HOUSE OF COMMONS

Business, Energy and Industrial Strategy Committee

Oral evidence: Post Office Network, HC 2130

Tuesday 25 June 2019

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Watch the meeting

Members present: Rachel Reeves (Chair); Drew Hendry; Stephen Kerr; Peter Kyle; Sir Patrick McLoughlin; Albert Owen; Antoinette Sandbach.

Questions 167 – 245

Witnesses

I: Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy; Carl Creswell, Director, Professional Business Services, Retail and Post, BEIS; and Tom Cooper, Director, UK Government Investments, BEIS.

Examination of Witnesses

Witnesses: Kelly Tolhurst, Carl Creswell and Tom Cooper.

Chair: Thank you very much, Minister Tolhurst, and also to you, Carl Creswell and Tom Cooper, for giving evidence to our Select Committee this morning on the Post Office network. We heard very interesting and important evidence in our previous session, including from the CWU and the National Federation of SubPostmasters. We are keen to put some of their concerns to you. You will know, Minister, as a constituency MP, like all of us around this table, how important the post office network is to the people we serve, be they Crown post offices or our local post office branches. Many people are concerned about the future of the network and how we can support it, so we are keen to hear from you this morning. We will start the questions today with Sir Patrick.

Q167 **Sir Patrick McLoughlin:** Minister, I echo what the Chair has just said. Since 2010, the number of post offices has been fairly stable at 11,500, but there are always a number of them closing. They can close for different reasons; I accept that. Do you think 11,500 is about the right number, which we will manage to maintain in the coming years?

Kelly Tolhurst: First, thank you, Chair, and thank you to the Committee for inviting me to speak about the Post Office. I have to confess that it is one of the areas in my portfolio that I particularly enjoy. You are absolutely right, Chair; the post office network is important to all of us, as constituency MPs. We can say, even though we are sometimes on different sides of the Chamber and are politically opposite sometimes, that there is unified support for the subject of the Post Office.

On the question about the size of the network, as of March this year we had 11,638 branches open. I believe the 11,500 number is sustainable and is set at the right number. As you have already outlined, Sir Patrick, the number is the most stable that it has been for a decade. It is right that, when you are looking at a network of outlets of that size—11,500 is a significant number—some will change, close or move for a number of reasons. But that represents less than 1% of the total network. We are looking at a small percentage of the 11,500 outlets across the country. I believe that Post Office Ltd has the procedures in place to deal, act and work to maintain that number. The short answer is that 11,500 is a good number. We are working to maintain such a number.

Q168 **Sir Patrick McLoughlin:** You were even more specific. I got 11,638. Of those, how many are mobile post offices? How many are part-time, short-term mobile post offices?

Kelly Tolhurst: At the moment, we have 1,633 of what we would call outreach services. An outreach service needs to be delivered by a postmaster in a particular area. That could be in the form of a Post Office van, which would be set up with the necessary equipment for the postmaster to operate, which would go out to sites. An outreach service may also be considered, in my terminology, a pop-up post office in any kind of community setting that is available, but it has to be delivered by a postmaster. There are issues with the outreach service regarding hours and frequency of opening, which would be less than that of a static, bricks-and-mortar post office. I think the outreach service is a good way to deal with temporary or unexpected closures, or to access areas where the footfall and demand are not sufficient for a full-time post office.

Q169 **Sir Patrick McLoughlin:** Let us get this right. Of the 11,638, 10,000 are what I would call actual post offices that you go in, and 1,600 of them are mobile post offices, which are in villages at certain times. So there are 10,000 main structures. Is that 11,600 an approximate figure that you say you want to keep to, in your discussions? If any of those others fall, if somebody wants to move or retire, and part of their property is a post office, would you offer a pop-up service, as you like to call it, so that 11,600 figure remains static?

Kelly Tolhurst: In our calculations, to be classed within the 11,500 figure, they have to be trading within that month. Temporary closures or closures are not included in the total figure. If a temporary closure or closure were to happen and an outreach service were provided, they would still be classified as a temporary closure internally with the Post Office. The outreach service would not necessarily be judged as an alternative. If there has been a temporary closure or closure, that is it; it goes to an outreach service. They are not included in the total numbers. During that period, depending on the particular circumstance or reason for closure—as you know, they are diverse—it would be managed. But I have to be clear that the temporary closures do not form part of our 11,500 stat.

Q170 **Sir Patrick McLoughlin:** Are you satisfied that the Post Office is ensuring a consistent approach to disabled access?

Kelly Tolhurst: Yes. Our accessibility criteria are very important, not only for us as MPs delivering public services via the Post Office, but for the post office network. There was a consultation back in 2017 about accessibility, and that was widely supported. During the franchising conversations we have had about some Crown post offices going to the WHSmith network, some of the issues that have arisen have been focused on accessibility to the branch. Post Office Ltd and the franchisee take that seriously. They have to comply with statutory legislation and the criteria we have set down. That is a focus of the post office network.

Carl Creswell: A relevant point for you today is that Citizens Advice has published a report that comments on this issue. That is more recent than 2017, so it is worth your while considering as a Committee.

Q171 **Sir Patrick McLoughlin:** When did you say it was published?

Carl Creswell: It is being published today and it refers to physical access having improved, including better access for disabled customers and consumers.

Q172 **Sir Patrick McLoughlin:** The overall strategy of the national transformation programme has been to modernise post offices, so they can improve their use of white space, and increase footfall and retail revenue to reduce the subsidy needed to maintain the network. Is that strategy working?

Kelly Tolhurst: I believe it is. I believe the strategy is working, and that we have seen the post office network stabilise. It has been in a stable position for the last 10 years. We have also seen Post Office Ltd go into profit for the first time in 16 years. I believe we have been able to maintain that network and reduce the subsidy that has gone into the Post Office. It has gone down from just over £200 million in 2012 to £50 million in 2017-18, which is a significant reduction. However, I must point out that, over the period of 2010 to 2018, there was a £2 billion investment. That has come from Government and focused on the transformation and delivery of sites. You will of course know that another £370 million is going in between 2018 and 2020-21 to continue that.

Q173 **Sir Patrick McLoughlin:** You have just talked about the subsidy and, at the moment, no subsidy has been agreed past 2021. I realise that seems like a long way away but, if you are trying to plan a business and look into its future viability, you might not think it that far. Are you making any representations to the Treasury for a subsidy in the current spending round, beyond 2021?

Kelly Tolhurst: Sir Patrick, you are being sneaky here, because you well know that that is difficult for us outside of the spending review.

Q174 **Sir Patrick McLoughlin:** I am just asking if you are making the bid. Is the Department making the bid or not?

