual fact, most of the crowns that are being franchised—

Q50 **Mark Pawsey:** We heard from Calum that 26 million people received services in 1995, and that was down to 1.2 million in the current year. That strikes me as a pretty huge decline. Do you want to clarify those figures?

Calum Greenhow: Yes. It was 26 million customers and 13 million claimants, and that was down to 1.2 million claimants.

Q51 **Mark Pawsey:** That is one hell of a decline. I cannot think of many business sectors that have experienced that level of decline. Therefore, if there is decreasing demand and they are not sustainable as a standalone crown post office, it is common sense to put it in another location.

Andy Furey: They are sustainable, sir. They are sustainable because they are profit-making, and they are the powerhouse—

Q52 **Mark Pawsey:** I cannot imagine any business that could be sustainable with that level of decline.

Andy Furey: The crown offices are making a profit. Let me give you two examples from the consultation. Last year, the consultation for the closure of crown offices was halved from 12 weeks to six weeks. Local councils cannot even arrange for scrutiny committees to be set up in that six-week period to scrutinise the Post Office's plans. The consultation is not working. The Post Office has deliberately reached an agreement to enable it to plough ahead regardless and try to avoid legitimate consultation.

In terms of accessibility, I will just give you one example. The Paisley crown office was in a wonderful shopping centre, all on the level, with electric doors for buggies to get in, disabled access, access for mothers with young children et cetera. It moved to a WHSmith that was on a severe gradient outside the immediate shopping centre. That is not a one-off or isolated example. Most of the crown offices are in prime city centre locations and they have great accessibility. What is being offered as an alternative is either as good as or not—

Mark Pawsey: If you have other examples, they would be really helpful to the Committee.

Q53 **Peter Kyle:** Anne, do you have any examples of where there has been a consultation on the closure of a crown post office and then, in response to how the community responded, they have decided to keep it open?

Anne Pardoe: I know of one case. I do not know where it was, but I can follow up on it. It was a case that my team were working on, and it got over 1,000 responses to the public consultation. Following that consultation process, Post Office Ltd decided to not move ahead with franchising on that occasion.

Q54 **Peter Kyle:** In the thousands of closures we have seen, you can name one where the consultation led to a post office remaining open. The consultation is just a sham, is it not?

Anne Pardoe: Those are the cases where it is moving from one location in that area to another location. The position Citizens Advice takes on crown franchising is that we look less at who is running those services and more at whether consumers will still have access to postal services in their area and whether that quality is maintained. That is what we are doing by following up with our research. We can raise any concerns we have through the consultation process, but, ultimately, whether to move ahead with that is up to the Post Office.

Q55 **Peter Kyle:** The outcome of these consultations is binary. It is open or it is closed. You cannot say you are having any influence on how something remains open or is closed in those circumstances.

Anne Pardoe: I would challenge whether it is quite that binary. If it is moving from one location in the same town to another location in the same town, there will still be a post office and it will still be providing services. We can have an impact on how accessible that branch is. We look at particular things: is there good access by the pavement? Will it be wide enough for someone with a wheelchair or a pushchair? I am not here to defend POL's consultation process. I can talk about the role we play.

Q56 **Peter Kyle:** What you cannot do is give any definitive evidence on whether the community has specific power in this. If there is only one closure that has been avoided in this whole process, how in any way could you say that the community the post offices serve has any influence over how the closure and restructuring is being undertaken? Why have a consultation in the first place if it just gives false hope to a

community?

Anne Pardoe: That is a fair challenge, which you probably need to—

Chair: Yes, maybe that is a challenge to put to the Post Office rather than Citizens Advice.

Anne Pardoe: It is a fair challenge. We do the best we can with the arrangements we have. I would say that we had to fight quite hard to maintain our role in that consultation process following network transformation. It is fair to say that we were not automatically included in that. We fought quite hard for the consultation that is there. Is it perfect? No, but, if the Government wanted to give us more powers for veto, I am sure we would be happy to talk about that.

Q57 **Peter Kyle:** Citizens Advice will always participate, however strongly you feel about the process itself. You think being inside is always better than walking away from any process like that.

Anne Pardoe: There is value in being part of that process, gathering all the feedback that has come in and pushing Post Office Ltd on that. If we are not doing that, who is? That is not the limit of the work we do on post offices. We do lots of research looking at consumer experience, both with new branches and traditional ones. We raise concerns about disability access. As a result of our work in that area, Post Office Ltd has updated and improved the information on disabled access on its website and is now going to look at introducing spot checks on that. Our involvement in post offices is not just limited to that community engagement. You need a rounded picture of that.

Q58 **Peter Kyle:** Calum, what is the impact on a community when it switches from being a crown post office to a subpostmaster arrangement? What are the advantages or disadvantages for the business itself and for the community around it?

Calum Greenhow: The whole point and purpose behind the Select Committee asking for evidence is the simple reason that we discussed earlier on: it is harder and harder to operate a post office. When you are running a business, in essence it comes down to the net profit. There are costs associated with providing these services. I will come to your point, but I just want to provide some detail on this point. Rent and rates on many high street properties are increasing. The chairman of Tesco has recently come out looking for a levy of 2% on internet shopping for the purpose of providing a subsidy for the high street. What we know quite clearly and categorically is that the high street is becoming a far, far more difficult place to operate. These crown offices tend to be on the high street, but not necessarily always. Quite often they could be associated with Royal Mail, so they have Royal Mail sorting offices to the rear and a post office at the front.

If I think about where I was brought up in Falkirk, the main post office used to be down Grahams Road and about a mile from the high street, where all the shops were. It was recently converted into a franchise office, and a postmaster took that on and moved it into the shopping

centre. It has gone on from there. For many post offices, in moving from point A to point B, they are remaining on the high street and remaining part of the community. The service that is provided—I think Citizens Advice would agree with me, because this is your research—within a franchise office is no different. Sometimes it can be better than the one that was provided within the crown office.

Q59 **Peter Kyle:** Are franchises able to strike a better deal with the Post Office than a one-off subpostmaster?

Calum Greenhow: We are assured by the Post Office that that is not the case.

Q60 **Peter Kyle:** Are there any differences in terms and conditions, pay or anything else you have noticed between a franchise and a crown post office?

Calum Greenhow: There should not be.

Q61 **Peter Kyle:** Andy, what differences have you noticed in the move from a crown post office to a subpostmaster?

Andy Furey: First and foremost, there should be a healthy mixture between privately owned sub-post offices and the crown network. The Post Office unfortunately is driving the policy towards eradicating all crown post offices. If this is not arrested, in two or three years' time we will not have one crown office left. Across the political spectrum, all MPs oppose their crown post offices being closed down. I have had letters from many MPs from different political persuasions saying that they are losing a fabulous service.

This is more sinister than it looks. With the time left, we probably cannot do justice to it, but the Post Office is embarking on TUPE avoidance by offering settlement agreements using taxpayers' money. Part of the Government subsidy is used to pay off, via settlement agreements, with a legal document, the people leaving employment. Those people leaving employment, which is approximately 99% of the directly employed people, are being replaced by people on minimum wage with appalling terms and conditions compared to the pay and terms and conditions of our members. They are not on fabulous terms and conditions, but at least they are trade union negotiated year on year and they are relatively well paid jobs. They are being dumbed down to the point of minimum wage, minimum annual leave entitlements and no pension arrangements.