Kelly Tolhurst: Yes. I can tell you that the spending review will include a position from the Department on the Post Office. One thing we can be sure of is that the post office network, because of the actions that have been taken and the strategy that has been implemented, has enabled the Post Office to get into a far better financial footing. That means that we are seeing it in profit. Personally speaking, I cannot see a time when the Post Office will ever be in a situation where we are not there to guarantee rural and community services, which are vital and not financially viable, and to look at community access. We definitely want to maintain that network of 11,500, and that has to be done jointly between Government and Post Office Ltd.

Q175 **Sir Patrick McLoughlin:** I take issue with one thing you partly said. With the ever-vanishing presence of banks on the high street, you are talking about not just rural areas, but urban areas. The Post Office could become a much more important lifeline, particularly for people who want access to cash that they may need through the benefits system or something else. One should try to broaden that approach. I do not think any of us quite anticipated the speed at which banks would disappear from the high street and certain towns.

Kelly Tolhurst: You are absolutely right. I am sure we will speak about the banking framework further into the evidence session, but I feel strongly that the Post Office has been able to offer services where bank closures have occurred. You are quite right that it has been not just in rural areas, but in high streets, including in my constituency; the banks have all but disappeared in some main centres. This is the challenge for the Post Office and Government going forward. We have banking framework 2. We have seen an improvement, but there needs to be a continuous challenge and conversation, not just with Post Office Ltd and through the banks, but with BEIS and HMT, to make sure that, going forward, whatever the changes are or particular demand is, this is kept under review. That is my view, because you are quite right: Post Office Ltd is delivering a service for the banks, but it should not be an easy option for the banks to pull away and expect the Post Office to pick up the slack. It needs to be two way, and that is my position on that issue as a Minister. You are quite right.

Q176 **Chair:** Minister, you say you want to maintain the current number of post offices. Is it a Government commitment to maintain the level we have at the moment?

Kelly Tolhurst: It is a Government commitment to maintain the network at 11,500.

Q177 **Chair:** To reiterate the point that you made and Sir Patrick touched on, my constituency used to have a number of Yorkshire Bank branches. In the not-too-distant past, HSBC closed in my constituency, and Yorkshire Bank is closing its last branch in the next couple of months. I have spoken to them about working with the local post office branch, which is nearby, but as you know, a post office is not able to offer the whole range of services of a bank, particularly a bank that has a large number of people with savings accounts. Is your Department looking into that with the Post Office and banks to ensure that a full range of services can be offered?

Kelly Tolhurst: You are quite right. To answer your question directly, that is definitely the next stage we are moving to, and it is something I am taking away. We have just come to the end of the negotiation of banking framework 2. You are quite right: the banking services offered by the post office are cash withdrawals, deposits, cheques and balances. That is not the range of services you would normally pick up at your high street bank. We are seeing a 12% year-on-year demand in the Post Office for banking services. While we have come to one stage of the banking framework, it is right that the Post Office and the Departments involved start looking to the next phase. We are definitely not ruling it out, and it needs further discussion and work.

Q178 **Chair:** Local branches of post offices and banks often have parking available. Leeds is the nearest set of bank branches to my constituency, but the city centre has, rightly, been largely pedestrianised. A lot of older or disabled customers, who might struggle to access those city centre branches, now very much rely on what services are still left at a town level, but because of the restrictions on the services a post office can offer, many people are left without effective banking services in their communities. I do not need a further answer but, just this morning, I received another letter about the closure of Yorkshire Bank in Bramley in my constituency, from a member of the community who would struggle to get to other branches, which are nearby in theory. It is a matter of urgency to look at how the Post Office could provide some of these services.

Kelly Tolhurst: I want to reiterate the point I made about banks. You are right, and Post Office Ltd is picking up the slack, for want of a better expression, but banks are retreating from our high streets and the Post Office is trying to pick up the slack. That is why I think there needs to be a challenge on what the Post Office can offer and how we can deliver it. It is right that there are some challenges. We may come on to this, but, on transactions, not all branches can take cash deposits of over £2,000. More limited branches can take cash deposits of up to £20,000, because of the security and safety required. These are all things that Post Office Ltd is working on. That is the sort of challenge and scrutiny that I am trying to provide for Post Office Ltd by asking these questions. I want to make sure that, whatever happens in the future, post offices or sub-postmasters taking on any further banking provision will be remunerated for it. We cannot just offer the banks' full services within the current framework. I just wanted to make that clear.

Chair: I absolutely agree with that, and I am sure other Members do as well. The banks relied on Government and taxpayers to support them when that was needed, and are now retreating from offering their services in all our communities. A lot more should be done to put pressure on the banks to support the post offices to take on the services that they no longer offer in our communities. That is something that constituents of all of us, in rural areas, towns and cities, would think is the right response from the banks. It is the role of Government to lead on that.

Q179 **Albert Owen:** I was very interested in what you just said, and I totally agree that there needs to be a new strategy for banking facilities in post offices. At the moment, it is quite ad hoc, because there are different levels, particularly with franchise agreements. In my area, SPAR has taken on a number of them, and it does not have the facilities to do cash handling for local businesses. You say the Post Office should look at this, but it should have looked at it a long time ago. Are you intervening and suggesting a strategy for the whole country? There are security issues here, but the impact on small businesses is very big, and I know you are interested in that, from your background.

Kelly Tolhurst: Predominantly, you are right. Since the framework was initially put in place, the situation has changed. Actually, the situation has changed significantly since the start of the renegotiation of banking framework 2. I can judge that just from what has been happening in my constituency over the last 12 months. The banking framework that has already been negotiated, what I am referring to as banking framework 2, has addressed the systems, and Post Office Ltd is introducing mechanisms and systems to make those transactions easier for the postmasters. The key thing coming out of the banking framework was the increase in remuneration for the services that are being delivered by banks.

Q180 **Albert Owen:** I am sure we will come on to that, but I am asking if you are giving a lead on this. You accept that things have changed completely. We cannot just leave it to Post Office Ltd, frankly, because we write to you as the Minister. The Government are a major shareholder; we are all shareholders in it. Are you now saying that you wish to intervene to make this more stable in the future?

Kelly Tolhurst: I am saying that, as you would ask and challenge any business, the Post Office should stay front and centre of our communities, and make sure that the services being provided are what the consumer and customer demand. It is an evolving situation and that needs to be recognised. It is the right challenge for the Department and the Minister, working with the Post Office, not to say, "Right, job done", and move on to the next phase. We can gain more income for our postmasters from the range of services being delivered by our postmasters. That is a natural thing. I suppose I would challenge myself if I were not saying this, because then I would be questioning what I am doing and how I am thinking about the Post Office. That is a natural progression in what we should be doing.

Q181 **Drew Hendry:** Good morning, Minister. I think I am correct in saying you made a commitment earlier to maintain the 11,500.

Kelly Tolhurst: That is a Government commitment.

Q182 **Drew Hendry:** There is a Government commitment to do that, but the National Federation of SubPostmasters, the CWU and dozens and dozens of sub-postmasters have told us that those who run post offices across the UK are struggling to make ends meet. Indeed, the NFSP's most recent survey suggests that as many as 2,500 post offices might close. That is going to affect the commitment you are making. Do you accept that many sub-postmasters are struggling now?

Kelly Tolhurst: We recognise that the network of 11,500 is diverse. We are talking about very big branches to very small franchises to outreach services to community facilities. It is hard to compare the Post Office network—

Q183 **Drew Hendry:** I am not asking for a comparison. I am asking if you accept that many sub-postmasters are struggling.

Kelly Tolhurst: We have recognised, and quite rightly, the reports there have been of postmasters struggling, depending on the services they provide. What I am trying to get to is how each of those settings is different—whether it is a stand-alone post office, the kind of business it is operating, and whether it is in a retail environment. The Post Office is determined to make sure we work with those individual postmasters. The Post Office has relatively a new initiative with a network of area offices. I am just trying to explain what is happening.

Q184 **Drew Hendry:** I am still trying to get an answer to my question about whether you accept sub-postmasters are struggling in many cases. I would quite like an answer to that.

Kelly Tolhurst: I can answer that. There are a number of different reasons, depending on the location, the business, their footfall and the changes that have happened in those areas. I feel really strongly about this point.

Q185 **Drew Hendry:** Are they struggling? That is the question that I have been asking you. I will change the way I have put this. In my constituency, in Drumnadrochit and Newtonmore, the small businesspeople who are sub-postmasters have seen a real-terms cut in their wages since 2012, of £10,000 per annum. They are struggling to even bring in a minimum wage to live on, let alone employ staff. Do you recognise that that is happening across the post office network?

Kelly Tolhurst: I recognise that there are concerns. It is true that because of footfall, the changes, the different services and their use, the remuneration to postmasters has changed, in some cases. We are talking about a large proportion of the network being independent businesses. Without going into the specifics of your community branch—

Drew Hendry: I was just using that as an example. I know many others around the UK are in the same position.

Kelly Tolhurst: It is an example, but what is relevant to that example is how the post office fits into the business they are operating. That is why the introduction of regional teams and how we are working with postmasters are key. I hosted a meeting with the National Federation of SubPostmasters and POL, at which we talked about remuneration, because there is a remuneration review going on. One key issue in that is how the National Federation of SubPostmasters lays issues and problems that particular branches have.

Drew Hendry: It has laid down this problem quite firmly. I will just ask you a simple question.

Kelly Tolhurst: I think I have answered it.

Q186 **Drew Hendry:** You have not answered it, with all due respect, Minister. Do you accept that some of these businesses are struggling?

Kelly Tolhurst: Some businesses will be struggling. What you have not been able to articulate is about that particular business. I am saying that the reason one business is struggling is not the same as the reason others are.

Q187 **Drew Hendry:** It is not one business; I gave you a couple of examples locally.

Kelly Tolhurst: You gave me a couple of examples, but they were not based on the context of the environment in which I am operating.

Q188 **Drew Hendry:** Minister, I am asking you the questions, and you seem to be struggling to come up with an answer about whether you could see that people are struggling across the network. That is why I gave you an example of local sub-post office operations that I know about. What discussions have you had with the Post Office on sub-postmaster incomes and what concerns, if any, have you raised?

Kelly Tolhurst: Since I have been the Minister, I have had regular meetings with the National Federation of SubPostmasters, at which remuneration has been brought up. As a Minister, as you would expect, I always challenge the Post Office by asking questions.

Q189 **Drew Hendry:** Could you give us an example of some of the challenges that you have put on remuneration?

Kelly Tolhurst: Yes. They were on remuneration, on the loss of services and the fees for the services that the post office provides. One thing that will make a big impact—I say "will" because it is yet to be enacted—is the change in banking fees, which will have a significant uplift on postmasters' pay. We knew that was coming, but I have been speaking to Post Office Ltd and the national federation has about it. As you know, that is run by postmasters. The chaps I have been dealing with are running or have run post offices, and they have been very helpful to me in giving me the information in order to challenge.

Q190 **Drew Hendry:** What work is being done on the review that was called for by Marion Fellows MP to establish the hourly rate for postmasters and sub-postmasters? Have you taken anything forward on that level?

Kelly Tolhurst: I have not on the hourly rate.

Q191 **Drew Hendry:** Why not?

Kelly Tolhurst: Post Office Ltd has announced that, over the summer, it will work on a review of postmasters' pay. I think there will be some short, sharp outcomes as we go into the summer; then a wide review will take place over the summer to go further on strategy. That is working across the business in how we look at things. It will take a good look at how postmasters and sub-postmasters are remunerated, across all the services.

Q192 **Drew Hendry:** Do you not think it is important to establish their hourly rate to see what level of fairness there is and how people are struggling? You might say they are not.

Kelly Tolhurst: It goes back to the point that we need to recognise how sub-postmasters are operating. There are different examples of what a post office looks like. It is incredibly diverse. We need to establish what the post office is in relation to the other business they are running, because in some cases the post office is not the business; it is part of another business. It is right to look at those individual examples.

Q193 **Drew Hendry:** But you do not think it is appropriate to look at an hourly rate.

Kelly Tolhurst: If you are operating a business, you would not necessarily be looking to achieve an hourly rate from a contract you are providing. It would be part of the business.

Q194 **Drew Hendry:** People are struggling to get a reasonable hourly rate, even a minimum wage, let alone take on staff, in this circumstance. That is a fact across the network, but I thank you for answering the questions.

Kelly Tolhurst: The challenge back is that that was a broad statement to make for the whole network.

Drew Hendry: It is factual.

Kelly Tolhurst: It is quite a broad statement for the whole network, because of the diversity of the network.

Q195 **Drew Hendry:** Minister, as on previous occasions, you are welcome to visit the sub-postmasters who will tell you, face to face, that they are struggling to make ends meet. In many cases, they are not even achieving minimum wage status from running their businesses.

Kelly Tolhurst: As part of the review, the Post Office is looking across the network at community branches, the different make-ups and how we support sub-postmasters. Predominantly, this is to maintain access. As I have said, the Government are committed to a network of 11,500 and that is right. This review is happening and I am confident that its outcomes will make some differences. We have to recognise there has been some increase in that.

Drew Hendry: The outcomes will need to protect those 2,500 that are at risk.