To make matters worse, for the people who are being TUPE transferred, WHSmith is refusing to give us automatic trade union recognition. We will probably have to take WHSmith to court to win the right to have trade union recognition for those TUPE transferred workers.

Q62 **Peter Kyle:** Is there a skills difference between the people working at a post office counter and those working in the standard retail environment, in a convenience store, for example?

Andy Furey: Absolutely, there is a phenomenal difference in skills and in knowledge, expertise and corporate knowledge or history. When a franchise is announced, we always find out the combined amount of service people have done. Invariably, on average it will be between 20 and 30 years' service. All those people working in the back of the crown post office will have had many years of serving the public. It is a service; it is a community service. That is replaced overnight with new, younger employees. That is fine. We all support younger people getting jobs, but they do not have the knowledge, history, expertise and experience of the staff they are replacing.

The people who lose out in this are the public. They are provided with an inferior service, because you cannot replace, overnight, hundreds of years of experience, knowledge and expertise with people who do not know the job. To do that job professionally, to do that job effectively and to give the first-class quality of service that the public require, you need experience and expertise. This TUPE avoidance, by offering these settlement agreements using taxpayers' money, is giving the customer a raw deal.

- Q63 **Sir Patrick McLoughlin:** If I have one second, people who work in post offices would not be part of the National Federation of SubPostmasters; they would be members of your union.

Andy Furey: Absolutely, yes.

- Q64 **Sir Patrick McLoughlin:** How many members of your union at the moment work in crown post offices?

Andy Furey: It is about 2,000 now. It is declining week on week, with each franchising that is going on.

- Q65 **Sir Patrick McLoughlin:** On average, what would a crown post office employ as opposed to a national federation post office? What is the number employed in a crown post office?

Andy Furey: Most of our crown post offices will have 10 to a dozen employees. That is on average, and a mixture of part time and full time.

- Q66 **Albert Owen:** Can I come to this issue of joined-up thinking, which we were talking about? We are talking about many areas here, and you have heard colleagues from across the country and across the parties talking about reduction in services and possible financial exclusion. We see banks closing at an alarming rate, and they are private enterprises. Many of those consultations indicate that the Post Office will take up the slack and that banking services will be transferred over to the Post Office. That is not the case in reality. Many of them do not have the facilities to do that. Is the Post Office currently providing adequate banking services? I would like your opinion briefly. I realise we are going against the clock.

Calum Greenhow: We would love to see us doing more. At this moment in time, all we can do is cash withdrawals, cash deposits and cheque deposits. We would love to do more, and we are set up and geared to do it. As we mentioned earlier on, we dealt with 13 million claimants per

week; we are used to handling cash. Our infrastructure is set up to deal with cash. The difference now is that, rather than giving the cash out, we are taking the cash in. The movement of cash between post office depots and actual post offices is still the same.

Q67 **Albert Owen:** Where is the blockage here? You say, "We would like to do more".

Calum Greenhow: At this moment in time, the services we can do are done through LINK. For us to do more would probably involve a totally different infrastructure and access to the actual banking network, to be able to access people's bank accounts. We would love to do more.

Q68 **Albert Owen:** For clarity, when I have asked this question in the House of Commons, the Government's response is that, when banks are closing, there are still equal facilities available in post offices. That is not the case.

Calum Greenhow: No, definitely not.

Anne Pardoe: I would echo that there is a potential for post offices to do more when it comes to banking, but our research shows that consumer awareness of the existing services is really low, so take-up is low. We also have some concerns as to the quality of the services that are being offered at the moment. For example, our mystery shopping found that 23% of staff were unsure how to complete banking transactions and a similar number of our mystery shoppers were unable to access services that they should have been able to at different post offices. There is an issue there that people need to be made more aware that they can access services in this way. If they are going to be a success they need to be attractive to people and easy to use, but also people need to be protected. The issue Calum raised is a valid one, as to whether, if they were going to do more complex banking transactions, the smaller branches would be able to do that.

Q69 **Albert Owen:** I wonder about privacy and confidentiality. Again, of the people who come and use your service, many will be quite vulnerable and they will have a lot of cash as opposed to the online digital services. Is there the same suitability in the post offices that they have in the banks when it comes to confidentiality and privacy? This is an issue that constituents raise with me, the lack of it.

Anne Pardoe: That is something that comes through in our research. We have not looked specifically at whether a post office can securely hold cash, but people have concerns about privacy measures and whether they would feel comfortable going up to the counter in a convenience store and talking about their banking services.

Q70 **Albert Owen:** Mr Furey, on that, you have the crowns closing now, they had those facilities. If somebody wanted to do private, confidential business they could go to the back room. That is not available now. With the additional banking services in the WHSmiths, Co-ops and others that are hosting these services, it is not available, so is that the issue for you? You see the concerns about the individual now wanting to use banking

services. The banks have closed, the ATMs have closed and they are told to go and use the post office, which is often located inside a department store.

Andy Furey: If we want the Post Office to be sustainable and viable, banking services is the way to go. I get the point about the privacy and people having confidence about doing their private finance across the post office counter, but we need to plug the gap of the decline in Government income from the DWP, et cetera, and there is only so much income coming forward from Royal Mail. Much more banking services need to be done at post office counters across the whole of the network, but the postmasters need to be better paid for that. In the current banking framework that the Post Office has with banks, it hides behind commercial confidentiality but my belief is that the Post Office is putting the lion's share of that revenue, income and profit into its coffers and not sharing with the postmasters in a fair and reasonable way.

Q71 **Albert Owen:** My point is that, currently, you have privately owned banks closing down for corporate reasons. I do not think this has been mentioned thus far in this session; I am sure it will be in the next session, but the Government own the Post Office. It has a social responsibility, and financial exclusion can be a social ill as well. Do you think that is declining? With regard to better service and better training, should there be financial hubs and could the Post Office run them?

Andy Furey: Absolutely, yes. Part and parcel of our proposal for a post bank is to have financial hubs and have proper banking services where we have mobile people who can visit sub-post offices and support the customers. There needs to be imagination. There needs to be a new, vibrant way of doing business to replace the vacuum left by the closing banks. Unfortunately, today's Post Office management only looks at tomorrow's profit, not what is going to happen in two, three, four or five years' time. There is a lack of vision.

Q72 **Albert Owen:** What about the shareholder, the Government? They have responsibility as well.

Andy Furey: The position with the arm's length policy is the wrong position. The Government need to take more ownership and more leadership, and give greater direction on where the Post Office is going. After all, it is part of the fabric of society; it is an integral part of UK life. Seventeen million visits are still made every week to post offices and it is people who are disadvantaged in society, the 4 million people unbanked, but it is also many small and medium enterprises that visit. The Post Office is a lifeline for those businesses. We need to invest in the Post Office. It needs a vibrant future. We need better leadership and better investment.

Q73 **Chair:** Coming back to the point of financial and banking services, Calum Greenhow, can you offer services for all banks and building societies at the Post Office?

Calum Greenhow: Most accounts we can deal with. In fact, I was working on counter yesterday and I had two customers come in, one with a Tesco account and the other M&S, and they were unable to withdraw cash, which is what they were coming in to do, so there are a few.

Q74 **Chair:** Why is that? Is it the fault of Tesco Bank and M&S Bank that you cannot provide those services?

Calum Greenhow: You would need to ask the Post Office about the banking framework and why Tesco, M&S and a few smaller subsidiary investment banks are not willing to be part of that. Nationwide as well does not want to be part of it. There are a number of customers coming to us with savings accounts they want to withdraw from, which they cannot do either. There are a range of services that cannot be accessed, but what is important is that 135 million customers use banking services at this moment in time, which generates around £30 million to the network per year. With the increase in the banking framework that is due to come in on 1 January next year, that will rise to £60 million. If I can be a little bit political, the CWU's proposal, as far as the post bank, will take that away.

Q75 **Chair:** I did not ask about that. I have a couple of other questions and we do not have long, so please stick to the questions that I am asking. Calum Greenhow, you said that you can provide LINK services. What services can you not provide at post offices?

Calum Greenhow: A number of people come in and ask for store cards or credit cards. They would like to be able to do that and for whatever reason—

Chair: You mean to make payments to them.

Calum Greenhow: Yes, to make payments to them. We cannot deal with savings accounts, so if people want to take money out of their savings accounts and transfer it to their current account we cannot do that. If they want to set up a standing order or cancel one, even open a bank account or close a bank account, we cannot do that. We are anti-money laundering trained, so it is something that we could easily do.

Q76 **Chair:** You said that £30 million went to the network last year for providing banking services and you hope that that will go up to around £60 million. Is that money paid by the banks to the Post Office?

Calum Greenhow: Yes.

Q77 **Chair:** How much of it is then seen by the—

Calum Greenhow: That is what I am saying, to the network. I do not know how much the Post Office is getting paid. What I can say is, if you look at the financial accounts, it made £215 million from financial services in 2017-18. There was an increase of £20 million for banking services, but only £3 million made its way through to postmasters. In other words, the Post Office kept 85% and we got 15%. As to specifically how much they are getting paid by the banks, that is not information I have.

Q78 **Chair:** Yorkshire Bank is closing in Bramley, in my constituency, shortly. When a bank closes, what obligations does it have to work with the local post office? There is a post office in Bramley shopping centre, which is struggling at the moment. I am sure it would be pleased to have some extra business, but what responsibility does Yorkshire Bank have to work with the local post office to ensure that its customers still get the services they need?

Calum Greenhow: They are supposed to let their customers know what services can be provided at the local post office. I am in exactly the same situation where I live; the Bank of Scotland closed, so we do not have a bank in the village at all. We do not have an ATM or access to cash. When that bank closed we spoke to as many of our customers as we possibly could, to let them know what they could do.

Q79 **Chair:** Is there any obligation on the bank to provide training? One of the issues you have both raised, Andy and Calum, is that staff in post offices do not always know how to provide a service or what services are provided. It would seem sensible, if a bank is closing, and far too many of them are, in all of our communities, that they have an obligation to go in and train the staff at the post office. Does that not exist today?

Calum Greenhow: No.

Q80 **Chair:** Is that something you think would be useful?

Calum Greenhow: It certainly would be. A greater understanding of exactly what banking services are being lost to the community and that could be provided via the post office would be of benefit. As far as remuneration and footfall are concerned, it would have a positive impact.

Q81 **Chair:** Are you saying that for savings accounts you would not be able to pay in, withdraw or transfer money between a savings and a current account at the post office?

Calum Greenhow: Yes.

Q82 **Chair:** People who save with Yorkshire Bank will not be able to put money into their savings account at the post office.

Calum Greenhow: Yes. We can do it for current accounts. In other words, if you have two current accounts you can take it out and put it in, but for savings accounts, no.

Q83 **Chair:** That is very helpful. Thank you very much, all three of you, for giving your evidence. You have seen the interest in this area, which is why we have overrun, but it has been worth it. Thank you very much for your time this morning.

Examination of Witnesses

Witnesses: Carl Cowling, Edward Woodall and Alisdair Cameron.

Chair: Thank you very much to the three of you for giving evidence this

morning and for listening to the previous session, which was probably useful so that you get an idea of some of the questions that might be coming your way shortly.

Q84 Sir Patrick McLoughlin: Alisdair, can you tell me how important you regard the Post Office network as?

Alisdair Cameron: It is fundamental to the fabric of our country and, if you look at our submission, we tried to make that very explicit. That is why we are running post offices, to sustain that network and not leave our customers behind.

Q85 Sir Patrick McLoughlin: Hearing the evidence we have just heard this morning, why would anybody want to run a post office? It seems that you are determined to screw their overheads as much as possible and then a bit more.

Alisdair Cameron: We are maintaining a national network and we have increased opening hours for our customers. I am very clear, and it was clear in our submission, that the balance of all the people we have to keep engaged with post offices has tilted too far away from postmasters. That is why we have already announced an increase in banking deposits that will be worth about £17 million a year. That is why I have also announced a full review of agent remuneration, postmaster remuneration, to take place over this summer. We are just completing quite a long renegotiation with the banks for the second phase of the banking framework; that will raise more money. We are looking across the piece at postmaster remuneration and we completely agree that we have to make it more valuable for postmasters.

I would point out, though, on some of the minimum wage points, while it absolutely makes the underlying point that Calum makes and I agree with, that there is real value in the extra footfall that post offices bring to people's retail offers. It can be 20%, 25%, 30% higher sales in retail and you have to take that into account in looking at the proposition. That is why a lot of postmasters do operate post offices and without that, I agree, we are very clear and we have been clear for years that standalone post offices are not usually financially viable. It needs that retail support.

Q86 Sir Patrick McLoughlin: But you are incredibly strict, as an organisation, with the way in which subpostmasters have to run the post office wholly, totally separate in all their finances. If you suddenly had a spot check from somebody from the Post Office and there was money in different tills that was possibly Post Office money, you would end up taking their licence and their contract away from them, would you not?

Alisdair Cameron: That is not quite right. We do run off separate tills, but we are working on versions of the software we can run on single tills, particularly for smaller post offices, so it is easier and cheaper to run and that will be coming through.

In terms of cash, we provide national access to cash for everyone right across the country. That means, at times, postmasters have a great deal

of taxpayers' money sitting in cash and it is really important that that is properly controlled so, yes, there are rules about how they manage that cash. When we come out and count the cash, if it has just been misplaced and we find it there, it really is not a big issue. It is a bit of training and saying, "Can we do it this way?" It is not quite as you describe.

Q87 Sir Patrick McLoughlin: Well, that certainly was the experience I have had in the past, but perhaps that has relaxed somewhat.

We have had evidence of post office income dropping from £35,000 to £12,000 for the work they do for the Post Office, yet their work in time has increased substantially. Would you accept those figures or would you say they were inaccurate?

Alisdair Cameron: Postmaster remuneration overall has come down, for two reasons: mainly because we have taken down a long way the fixed fees that people got from running standalone post offices that were not viable; we have integrated those offers with retailers, so it should be viable overall. The variable fees have not increased to replace that and the Government services revenue has been under pressure. If you look at post office income overall, it has stayed relatively stable and the good news is, last year, it grew by 2%. I think it will grow by a similar amount this year and more next year, so we are starting to turn it. Last year, transactions—sessions in post offices with customers coming in—fell by 1%, so I think we are starting to bottom out on that.