Chair: Minister, in the evidence we took previously, both written and oral, there was a concern that many sub-postmasters are considering their position, because they do not feel they are able to earn an income that provides a minimum wage, as Drew Hendry has said. Their costs are going up, and yet the money coming in is not going up commensurately. That is partly about Government support, and is partly about the range of services that can be provided and how they are remunerated for them. Both of those issues need to be looked at in the review because, like you, Minister, we all want to see the Post Office network being maintained at its current levels. To do that, we need to ensure the people who are running our post offices want to carry on doing that, rather than looking for work elsewhere if they cannot make ends meet.

Q196 **Albert Owen:** Can I just follow on from Drew Hendry's questions with regard to the review? Did you insist on this review or did it come from the Post Office itself?

Kelly Tolhurst: We have been talking about it for some time.

Q197 **Albert Owen:** This is the reason I ask, Minister, because I am going to come on to your role as the Minister responsible. I am not an avid reader of the *Daily Mail*, but it said that you insisted that staff should receive a fair wage. Therefore, you initiated this review. Is that correct?

Kelly Tolhurst: We have worked with the Post Office to deliver the review because, as I have already said, I have met and had conversations with the National Federation of SubPostmasters. The Post Office is a commercial entity and part of my role is to challenge it. I have taken on board the concerns that have been made to me. I have raised them with Post Office Ltd, which we do in meetings and via our representation on the board, so we have moved to make sure that that review takes place.

Q198 **Albert Owen:** You are using the royal "we" there. I am just asking about your role, as the Minister responsible to the House of Commons.

Kelly Tolhurst: I am responsible, but I am working with Post Office Ltd.

Q199 **Albert Owen:** Can I ask the question, because this is important? You are saying that you met with sub-postmasters and, from what you gathered, you did not think it was fair, so you asked for a review for greater fairness in their remuneration. Is that correct?

Kelly Tolhurst: Yes.

Q200 **Albert Owen:** Good, thank you. That is what I wanted to ask. It was not that some civil servant came to you and said, "Minister, we really need to change all this".

Kelly Tolhurst: No.

Chair: He is trying to help you, Minister. This is a chance for you to tell us about your good work.

Albert Owen: As a former colleague, she knows I am always very helpful.

Kelly Tolhurst: I am trying to outline the steps by which we got to that. That is important, because I actually care about sub-postmasters' pay.

Q201 **Albert Owen:** I am doing the bread-and-butter stuff. Your remit has not changed and you have not become more directly involved in day-to-day decision-making.

Kelly Tolhurst: No, we are not.

Q202 **Albert Owen:** You are still responsible for the strategy and overview, and that is important. Can you give any other examples of where you, one of your predecessors or the Department has intervened in the decision making of the Post Office? For example, there has been a backlash on Crown post offices. You will know, because you will have received correspondence, but is this something you have discussed? Have you said to them, "Maybe we need to look at this with a fresh pair of eyes", or do you think it should be arms' length and left to them to run? I repeat this and I have said it to you in debates: we are the shareholders of the Post Office and you are the Minister responsible. Do you have the day-to-day responsibility to meet with senior people at the Post Office and say, "I do not think this is going fast enough", or "I think this is going too fast"?

Kelly Tolhurst: The Post Office is commercially independent. It is not the role of the Minister to act as a shadow—

Albert Owen: No, but we are shareholders.

Kelly Tolhurst: We are shareholders, but let me explain. It is not the role of the Minister to direct Post Office Ltd on operational decisions, if you are talking particularly about branches and franchising.

Q203 **Albert Owen:** I am slightly confused by the first answer you gave me. I am sorry to cut across, but you said that you intervened and that you wanted a review. You said yes to that firmly.

Kelly Tolhurst: It is strategic. I am not getting involved.

Q204 **Albert Owen:** Is closing down not strategic?

Kelly Tolhurst: It is strategic, because it has a direct impact. The challenge I have for the Post Office at the moment is around the creative ways in which we can get services into the post office that will benefit sub-postmasters and the consumers who use them. I call that a strategic challenge. Their pay is a strategic challenge, because it will fundamentally have a correlation with our ability to maintain that network in the future, depending on further changes in the retail sector and how consumers use the post office and different services. I will tell you what I have done. When an MP or member of the public has raised an issue with me around a Crown post office, I have used my role as a Minister to request direct and further information from the Post Office about that particular branch. Then I have challenged the information that has been provided to me by the Post Office. As for what I have not done, I do not believe it is right for Ministers to be involved in the day-to-day running of Post Office Ltd.

Q205 **Albert Owen:** Are the Crowns not slightly different, because they are not businesses? In many ways, they are state-run services that have been privatised by the Government by stealth, in the franchise process. I want to give you an example, which came to me last week, and it is important. I raised this many years ago—the closure of the Llangefni Crown post office in my constituency. We had a big petition, which I presented to Parliament, and we were told that many businesses would encompass this. That did not happen. Now—and I think this is a policy shift from Post Office Ltd, and your colleagues might want to comment on this—we are told they are retaining the premises, which is a purpose-built Crown post office, but bringing in a franchisee to run those services.

This goes against the policy of many years of saying, "We want a strategic partner to improve it, and we will then sell off those properties and probably make some cash for the taxpayer." This is a different policy. Do you have any comments on that, because it is pure privatisation of that facility? It is not improving the service with a partner; it is bringing a partner in. That is completely different.

Kelly Tolhurst: You are probably trying to get to the different views there are of the franchising model. That is basically what you are saying.

Q206 **Albert Owen:** These are not my words. They are the words of the Post Office's regional managers. They said there will not be any consultation on this; "However we welcome feedback and comments that can help inform our plans, particularly on the following areas", but they do not want feedback or consultation. They said they are going to improve the hours of the service. The question I will be asking them, on which I would like your comments, is why they did not do this to the Crown post office. Why did they not offer the staff of the Crown post office, in the same premises, additional hours?

Kelly Tolhurst: I do not have the details of the one you are referring to.

Q207 **Albert Owen:** Could you look into that? It seems to be a policy change.

Kelly Tolhurst: I will happily look into it.

Chair: We will write to follow up on specific issues. That would be very helpful, Minister.

Kelly Tolhurst: I just need to point out that the franchising strategy is not a new strategy. It has been agreed and has fed into the sustainability of the network. Actually, Post Office Ltd has been using the franchising model since the 1970s, so it is not a new strategy, but I will happily look into your particular case.

Albert Owen: I must say this from a constituency point of view. I have two Crown post offices. One has moved and is a successful business. I get that. It is working well, and I use it myself. But we have an empty building on the high street. There is no joined-up thinking here. It blights the high street. Here we have one that is going to be used, but you are bringing in a franchise. It seems to be a scattergun effect, rather than a strategy for which you are responsible.

Q208 **Peter Kyle:** It is good to see you, Minister. I am afraid we are not moving on from Crown post offices yet. Of course, we have had a long history of debating this, ever since you took office. You participated in a Westminster Hall debate that was specifically about Crown post office moves towards the franchise model, and we need to go into more detail about that.