Q88 Sir Patrick McLoughlin: What would you say to subpostmasters? Would you say that you accept they have had a rough deal and you hope to get them a better deal or would you say that they are going to get more of the same over the next five years?

Alisdair Cameron: So we are very clear, we have already announced an increase in banking deposits that will be worth £17 million a year. We are reviewing agent remuneration over the summer, end to end, to make sure it is really sustainable and joins up the online with the in-branch work. We will know by the end of June what the new banking framework arrangements are, but they will represent an increase. I am confident that we will be presenting something that is more attractive for postmasters and it is not just the amount they earn. If we can reduce the need for separate tills, the effort of running a post office, the hours you have to employ staff, and we are doing a lot in that space at the moment, you also reduce the cost of running a post office. Therefore, it is easier for them to make a profit and that is, strategically, absolutely what we have to do.

Q89 Sir Patrick McLoughlin: When are they going to see the results of this review?

Alisdair Cameron: They will see it in the autumn; that is what I have said, and we will see new remuneration from 1 April next year, but the higher banking deposits, worth about £17 million a year, we have

committed to start from 1 October, so three months before the banking framework change.

- Q90 **Mark Pawsey:** To follow up, Mr Cameron, you have told us that the revenue and income to postmasters is falling. You have justified that by saying that, if they provide post office services in an outlet, they get the extra footfall and you have told us that that is 25% to 30% higher. That is very difficult to calculate. What steps are you taking where a retailer with multiple outlets suddenly decides that it is not worth having the post office in one of them? What controls do you have over preventing that move, often from a crown post office into something else, where they suddenly decide that it is not worth having there any more?

Alisdair Cameron: For all our postmasters, whether they are running one post office or, in a few cases, hundreds of post offices, we are constantly in dialogue with them to try to make sure the proposition is working for them. I have talked already about some of the ways we are trying to do more. For our bigger corporate partners, of whom there are a few, we are in dialogue all the time and the reason we have picked them is, generally, they have an enormous commitment to being on the high street, they are trading profitably and we have some confidence that they will stay there. Nothing is ever guaranteed. We have had one example of a multiples provider going bust very suddenly because it got its numbers wrong and we were able to keep all those post offices running.

- Q91 **Mark Pawsey:** Is this where the entire business failed?

Alisdair Cameron: The entire business failed.

- Q92 **Mark Pawsey:** How many post offices?

Alisdair Cameron: It was about 50 post offices and we were able to keep them all going.

- Q93 **Mark Pawsey:** Mr Woodall, many of your members will run post offices in addition to their local store. How do they see the challenges in keeping a post office service open when they are facing wage and rent increases?

Edward Woodall: You have identified the key challenges for them. Lots of things have happened around the change in the high street generally. Retail is not an easy place to be at the moment; there is lots of restructuring and changing consumer habits in how they consume products and services, but the fundamentals are that the cost base of the business has changed. Business rates is one area where we have seen an increase, particularly for multiple retailers, where they do not get any reliefs even though they are small sites.

The biggest driver is the national living wage. That is going up just above 4% annually, but at the same time the commissions in other services that they provide are not going up at the same rate. That provides the challenge because, as a business, you would probably try to look at the product mix and say, "Okay, well, I am going to promote this higher-margin product" or, "I am going to put this there". You do not

have that option with a post office or any other services. All you have is the ability to try to run it more efficiently.

- Q94 **Mark Pawsey:** Do your members benefit from the extra footfall that Mr Cameron told us about? Would your members accept that they get 25% to 30% higher retail sales because of the fact that they are operating a post office? Therefore, to take the analogy you have just given, are they happy to offer post office services pretty much at a loss in order to generate the extra turnover derived by the post office being there?

Edward Woodall: I would not put a number on the benefit around footfall; it is very difficult to determine.

- Q95 **Mark Pawsey:** Mr Cameron, where does 25% to 30% come from?

Alisdair Cameron: I said "typically". I was talking to a postmaster last week who had just brought a new post office in and he said 35%. It is difficult to manage, but my point was less about the specific number and more about the principle. Looking at any retail operation combined with a post office, if you only take the earnings from the post office, they will be small, because running post offices on a standalone basis is not remunerative. What we see is benefit in the footfall for retailers.

- Q96 **Mark Pawsey:** Let us go back to Mr Woodall on that. Do your members accept Mr Cameron's assertion that there is an increase in footfall and it offsets the cost of providing the post office services?

Edward Woodall: There is a benefit of hosting alongside a post office and, fundamentally, that is what convenience stores are about now. They bring together services that are not necessarily standalone businesses any more; they bring them into one place and that drives more footfall despite them being low margin. Determining the value of footfall around a percentage is difficult, because lots of service providers will say that you have this service and of course there is some knock-on footfall, but it is very hard to quantify. That said, from our research from consumers, there is a very clear perception of a positive association with the Post Office brand. Over the last four years, our research has shown that the most desired and most valued services in communities are a post office and a convenience store. I agree, in part; I just think it is very difficult to put an exact figure on the value overall from additional footfall.

- Q97 **Albert Owen:** The three of you watched the previous witness questions and mine is the same to you as I put to them. I will start with Mr Cameron, with regard to his statement about the Post Office being the fabric of society—and I agree with that statement. Therefore, I will ask the same question that I asked the previous panel: how truly national is the Post Office in terms of its outlets, its products and the services that it provides and should people in remote areas get the same services as people in towns and cities?

Alisdair Cameron: It is national and that is what the access criteria are there to show. It operates right across the country and you have seen all the evidence of that. We are 93% within a mile, and that is a national number, and 95% of all the services we provide are available in all post

offices—so, the vast majority of services. There are services of general economic interest that, under our rules from Government, we have to provide at every post office. Broadly, we have to provide them in at least 11,000 locations and we do, around cash, banking and mail. The core services are national and they are there for everyone, everywhere.

The issue is on outreach and I understand the concern on outreach, because we are saying, “You used to have a nice bricks-and-mortar shop with a retailer who had a post office and now it is someone coming to a village hall or a van for a couple of hours a week”, but that is because the customer demand is really small. You may get a case where it is the last retailer in a village somewhere remote who decides to retire and the shop is their front room, so they turn it back into their front room. They do not want a shop in their house and there is no retailer there. In those sorts of circumstances, to put a whole shop in just for a very small amount of post office customer demand would be disproportionate. But, whereas every commercial institution would just withdraw the service, we do not leave customers behind, so we will put a van in or come to a village hall, if there is one, to make sure that we carry on looking after those customers and we do subsidise that process.

Q98 **Albert Owen:** You say the demand is down. Quite often, to be honest, what I have found with you and with banks is that, when they announce closures, they say that the footfall is down, but they reduce the hours, so there is less availability for people who have different working patterns.

Alisdair Cameron: You know that is not true of us, because we have given you the evidence that we have significantly increased opening hours across the network over the last 10 years.

Q99 **Albert Owen:** You have, but when you made the assertion that they needed to close you said that there was a reduction of services. Banks say this as well and yet the hours were not flexible hours that modern working people demand. You say you are increasing them to Sundays and Saturdays, but I have to challenge you on this. Not every area across the country has those extended hours, which is why I am asking if it is national. Do you have national minimum opening hours?