We also had a robust exchange on this issue with the acting chief executive of the Post Office. Let me give credit to him, because he has written to me since that exchange and is now coming to Hove to look into a specific situation that we had there. We had quite an extreme case of what I called at the time a sham consultation. It seems, though, that when you look at the evidence, there are quite a few sham consultations. In all the consultations the Post Office has undertaken on the Crown post office situation, only one has resulted in a change of mind and a Crown post office remaining on the high street. That is after 26,000 participative actions from members of the public. What is your view of these consultations? Do you think it is a robust consultative process?

Kelly Tolhurst: Thanks for giving me the update. The consultation process is not about whether those post offices go into a franchise. That is the strategic direction of Post Office and the decision that Post Office has taken to move into franchise, which 98% of the network is. The consultations that are focused with the community run for six weeks, and they are very much about gaining feedback from the community on the particular proposed new locations, the accessibility and all those other feedbacks.

I have something to say on this. I think there has been confusion in the comms as to what is actually being consulted on, and there is the feeling that maybe they have been sham consultations. I have had meetings with MPs from across the House who have raised similar concerns to me directly, and which I have obviously gone back to Post Office Ltd to talk about. I think Post Office's intentions have been correct. There is more than one example, actually; there are three examples of where—

Q209 **Peter Kyle:** You just contradicted yourself because you said, very correctly and frankly, for which we are grateful, that maybe there were sham consultations.

Kelly Tolhurst: No.

Q210 **Peter Kyle:** You just said that, and afterwards you said the Post Office had been acting correctly.

Kelly Tolhurst: I meant they were considered a sham, not that they were shams.

Q211 **Peter Kyle:** Considered a sham or a sham—we are dancing on the head of a pin here.

Kelly Tolhurst: That is right. What I am trying to get to is the accusation, which is that it has been a sham, because people have regarded the consultation as being about whether the site goes into a franchise. The franchise decision would have been taken. What is consulted upon is the site, the movement, the access—all those things.

Q212 **Peter Kyle:** Minister, if you have Post Office representatives who come into your community, go to a community meeting, stand in front of hundreds of residents and say, "We have not made our minds up. We will make our decision based on what you tell us. If you prove to us that this post office is valuable to you, is important to you, and is an intrinsic part of your community, we will not move it," and all those things are demonstrated in fact, and then they go and close it down, that is the definition of a sham consultation. It does not just deprive a community of a facility. It sows the seeds of huge anger and upset in the community, because they have been taken for a ride. Not only have they lost their community service, their public service, their loved post office; they have also been taken for a ride. It is like a double whammy.

Kelly Tolhurst: For starters, they are not closures. They are changes in management structure. That is what we are talking about. We are talking about something that is going from a Crown post office to a franchise. We are not talking about loss of service. We are talking about how it is managed.

Q213 **Peter Kyle:** I am sorry, Minister. This is where you have to understand what is happening on the ground. We are talking about real examples here and ones I have experienced. The consultation resulted in the Crown post office closing, against the wishes of the community, and they replaced it with one next door, which was a franchise. The franchise itself then struggled to survive and closed. Now the Post Office is trying to find other places in the area and has not found one, so it was closed. They said there was no demand for it, which is why they closed it. Six months later, they opened a franchise next door to the very building, and then, nine months after that, that post office was closed, not because of lack of demand but because of lack of profitability and financial viability, and a very fractious relationship with the Post Office, so it has gone. It has closed. Do you not accept that? This is what is happening in communities.

Chair: We will hear from the Minister and then maybe move on, Peter.

Kelly Tolhurst: In your particular constituency—

Peter Kyle: It is repeated around the country.

Chair: Peter, let us listen to the Minister.

Kelly Tolhurst: I will quite happily challenge the Post Office on how we resolve that particular case going forward. I have no qualms with that, because that is what I am doing all the time with many MPs.

Chair: That would be very helpful, Minister.

Kelly Tolhurst: That is not an issue. I am sorry; I may be coming across as if I am quite defensive. The only reason I am is that I have immersed myself in the Post Office since I have had this role. I am not sitting here not having seen some of these examples where it has worked.

In regards to the consultations, I understand your challenge, and that is a particular example. Concerns have been raised by MPs over these consultations, and you are not alone. There have been concerns over WHSmith, for example, with the 72 branches. Some of the adverts are being put out. We are well aware of those. We have had meetings. We have spoken about what Post Office is now committing to do, which is a review of the way it has those consultations—the way it engages, its comms, the way it uses social media, and a better strategy for that. That is quite important, because, putting your particular case aside, there have been examples where communities feeding into consultations have actually changed the outcome. In the current process, there are three where Post Office is going back and looking at a different way in which to do it.

It is not true to say they are scams. That is one of the key reasons why the Post Office will be reviewing the way it engages with MPs, the way the operatives act on the ground and how the community is involved in those consultations. Whether you agree with the outcome or not, clearly the process has maybe not been as good.

Peter Kyle: Thank you very much.

Chair: Let us move on now, if that is okay, Minister.

Q214 **Peter Kyle:** We will move on. Last week, you made an announcement about prompt payments, which was very welcome. There was a great exchange in the House of Commons, in the Chamber, between you and the Chair on this. Do you think it is right that, when we move to the franchise model, organisations and franchisees that take on multiple franchises should subscribe and sign up to the Prompt Payment Code?

Kelly Tolhurst: Everybody should sign up to the Prompt Payment Code.

Q215 **Peter Kyle:** Do you think WHSmith specifically should as well?

Kelly Tolhurst: Yes.

Q216 **Peter Kyle:** Good. Have you said that to them?

Kelly Tolhurst: I have not said it directly to them.

Chair: You have now.

Kelly Tolhurst: I have now.

Q217 **Peter Kyle:** Going forward, what will you be doing to encourage them to do so? Will you be contacting them?

Kelly Tolhurst: Yes. I believe that all large companies should be adhering to the Prompt Payment Code. Without straying off post offices, with the announcement, that has been another big policy area since I have been in post.

Q218 **Peter Kyle:** That is great. It is much appreciated and very frank of you. What continuity plans are there for when franchises fail, if some of them should fail and go bankrupt, or pull out of the market?

Kelly Tolhurst: As you would anticipate, because 98% of the network is franchised, there will be closures all the time. Remember, if you are talking in the context of WHSmith or McColl's, some of our bigger franchisees, we have a whole range of multiple franchises. Because of the size of the network and the change, it is normal that some closures may happen, for whatever reason. Sometimes that may be multiple operations. Part of the day-to-day workings of the Post Office is in managing those shocks and changes, which are an ongoing part of the network.