Alisdair Cameron: No, we do not. We try to provide the opening hours to meet customer demand reasonably cost effectively—

Q100 **Albert Owen:** How do you gauge the customer demand? This is an important point, because it seems to be very top down. You have closed 74 crown post offices across the country in one swathe, but very little research is done in those individual areas about the demand.

Alisdair Cameron: We know what customer demand is, because we know what transactions we have been doing over the years and we know what we are doing now. Before we change anything, we know what the customer demand is today. If we say we can go in a town centre from five point of sale terminals to three, it is because we have modelled the demand, and not just in total but all through the week and where its peak is.

Q101 **Albert Owen:** We have heard from the Post Office on the convenience stores. Do you recognise that and is there a national framework that your members can adhere to? Do they have the training and facilities to provide a truly universal service across the United Kingdom?

Edward Woodall: Twenty-three percent of convenience stores offer post office services. That obviously could be a different offer in terms of mains versus local; local has about 90 versus 129 across the mains, so there is a slight difference there. Of course, opening hours will vary across different convenience stores. Generally, the average hours are 7.00 to 11.00, but that will change. Broadly, for the core services, the service provision and customer satisfaction seem to be quite high, based on Citizens Advice research. Yes, from our members' perspective, I would say we are delivering the core services in those businesses.

Q102 **Albert Owen:** Do you agree that the availability of services and products should be one of the Government's minimum access criteria? Do you think the Government should have that criterion?

Edward Woodall: It is certainly one to look at: what are the core services that post offices, as a minimum, have to deliver? What is the value of a convenience store to the local community and the post office within it? It is the vicinity to where they work and live—so location is quite important and probably the primary driver—but products will play a part in that as well.

Q103 **Anna Turley:** There are quite substantial subsidies from Government to support the Post Office, but the Government have been very clear that they intend to reduce the subsidy from £210 million to £60 million in 2018-19 and possibly even further from that. How realistic do you think it is for the network to be self-sustaining in the long term? Do you think that is going to be feasible?

Alisdair Cameron: To be truly sustaining, the network has to satisfy a number of different groups. We have to provide value to customers. We had 850 million transactions in branches last year. We have to keep customers coming back, because of both the products they pay for and the ones they get for free, like cash. We have to also create enough value for those clients whose products they are—the banks, the utility companies, Royal Mail—to keep wanting to use the Post Office as a distribution channel.

Out of that commercial activity, we have to create enough value for postmasters, and we have said we have tilted it too far away from them and there will be more, and there has to be enough left over. We talk about profit, but that gets reinvested in the business. We provide access to cash, picking it up, bringing it back—it is dangerous and difficult work—all across the UK for free, for postmasters. We provide all the computer systems free, the security equipment, the support. We work with 16 different regulators and that all needs to be funded as well.

We are maybe two-thirds of the way there. With the extra banking framework money and with some of the other things we can do with

clients. We can get to a point, over the next two or three years, where we are commercially sustainable, but there is a real question for us about the longer term, five or 10 years: in a rapidly changing world, what is going to bring enough customers into physical post offices? That is something we are just starting to work on.

Q104 **Anna Turley:** WHSmith, what support do you get from the Government for running post offices in your stores? Do you receive anything directly?

Carl Cowling: Broadly, how it works is that, when the Post Office talks to WHSmith about potential sites, and that is always normally in large towns, we do a study of our stores. We normally free up about 2,000 square foot of space, so there is quite a big cost of space to us. We do quite a large refit; on average, we spend about £100,000 refitting our stores. Obviously, our responsibility is the cost of staff and a share of the occupancy cost. On the other side of the equation, we get payments from the Post Office for all the different services that we sell and those two knit together. Broadly, that is how our arrangement works and we have a direct relationship with the Post Office on all those things.

Q105 **Anna Turley:** But you do not have a direct subsidy from Government.

Carl Cowling: We do not have a direct arrangement with the Government. We always deal directly with the Post Office.

Q106 **Anna Turley:** ACS, on that point, how important are Government subsidies and support for the post offices that your members run?

Edward Woodall: Some of our members, our independent retailers who are in rural locations and community branches, will get some money that is subsidised, so there is some direct correlation there. I suppose my message around subsidy and, indeed, the ambition to make more profit is that it cannot be done at the expense of the retailers who are delivering the service on the ground, because ultimately, as was discussed extensively in the previous session, if the service cannot break even or turn a profit, it is going to be challenging to deliver that. Therefore, I would urge caution on that side and will repeat that retailers cannot be the release valve for reducing that subsidy in the future.

Q107 **Chair:** Let me ask some questions of you, Carl Cowling, and congratulations on your promotion, which we heard about this morning.

Carl Cowling: Thank you.

Chair: You look a little happier, but now I have some questions. In our report on small businesses published last December, we noted that you have standard payment terms of 90 days and you are not a signatory to the prompt payment code. Why is that?

Carl Cowling: With regard to our payment terms, 75% of our invoices occur within 30 days, and we are quite close to the prompt payment code in that 87% are within 60 days, but in my business there are a lot of different categories. On the one hand, I have newspapers, which I bring in and I sell daily and am paid for very quickly. On the other hand, I have

some really big categories where stock turns sometimes only twice a year, cards for instance. When we buy cards into our business we probably, on average, will not sell those cards for 180 days, so in some cases we have a different economic model with our suppliers, and for that reason we do have some more extended payment terms. As I say, for 75% of our cases we are below 30.

Q108 **Chair:** Can you see that is very difficult for suppliers to your businesses, which of course have produced the merchandise that you want in your shop? You want that reliable service, so if somebody comes in and they want to buy a 100th birthday card, or whatever it might be, it has to be there and available to them. The person has incurred the cost in producing that and getting it to your shop, and yet you might not be paying them for 90 days.

Carl Cowling: That is just the standard economic model we have on some of those categories, and it works well for suppliers and for us. There is a share in it really, because, albeit they get paid later, we probably will not take any money into our tills for half a year, on average, so it kind of nets out. We treat all our suppliers very fairly; we do not have any issues.

Q109 **Chair:** You do not have any plans to be a signatory to the prompt payment code.

Carl Cowling: For that reason, no, but as I say, we are very close: 87% are within 60 days. It is only a few very specific categories that stop us from doing that and those are for industry reasons.

Q110 **Chair:** Can we trust you to provide high-quality post office services and use reasonable payment terms for those services?

Carl Cowling: Yes, of course you can. We have had a very good and long-standing relationship with the Post Office since 2006 and we provide really good post office services.

Q111 **Chair:** Anything that is used by a post office counter in a WHSmith you will pay for, will you, within the 60 days required by the prompt payment code?

Carl Cowling: We pay for all our post office services within the standard terms, yes.

Q112 **Chair:** For your post office work you would, in effect, be a signatory to the prompt payment code.

Carl Cowling: I need to check the absolute specifics of all the different payment terms within the post office, but I do not see that being a problem, no.

Q113 **Chair:** Well, I would like to see that, because we think that being a signatory to the prompt payment code is a sign of a good and fair retailer. Which? has rated you for eight years as among the worst two high street retailers and I think you have topped that table on a couple of occasions. Do you understand why Which? gave you that rating?