If you are asking for particular laid out plans for WHSmith or the different ones, when there is a shock in the system, teams are formed. The team takes on trying to deliver those issues. It is part of the business, rather than something reactive. It is something the business is used to doing. Depending on where there are shocks within franchises, there are contingency plans. A whole range of things can be implemented by the Post Office to mitigate any particular problems of those shocks. Hopefully, that gives some assurance. Because of the type and diversity of the network, this is considered by the Post Office as a standard business operational ability.

Q219 **Albert Owen:** You were very clear, when Sir Patrick asked about the stability, that the number would be about 11,500 going forward. You have repeatedly said that 98% of that network is franchised. Do you want that 2% figure to remain as Crown post offices, or would you be happy for 100% franchise?

Kelly Tolhurst: I do not have a view. I am saying it because it highlights how much of the network is franchised. As I have articulated, I think the franchise model is a good model. I do not have a problem with that increasing.

Q220 **Albert Owen:** This is important, because some of the evidence we received was from representatives or employees of those Crown post offices. They have been worried about the uncertainty going forward. Is there going to be another batch of closures? Would you be comfortable with that?

Kelly Tolhurst: My view is that the franchising model is working.

Q221 **Albert Owen:** That is even though you have been given examples of closures.

Kelly Tolhurst: There are examples of where it is working and it has worked well. It is not all negative. There is a network of 11,500. That will be our strategic challenge to the Post Office in how it decides to reach the strategic targets we are setting it. Then it will be for me to challenge as a Minister, depending on what announcements and further decisions it makes.

Q222 **Albert Owen:** If it is in profit and 2% of them are in public ownership, you are comfortable with that.

Kelly Tolhurst: It will be down to the Post Office. It may or may not decide to change that. It may decide to have a further programme, depending on what the opportunities are in the market and the changes within the marketplace. I am really not exercised either way.

Q223 **Drew Hendry:** You mentioned earlier that the Post Office is completing the second phase of the banking framework, in other words the money that the banks will pay the post offices for handling banking transactions as the provider for villages and towns. What input or strategic steer has your Department given to Post Office Ltd in regards to that process?

Kelly Tolhurst: The strategic steer is that we wanted to get to a situation where the banks signed up to a framework that was more beneficial for the Post Office and recognised the services postmasters are operating on behalf of banks. Going back to the earlier discussion on next stages, what the Post Office Ltd has done in negotiating that banking framework 2 increases the remuneration that postmasters will be receiving for transactions. It is a major step forward, in some cases a doubling and a trebling. That is important. It will have an impact at a local level. That was a strategic direction.

When Post Office Ltd was negotiating that with the banks, because that was commercial, I was not involved in those negotiations, as you would expect. I was able to lobby the Treasury to make sure it was speaking to the banks about it. Also, when I was meeting banks in my role as Small Business Minister in different settings, I was making sure that I made representations to them about how I was expecting the banks to treat any proposal that came from the Post Office Ltd.

Q224 **Drew Hendry:** I think I am correct in quoting what you said earlier. You said that any post office that is taking on transactions will be remunerated for it. That is correct, is it not?

Kelly Tolhurst: Yes.

Q225 **Drew Hendry:** Are sub-postmasters getting a fair share of the money that banks pay Post Office Ltd to cover the extra work and the increased risk they are taking on?

Kelly Tolhurst: The increased figure has been quoted. Currently, for every £8,000, the postmasters are getting £3.12. They will now be getting £8.12 for £8,000 in deposits, so that is a significant increase.

That will become active in January 2020. In actual fact, I need to highlight as well—I forgot—that early on last year Post Office Ltd did a sharp look at it. It slightly increased the transaction fees that were being paid to postmasters then, so there was an increase last year. Because this has now been signed up, sub-postmasters will be getting the new remuneration figures from October this year, rather than January, when the actual framework is enacted. The Post Office has made that decision to get that remuneration to sub-postmasters quicker.

Q226 **Drew Hendry:** The question was specifically about the extra risk and the work they were taking on there. For many, there is a real difficulty there, in terms of conducting transactions while they are trying to run a shop. If they are a single-person operation, they have to go behind the counter to do their banking transactions and people can walk out of the shop without buying anything, so they can lose money. Witnesses have also told us that post office branches are not currently set up to carry out a number of banking transactions, such as balance inquiries, setting up direct debits, and transfers between different types of bank accounts. In addition to the facilities they need in order to do those different types of transactions, what steps are you taking to help post offices provide more of those types of banking services?

Kelly Tolhurst: As I outlined to Albert earlier when we were talking about this and the next stage, that is something we are taking away. It is something to be worked on. It is not part of the current banking framework 2. It is the next stage, as to how we are able to move forward with services that are being delivered from the post office. You are quite right. Any extra services that are provided by the post office need to come with remuneration. That has to be the reality.

Q227 **Drew Hendry:** Is that a message you are taking to Post Office Ltd?

Kelly Tolhurst: Yes, but I think Post Office Ltd understands that as well. I would say it is supported by everyone in the room.

Q228 **Drew Hendry:** Just to go full circle, if you will bear with me, Minister, I asked about the extra work and security needs. I have also asked about these different services that are required. On that basis, you said there is an understanding in the Post Office that these people who are running these businesses should be properly remunerated for it. What is the next step? How are you going to ensure they get a fair share of the money that is being paid by the banks to the Post Office Ltd?

Kelly Tolhurst: I apologise for leaving out the security issue in my last answer. I was not trying to not answer you. I am not sure if Al Cameron outlined it when he came. With banking framework 2, Post Office Ltd has been clear that it will be working now on what provision and extra provision is required, how it manages those sub-postmasters, and how that extra need for security is managed and delivered.

Part of that has been, as I have touched on very briefly, around our area managers. Whereas before I have heard reports that sometimes sub-postmasters did not see area managers, they will be seeing area managers now. Part of the challenge will be to speak to those networks and understand those in particular. A lot of them will be case-by-case issues and different scenarios. There is definitely a commitment from Post Office Ltd to deal with the security element. That was also announced when the National Federation of SubPostmasters had its conference in April or March. It was within those few weeks. It was announced that we would be looking at that, so sub-postmasters had some assurance around that. That is in regard to security, where we are today.

In regard to how we move forward in taking on further services for the banks, offering those different elements, that is definitely the next stage of any communications or anything that we are asked to do. I am happy to take that forward.

Q229 **Drew Hendry:** Thank you for that answer. Just to clarify one final thing, what percentage of the money that is being paid by the banks to Post Office Ltd is going to sub-postmasters and postmasters?

Kelly Tolhurst: I do not have the percentage, so I cannot tell you that.

Q230 **Drew Hendry:** Would you expect that to be a high percentage of the total that is coming across?

Kelly Tolhurst: Yes.