Carl Cowling: The first thing I would say about the Which? report is that it takes a very small sample of customers. Last year, it was 184 customers and we serve 3 million customers a week, so the statistical limitations are very misleading and we have pointed that out to them.

Q114 **Chair:** It is still a bit of a coincidence that, for eight years in a row, whether it was a small number or a large number of people they spoke to, it was just some sort of random statistical effect.

Carl Cowling: It is still a tiny number, though, out of 3 million customers and it is not what we see on the ground. We have been on the high street for over 200 years and we have some very old stores on our high street. We invest a lot of money in our high street stores, unlike a lot of high street retailers out there at the moment. In the last 12 months, we have spent over £20 million on our high street stores, and we have some fantastic-looking stores and fantastic people within them. The reality is, though, that we have some high street stores where it is just not economic to invest money in them, but we keep those stores open and we have a really good, sustainable, profitable business. That allows us to have a network of 600 stores and to employ 7,000 people across our high street business. But that does mean that you could come across a WHSmith store where you might think that the fabric of that store is a little bit untidy sometimes.

Q115 **Chair:** Did high street sales increase or decrease last year for WHSmith?

Carl Cowling: Our high street sales decreased slightly, but it was our second best result in a decade. The good thing about my business is that we have a big growth category within the business in stationery. That category is growing and we are seeing our year-on-year declines shortening.

Q116 **Chair:** Do you pay rent on all your high street stores?

Carl Cowling: Yes, we do pay rent for our stores.

Q117 **Chair:** I thought there was a story that you were not currently paying rent on three stores; you had come to an arrangement with your landlord.

Carl Cowling: To be clear, sometimes there will be negotiations with landlords where it is not economic for us to be in certain stores but the landlords would rather have us stay in those properties.

Q118 **Chair:** Let me ask my question again then: do you pay rent on all your high street stores?

Carl Cowling: There will be some stores where we would not pay rent.

Q119 **Chair:** So you do not pay rent on all your high street stores. You have given me two different answers, so it is just to be clear.

Carl Cowling: For the vast majority we do, but there will be some stores where we do not.

Q120 **Chair:** There are some stores where you do not pay rent and that is because those stores are facing economic difficulty.

Carl Cowling: We still pay business rates on those stores.

Q121 **Chair:** Fine. In any of those stores where you do not pay rent, do you have post office counters?

Carl Cowling: I am not sure, to be honest with you.

Q122 **Chair:** Can you come back to me with the answer to that question?

Carl Cowling: Yes.

Q123 **Chair:** Thank you very much. When we took evidence in the earlier session, you will have heard Andy from the CWU saying that they may have to take you to court about recognition of trade unions at WHSmith under TUPE terms. Will you be recognising the CWU?

Carl Cowling: I was quite surprised by that. We have excellent relationships with unions. We do recognise the CWU. We do not recognise it, though, for collective bargaining, because, to my knowledge, there are only 30 paid-up members. Across the high street business we employ 7,000 people. Within post offices within the high street we employ over 1,000 people. We have collective bargaining in place with the RBA, the GMB and Unite and we have good relationships with all of those. Of course, if the CWU has more members within our business we will re-evaluate that.

Q124 **Chair:** You can see the issue here, can you not, Mr Cowling? Staff are transferring to your stores and, while they would have represented the vast majority of workers in their previous employment, they have now been TUPE transferred over and they are just a small part of your business. They have gone from a situation where they were recognised and could negotiate on behalf of their members to a situation where they are not able to negotiate on behalf of their members. If you have excellent relations with trade unions, you will understand that for a trade union that is not a very good deal, is it?

Carl Cowling: In terms of collective bargaining, out of 1,000 people who work on my post office counters in WHSmith, if only 30 of those are represented by the CWU, you would not enter into a bargaining arrangement with them. As I say, if there are more members, of course, we will look at it. Of course we will.

Q125 **Chair:** So the staff who are being TUPE transferred over to you will lose the ability to have their terms and conditions negotiated by a trade union.

What is the hourly rate for new staff joining to run your post office services?

Carl Cowling: We have different rates of pay, but typically we pay the living wage, in line with a lot of retailers on the high street.

Q126 **Chair:** Are you an accredited living wage employer at WHSmith?

Carl Cowling: How do you mean, sorry?

Q127 **Chair:** There is the Living Wage Foundation and it accredits living wage employers. Are you an accredited living wage employer?

Carl Cowling: I am not sure. I would have to check.

Q128 **Chair:** Could you get back to us with that? You say the majority of your staff are paid a living wage.

Carl Cowling: We are good at attracting staff into our stores and we do pay the living wage.

Q129 **Chair:** If we can just stick with the questions, I just asked about the hourly rate and you are not totally sure whether everybody is paid the living wage. How will the wage rate of people working on the post office counters or running post office services in WHSmith compare with those working behind the general retail counters? Will their wages be the same?

Carl Cowling: It will be the same. It will be the living wage. Actually, working behind the counter in a WHSmith store is very complex; there is a lot of things we have to do. Newspapers and magazines might seem simple but, when you have a product that turns every day it is quite a complex business to be running, which is why a lot of people are not able to do that.

Q130 **Chair:** They will be on the same rate.

Carl Cowling: Yes.

Q131 **Albert Owen:** To follow on from the Chair's questioning and specifically to you, Mr Cameron, when you are considering retailers for your Post Office franchise, do you consider the criteria of payment practices, customer satisfaction, wider social responsibility, such as the gender pay gap, for example? Are these issues that you factor in when you are going through the franchise process?

Alisdair Cameron: Thank you for raising that with me. Obviously, we look at doing franchising with people who just run one single, small post office as well as a few with larger corporate partners. For most of our larger corporate partners, which I think is where you are really directing this, we have had the arrangements in place for quite a long time, so the selection criteria predated things like gender pay, which we take very seriously. But we should have another look at them and make sure we are capturing that full range of things.

Q132 **Albert Owen:** It was not the only one I asked about, but thank you for that. You are going to look at the gender pay gap issue; I appreciate you saying that, but what about payment practices and customer satisfaction? Is that part of the criteria or does that need updating as well?

Alisdair Cameron: Customer satisfaction absolutely is part of this.

Q133 **Albert Owen:** How do you gauge that? Do you use independent researchers?

Alisdair Cameron: Largely, we gauge it in conversation with the retailers, but we have been working with these companies for quite a long time, so we can see what they are doing. WHSmith is only our fourth largest corporate partner; we work with the Co-op and others as well. We can see what they are doing. We are working with them; it is a partnership arrangement. We have to satisfy ourselves that they are serious about being on the high street and that they are going to stay on the high street as far as we can tell.

Q134 **Albert Owen:** That is an important point that you have raised. What happens if some of these big brands that you have franchised with do go bust? What is the contingency plan for your customers?

Alisdair Cameron: Anywhere in the country, we are very close to and talking a lot with all the retailers in an area. The one time it has happened—and most of our bigger corporate partners are pretty resilient financially—

Q135 **Albert Owen:** Sure, but you have seen massive brands on the high street go under very quickly.

Alisdair Cameron: We have had one example. We were able to find homes for all those post offices and keep the service running, because we are very embedded in the retail community.