Q231 **Drew Hendry:** Almost all of it?

Kelly Tolhurst: Without knowing the different elements of the costs, I would expect that the postmasters are being fairly remunerated in relation to what is being paid by the banks.

Q232 **Drew Hendry:** Have you asked for all or the majority?

Kelly Tolhurst: I do not have the percentage.

Q233 **Drew Hendry:** No, have you asked for all or the majority of that money that is coming from the banks to post offices to go to sub-postmasters who are handling these transactions?

Kelly Tolhurst: We have given strategic direction about what we wanted within the envelope. It is a massive increase. It is doubling in some cases, or trebling, the increase in the actual overall total from this banking framework, so this has been a major step forward for the Post Office. Part of that was making sure that postmasters who are doing the transactions are able to see an absolutely right increase for the service they are delivering. If you are talking about percentages, I will be honest: I cannot give you that breakdown here.

Q234 **Drew Hendry:** I have allowed you to have a bit more freedom. I asked whether you expect the vast majority of that money—a very high percentage of the money that is coming across—to go to the sub-postmasters.

Kelly Tolhurst: Yes, of course. Post Office Ltd sees the negotiation of the banking framework as being one of the routes through which to make sure the postmasters are getting more pay. That is one of the reasons I was very pleased they decided to bring it forward to October.

Drew Hendry: It might be useful to get an update on that, Chair, in terms of the percentage.

Chair: Yes, we will follow up on some of the outstanding issues.

Q235 **Stephen Kerr:** I wanted to support the line of questioning that Drew Hendry has been following. The Scottish Affairs Select Committee produced a very good report last spring, I think, on the closure of Royal Bank of Scotland branches and other banks. You will be aware, as was highlighted by Drew Hendry, that the banks have been sending customers to the post offices. In my constituency, I can tell you that those sub-postmasters have had little or no support, or even interaction, with the banks. Would you agree that simply giving sub-postmasters a bundle of leaflets does not constitute the kind of support that the banks should give to the post offices in the communities that the banks are now deserting?

Kelly Tolhurst: Yes, that is my view. My view is that, yes, banks have retreated and sub-postmasters are picking up the slack. The challenge for me in how we look after our sub-postmasters is how Post Office Ltd is able to support those postmasters in those settings. That is why the area manager post is coming forward, and the Post Office is setting criteria on that, so sub-postmasters will at least see their area manager once a year. It may not sound very much, but at the moment some may not see them. That is a way of making sure that Post Office Ltd is able to support those sub-postmasters in being able to discharge their function, for want of a better expression.

Going back to the earlier point on increasing services and the banking provision, that needs to be part of any future conversations about increasing the services delivered by post offices for banks. The Post Office is acutely aware of that. We have been acutely aware of it, and we are hoping to see that feed through. There will be certain circumstances where changes—I am not saying closures or anything like that—might need to occur, but it would be the postmasters working with the area managers to try to get those resolved, so support is absolutely right.

One thing that was really interesting in my meeting on 13 June was that we had Post Office Ltd and the National Federation of SubPostmasters. Since becoming the Minister, I have instigated quarterly meetings, which are chaired by the Minister, whoever that may be. These issues need to be spoken about in the same room, so the Minister and the civil servants who are responsible in BEIS and UKGI are there, listening to what the challenges are and to what Post Office Ltd is saying, so that we are all working together.

The thing that was so clear from the meeting of 13 June is that everybody wants the same outcome. The National Federation of SubPostmasters and the postmasters I have spoken to want to a great relationship with the Post Office, and want great businesses. It is about how we are all able to work together to deliver that.

Stephen Kerr: The reason I raise it is that there needs to be a robust discussion between Post Office Ltd and the banking industry so that the sub-postmasters are not left high and dry, as has been happening in Stirling constituency, and I am sure elsewhere in Scotland and the UK generally.

Q236 **Antoinette Sandbach:** Can I pick up on the Cass Business School's criticism of the relationship between the Post Office and the Bank of Ireland? There has been a concern that, given all the issues with the banking crisis, the Bank of Ireland has not put sufficient investment into its banking offer via the post offices, and that Post Office Ltd's own banking offer is inefficient and costly to run, and limited in the service that it can give to customers. What would you say to that?

Kelly Tolhurst: We recognise and understand the work Cass has done. It is a long-established relationship with the Bank of Ireland. I recognise that there may be complexities in the execution of those things. That continual challenge is part of the role we have, whoever is the Minister, and whoever is the civil servant.

Q237 **Antoinette Sandbach:** Given your commitment to try to offer what is an improved service to constituents, and you said it was a long-standing relationship, should BEIS be saying to Post Office Ltd, "This is not working for consumers. It is very limited in terms of the accessibility and how you can access it. Those criticisms were raised in the report"? Is it time for Post Office Ltd to be encouraged to look for a new, more competitive relationship that might actually offer a better service to customers?

Kelly Tolhurst: It would be right for me to challenge the Post Office on that. It would not be for me, as an outline, to direct it to make a change. On that, I know Tom has not spoken, and he may not want to, but Tom is our UKGI non-executive director on the Post Office. He may want to talk about that, and he may not. Absolutely, it is right for me to ask them, based on feedback we are getting, whether that relationship is delivering what we need at ground level and delivering for consumers. You are right, because we need to provide services at the Post Office that consumers want and value. That is the only way in which we are able to maintain a post office network—by the demand being there.

Q238 **Antoinette Sandbach:** It is not only that. Say you are a constituent living in a rural area that does not have a proper bus service. You have no way of getting out of your village; your bank has closed in your village; your post office is not offering a complete range of services. If you are a pensioner or you want to open an account for your child, you have to travel miles to go and do that. If the post office is trusted to check passport applications and marry the application form with identification, why can it not do that for bank account services? It seems to me there is a lack of joined-up thinking, and there should be pressure from Post Office Ltd. It has really good outreach, in terms of the geographical coverage, which should be a competitive advantage, yet it does not seem able to make the most of that.

Kelly Tolhurst: In regards to that ongoing challenge, that is right. I am committed to doing that. It is about how we modify. Things have changed since that relationship formed with the Bank of Ireland. The whole of banking, the accessibility on our high street and in our communities, has changed. It is right to look at these contracts and agreements. An amazing positive with the Bank of Ireland is the ability to offer the free cashpoint services, where that has been appropriate. I know not all branches have that, but that has been a very good provision in some post offices. Some of the others have not been able to replicate that.

Tom Cooper: There are a few things going on here. The first thing is the point that has been made a number of times about expanding the banking services that Post Office can provide for the customers of other banks. I think that is an objective we all share, and banks essentially control that, because these are their customers. Essentially, the job there is to get the banks to agree that their customers can do more in the post office branches.

Q239 **Antoinette Sandbach:** Can I interrupt you there? If there was a really good local offer, I know that a number of my constituents would switch from their bank to a post office.

Tom Cooper: I was coming on to that. There is no shortage of banks out there that can provide current accounts and so on. In terms of providing the best service to post office customers, the No. 1 priority should be to expand that list of services, so people do not have to travel.

The second point is in relation to the Bank of Ireland. There are ongoing discussions there. That contract comes to an end. The Bank of Ireland has said publicly that it is looking to renew that contract. It is commercially sensitive, but I think one of Post Office's objectives here is to again expand the range of things it can do.

Q240 **Antoinette Sandbach:** Has BEIS looked at there being a Post Office bank?

Tom Cooper: This is the "but" that was coming. Post Office is not a bank, and it has been a long-standing policy decision that it should not be a bank. What we are doing is within the realms of what the company is able to do.

Q241 **Antoinette Sandbach:** Minister, when was the decision that it was not a bank taken? As we have heard, it was a long-standing policy decision. Is that one that should be reviewed, in the light of the opportunities there are, now that banks have largely receded from huge areas of rural Britain?

Kelly Tolhurst: It is something that I have discussed. As for the history, I can only talk about the time in which I have been looking at the Post Office. It is something that I have asked and spoken of. The Government are not looking to bring forward a post bank within the Post Office. That is because of the accessibility to the network, at the moment, for what we would call transactions. All these things come under review. At the moment the position is not to. I am not being flippant, but who knows what strategic decisions may be coming in the future? As we move forward with delivering services, it may become more likely. I am not trying to evade the question. At the moment, those decisions are being made. That is kept under review and may change in the future.

Q242 **Antoinette Sandbach:** Given that sub-postmasters are, in effect, being outsourced to offer banking services for other banks, how adequate are those to meet the needs of SMEs? I know one of the big problems has been turning up to try to pay cheques into a post office for a bank, and being told, "No, we do not have the envelopes. We cannot take the payment." It is incredibly common and has happened numerous times in my constituency. Although the services are said to be there, they are not actually there if you are paying with a cheque, if you are not doing something with a card, or if there are barriers in the way, because the staff do not know how to process it and think there is a procedure in place when there is not. Do you think that the current post office banking arrangements meet the needs of SMEs and those who do not use banking services the whole time?

Kelly Tolhurst: The Post Office is plugging part of the gap of a need for the SMEs. Depending on the different transactions you can make, it will not encompass all of that. One of the key things the Post Office is doing, and one of the things with these area managers, is identifying training and looking at the service delivery of the network. We have spoken a lot about what we expect to be delivered to the postmasters, but it is also about the quality of service being provided by the post office.

We have Citizens Advice. It has looked at the network and the franchises, and where those services are going on. It is saying that, in most cases, the services are the same and can be better. It is an ongoing process. Rightly, the Post Office does external surveys of customer satisfaction. Without looking at the numbers, I think just under 150,000 people are surveyed in that. That is definitely part of our challenge around having these services and continuing to meet needs.

Q243 **Antoinette Sandbach:** Can I pick up on your Citizens Advice work? It noted that the loss of Government contracts had added to the difficulties that sub-postmasters had experienced. In 2004-05, I think there was roughly £576 million in what I would call Government contracts linking up with the Post Office. That has declined to £99 million now. It is assumed perhaps that digital by default works in all communities, but in

Eddisbury—I can see Sir Patrick nodding—and I suspect in parts of Derbyshire, some people just do not have access to digital. How are you ensuring that the Post Office benefits by offering a service to consumers who cannot go online?

Kelly Tolhurst: You are right. The way Government are now transacting with some constituents and different sections of the market, and delivering different services, has had an impact on the Post Office. There are the wider retail changes as well. In some respects, Government are reacting to the changes in the way consumers and users are wanting to interact with services. Obviously, that is an impact.

At the meeting we had with the Post Office and the national federation on 13 June, we made a commitment within BEIS to make sure that we do, for want of a better expression, a good selling piece within Government, to different Government Departments, when they are looking at bringing forward service providers, on whether the Post Office could be looked at. Obviously, all Departments will go through normal tendering processes, but we are trying to internally sell the virtues of the Post Office and what it can do. I suppose that is the wider context around the increase in services that can be delivered via the Post Office. In regards to supporting and making sure we keep in touch with our vulnerable and hard-to-reach constituents, the Post Office still plays a valuable role. I suppose that is down to our internal challenge as to how we are meeting them and how we manage to keep that as a topic of conversation.

Q244 **Antoinette Sandbach:** Can I encourage you to go and do that good selling exercise?

Kelly Tolhurst: Yes, it was a commitment I made on 13 June.

Q245 **Antoinette Sandbach:** In terms of widening the services that the Post Office can provide, some of the evidence we have had is from the Association of Convenience Stores, which has said that the exclusive deal with Royal Mail was preventing members who ran post offices from contracting with other parties such as UPS and DPD. I will not try to list every delivery network. Royal Mail itself is quite often avoiding the Post Office and going direct to consumers. Now you can print out a label online that you can put on your parcel and so on. Are you also looking at potentially lifting that covenant that restricts Post Office to Royal Mail?

Kelly Tolhurst: One thing to recognise is that when you look at the pie chart of remuneration for postmasters, mail and parcels still make up a large proportion of the overall remuneration. It is still a very valuable part of what the Post Office does. I just highlight that the Post Office has a contract with Royal Mail. That is a 10-year contract that was signed off in 2012. That will be up for renewal in January 2022. Conversations with Post Office and Royal Mail are ongoing, so that may or may not be discussed at the time. I cannot go into further detail on that.

One of the challenges or asks that we posed to the Post Office is about what opportunities there are out there to work with any such providers.

Some people might scream at the use of the word, but are there opportunities to work with people like Amazon and other such organisations? Obviously, they would be commercially agreed and negotiated contracts. There is an understanding from me, the officials within our Department and Post Office on how we are looking at opening up the market. Some of our postmasters in some of our settings will be in competition with another convenience store down the road maybe, which may have a deal with DPD or whoever. Absolutely, that is part of how we make sure that the Post Office is operating commercially as well. That is very much part of the discussions that the Post Office is having at executive level on how we move forward.

Chair: Thank you very much, Minister, for coming to give evidence to our Select Committee this morning, and to Tom Cooper and Carl Creswell for their support. As you can see and would have heard from the questions today, we all have experiences from our constituencies of local constituents wanting their post office to remain where is, or to provide more services, which was not always possible. We hope that you reflect on what more could be done, particularly as we enter, as Sir Patrick said right at the beginning, the next spending round; the support that post offices need; and the whole range of services for individuals, families, pensioners and small businesses, so they have the banking support they need in their local communities. Thank you very much for coming to give evidence this morning.