Q136 **Albert Owen:** But you are stretching it a bit thinner now. You are closing 74 crown post offices to one brand, WHSmith, yes?

Alisdair Cameron: Which will still be our fourth largest partner.

Q137 **Albert Owen:** It might be hypothetical at this moment in time, but I am drawing this from recent evidence when large high street retailers have gone under. What is your contingency plan for this large number?

Alisdair Cameron: Generally, you have reasonable warning of this. If they want to exit, they give us six months' notice. We are always in conversations—

Q138 **Albert Owen:** If there was an immediate closure, what would happen? This is a serious question.

Alisdair Cameron: I know, and I am trying to answer it seriously. In practice, we usually manage to find homes. The one time it has happened in practice, we kept all the post offices going because we had those relationships with the retailers taking on the space and with other people in the community. In practice, we have managed to do this.

Q139 **Albert Owen:** I know this is important and you are taking it seriously, but you are not really answering my question. You have said, "In the past, this has happened on one occasion". Because you are now using one retailer for such a large number, what would happen to the services of the Post Office if that brand closed down?

Alisdair Cameron: We would do what we always do, which is work with all the retailers around that space, and if there are retailers coming to

take over that space, to secure post office services. That is practically, on the ground, and that is what we have generally managed to do quite successfully. The network did grow by 91 locations last year.

- Q140 **Albert Owen:** Sure. While I have you in front of me, my crown post office in Holyhead, on Anglesey, was closed many years ago. It is still empty. Do you take this sort of social responsibility seriously? You have Government investing to try to keep high streets alive, and yet you are providing a big gap and a big hole in there by leaving your properties often empty for some time.

Alisdair Cameron: If we do own the property, which we do in that case and in some cases, we are actively trying to market those properties to get them off our hands so someone else will take them on.

- Q141 **Albert Owen:** That is pretty casual, if you do not mind me saying, because the evidence is that a number of premises have remained empty for an awfully long time. Do you consider this when you are franchising? Do you say, "We have a contingency plan to sell off these properties in a period of time"? It is important for local communities.

Alisdair Cameron: Absolutely, yes. I was in conversation with our property team to push them to maybe accept slightly lower offers, to make sure we do move those properties on. It is entirely in our interest to do so; they are a liability to us.

- Q142 **Albert Owen:** What about talking to local communities to see if they could run it, as a financial hub or something, if they have had a loss in those areas? Is that part of the criteria that you would look at?

Alisdair Cameron: We are very open to that conversation and we do work with community groups. We have post offices in pubs and all the rest of it. I do not know if we have specifically done that with vacant properties, but I will take that away.

- Q143 **Albert Owen:** I appreciate that. The other one you mentioned, and I will come back to the ACS on this as well, is about banks pulling out of towns. You talked about the extra banking facilities. Again, I have spoken to banks that say they are putting money into a pot, for want of a better word; the Government say that this is happening, yet we do not see the same service mirrored in post offices that we saw in those high street banks. Could you address that?

Alisdair Cameron: Yes, absolutely. We provide access to cash. It is the cash banking services that are set by the banking framework. The withdrawals, the deposits, the cheques are what the banking framework was designed to standardise and we are seeing—

- Q144 **Albert Owen:** Does it mirror what the banks offer?

Alisdair Cameron: No, it does not. We have never pretended it does.

- Q145 **Albert Owen:** The Government have said to me, on the record, that it does.

Alisdair Cameron: Sorry, I did not think it was a controversial point at all. We have never pretended we were taking over the full range of banking services and we do not. What we provide is access to cash everywhere in the UK and that is the purpose of the banking framework. If we can extend it in services, we are absolutely happy to have that conversation with the banks and we talk all the time.

Q146 **Albert Owen:** You heard what the previous session said, that you are not giving them that opportunity. How do you address that?

Alisdair Cameron: I do not understand that.

Q147 **Albert Owen:** The national federation said that there are more services that it would be willing to do that are not being offered.

Alisdair Cameron: Believe me; we are not blocking that. We are in conversations with the banks about the further use of the banking framework, which has started and is focused on cash.

Q148 **Albert Owen:** This is getting very complicated now. I am asking you, as the head of the Post Office, what your corporate body is doing to help maintain the Post Office banking services. Let us park the banks, because they have their own way of doing things. What are your criteria? Do you say to the community, "We are going to improve your services, we have a facility there to do so and we are going to do it"? It seems, from the evidence from the previous session, that is not the case.

Alisdair Cameron: As the Post Office, we are the corporate banking partner. We have a £14 billion savings book and our customers can access that through post offices. Everybody else's savings are with other people and we can only access them if the banks agree to that and make it part of the banking framework. I cannot say, "We are just going to create this access to your savings accounts with Barclays or Lloyds", because that is up to Barclays and Lloyds. We are in conversations with the banks about how we can work with them more over time and the banking framework has grown really significantly for the benefit of us and postmasters.

Q149 **Albert Owen:** Are the Government supporting you in that direction? I know you are an arm's length corporate body, but are the Government supporting you in having further conversations to improve these services?

Alisdair Cameron: Yes, absolutely. The Minister has been very strong and quite vocal in supporting us in our conversations with the banks but, as ever, it is a commercial negotiation and it has to be valid for all of us.

Q150 **Albert Owen:** Mr Woodall, you heard what the federation said with regard to services that it would like to provide but it is not able to do so. Is that your experience as well?

Edward Woodall: My experience is that retailers have said they would like to offer as many banking services as they can and it is about which

services they can provide, because obviously there is not going to be a complete mirror image of what a full bank branch can offer.

Q151 **Albert Owen:** There are certain services that your members would like to provide but, at this moment in time, there is a blockage.

Edward Woodall: No one has told me that there is a blockage to those things. I appreciate things are moving quickly and, I suppose, the hope from my members would be that they are having conversations quickly to try to bridge the gap. In our evidence to the Committee, we have said that this is definitely an opportunity that we should look at. There are some interesting private Members' Bills going through Parliament, from Huw Merriman, Ged Killen and others, that look at how banks might be able to facilitate post offices taking on those services better through funding or other means as well, which would be interesting for the Committee to look at and share with the Government.

Q152 **Albert Owen:** Can I just pull things together with Mr Cameron, finally, with regard to some of these private Members' Bills? Many Members have raised this, about having a financial hub in an area and maybe a Post Office bank. You might not want to call it that, but is a financial hub something that you see as evolving in the future? Would it need legislation to change that or could it happen organically?

Alisdair Cameron: It would need quite a big conversation with the Government for us to become a bank. We are not a bank today; we do not have a banking licence. Regulatorily, we would need access to a lot of capital, so the Government would have to be enthusiastically in favour of it.

Q153 **Albert Owen:** Are you enthusiastic about it?

Alisdair Cameron: It creates a lot of interesting opportunities and we are very open to the conversation. The devil, as ever, is in the detail. Would the capital be available and the funding available to get it started? What impact would it have on the existing banking framework?

Albert Owen: If you get it, you have many empty buildings you could use.

Q154 **Anna Turley:** Can I follow up quickly Albert's point about consumer satisfaction and social responsibility in the shift towards going into WHSmith? Citizens Advice research in 2017 showed that 96% of post office counters in crown offices were on the ground floor. However, in WHSmith just 56% are on the ground floor. A lot of those WHSmiths do not have lifts full stop, and some do not have lifts that can accommodate mobility scooters. What is your plan to make your post office counters more accessible, particularly to those with disabilities?

Carl Cowling: At the moment, we have 167 post offices and about 46 of those are not on the ground floor. Where we do not have post offices on the ground floor we have a lift. We service that lift. We make sure that we have good facilities in place. Inevitably, things can sometimes go wrong, so we always make sure that in those shops we have mobile till

points that we can bring down to the ground floor. We always try to make sure we limit any issues as much as possible. We take that obligation really seriously.

Particularly with stores where you have to use the lift, we really agonise over the run to that lift, widening aisles and making sure that there are really good access points. We try to accommodate as best we can.

Q155 **Peter Kyle:** Mr Cameron, are you engaging with different Government Departments to see what extra services can be—

Alisdair Cameron: Yes, we are.

Q156 **Peter Kyle:** Specifically, what?

Alisdair Cameron: We are having conversations about the network subsidy post-2021. I wrote to the Secretary of State at the Department for Work and Pensions about the future of POCA last week. We are in ongoing conversations about the future commercialisation of digital identity, where my point is that the Post Office is the most trusted brand on that service; we have done it with six profit-making private sector companies now; we have a market share of over 50%, so we demonstrably have the most trust and the best product; we have a branch network that can support it with biometrics, as appropriate. I would love us to be given the opportunity, through whatever tender process was necessary, to be the organisation that could take that forward commercially. There is a big need for a proper digital identity proposition across the UK.

Q157 **Peter Kyle:** In terms of the crown post offices, they have reduced by about a third over the last decade. Do you see that trend continuing?

Alisdair Cameron: The Post Office has been actively franchising crown post offices for 30 years. Even in 1970 it was 93% of the franchise network, which it has always been. We franchise crown post offices because the economic model just does not work for us.

Q158 **Peter Kyle:** That is not the question. This is the question: is the trend continuing?

Alisdair Cameron: Yes. As long as the economic model does not work for us, which it palpably does not, and there are people who can provide alternative services more cost effectively that suit our customers' needs, we will carry on franchising crown branches, absolutely.

Q159 **Peter Kyle:** Do you accept that the way you have carried these out very often has damaged the relationship with the community around the Post Office? In your opening statement, you acknowledged the importance of the Post Office and individual post offices to the fabric of local communities. Do you understand, do you accept, that the way you have carried out some of these closures, changes and restructures has damaged that relationship?

Alisdair Cameron: It is really difficult. There is a lot of anxiety when we say we are closing one post office and opening another. That is awful and

we do not like it, but we have a pressing need to do it. Actually, the experience—and you have heard it from other people as well—is that, once the new service is there, that anxiety diminishes enormously. I am not saying we get it right in every case, and of course we do not on that scale, but, if you want to walk across, we had to shut the Trafalgar Square branch because the landlord withdrew it from us—

Q160 **Peter Kyle:** I do not think Trafalgar Square is a typical community branch, though, is it?

Alisdair Cameron: No. I am just making the point—

Q161 **Peter Kyle:** I know you are making a point, but you are side-stepping the question. You have not answered the question as to whether you acknowledge that there is damage to the Post Office brand. Let me give you a specific example from the constituency I represent, where there was a crown post office. When it was up for consultation to close it, I spoke many times to the staff at the Post Office and said, to their face, "Is this an open consultation? Is it an honest consultation? If the community comes back and there is specific evidence that it is needed, valued and supported, will you keep it open?" They said, "Yes". They did so in public as well.

I went through that consultation process in a very open-hearted way, chairing public meetings and numerous meetings with the Post Office. Five thousand residents engaged in that consultation process. There was overwhelming evidence that the move to an uphill alternative site was not in the best interests of the community, and you went ahead and closed the post office. Less than six months later, you had opened up another counter in the building next door to the now vacant crown post office. It was in such bad faith. As the Post Office, your brand's reputation in the community I represent is absolutely in tatters.

Alisdair Cameron: That is awful and I am really sorry to hear that. I know you have worked incredibly hard—thank you—both with us and in the community to get the post office services right. Generally, and we are usually quite explicit about this in the consultations, we are not consulting on the principle of whether, if there is an acceptable replacement service, we would do it. We are consulting on whether the replacement service is acceptable. I suspect that we thought, although I was not there through that detail as you were, that by then opening other local post offices in the area we were trying to do a good thing as well. I do not believe we intentionally went into that with any bad faith, but I agree it is not a great story and I am sorry about that.

Q162 **Peter Kyle:** The counter that replaced it in the shop next door closed two weeks ago.

Alisdair Cameron: Yes, I know.

Q163 **Peter Kyle:** It is a complete mess and this is something that is repeated in community after community after community. How can you say that you are part of the fabric of providing services in an open and honest way with the local community?

Alisdair Cameron: I do not believe that that is repeated again and again and again. In the majority of cases, and you heard it from others as well as from us, the service we end up with is appropriate for the customers who need it and we are making trade-offs. There is a cost to all these things. Keeping crown post offices open is incredibly expensive and the Post Office is more sustainable, we are more likely to be on high streets in the future, if we can make some of those commercial trade-offs. I am sorry we got it wrong in your constituency, and we are on the ground, trying to help fix that, but it is not generally the case.

Q164 **Chair:** The National Federation of SubPostmasters has told us that 22% of their members are planning to close or downsize their sub-post office. That would equate to 2,500 sub-post offices being lost across the network, which would be absolutely catastrophic. Do you recognise those numbers and, if so, what are you going to do to ensure that we maintain that presence in our local communities?

Alisdair Cameron: Although we are not seeing peaking closures at the moment, and actually grew the network by 91 locations last year, I absolutely accept the underlying principle that this is getting too hard for postmasters. That is why we pre-announced the increase in fees for banking deposits, why I have announced a full review of postmaster remuneration to report back in the autumn, which can take account of the banking framework negotiations being completed, and why we are working so hard to make it easier for postmasters to run post offices, to simplify them, to reduce the costs. The spirit of it I absolutely agree with. We are in no way complacent about it. We have no network without postmasters and they do a fantastic job across the country. The very specific we are not seeing in the data yet.

Q165 **Albert Owen:** Do you understand Peter Kyle and others' questioning about the consultation being a sham and damaging your brand, and communities taking it badly? Over a decade ago, you closed a number of sub-post offices and, as the reason for that, you said, "We are going to have a crown as a central location; parking facilities are there" and all these things. Yet now you are closing those very crowns. The trust has gone with the communities. How do you respond to that?

Alisdair Cameron: I absolutely recognise and worry about that, but our first job is to keep the services on the high street for customers in an affordable way.

Q166 **Albert Owen:** But if you say you are closing a sub-post office and you are enhancing the facilities at the crown, and then the crown goes, how do you justify that?

Alisdair Cameron: The world is changing pretty fast and so, as customers migrate their shopping habits, we have to keep responding to that. If we are going to create a single, static Post Office that works in a certain way everywhere and never change it, it is going to require a huge amount of money.

Albert Owen: Well, nobody is saying that.

Chair: Thank you very much. Thank you, all three of you, for coming to give evidence this morning. There are a few points on which we will follow up to get greater clarity, but we appreciate your time this morning.