



House of Commons  
Business and Enterprise  
Committee

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**Post Office finance:  
matters arising from  
evidence taken on  
10 June 2008**

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**Tenth Report of Session 2007–08**

*Report, together with formal minutes, oral and  
written evidence*

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## The Business & Enterprise Committee

The Business & Enterprise Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department of Business, Enterprise & Regulatory Reform.

### Current membership

Peter Luff MP (*Conservative, Mid Worcestershire*) (Chairman)  
Mr Adrian Bailey MP (*Labour, West Bromwich West*)  
Roger Berry MP (*Labour, Kingswood*)  
Mr Brian Binley MP (*Conservative, Northampton South*)  
Mr Michael Clapham MP (*Labour, Barnsley West and Penistone*)  
Mr Lindsay Hoyle MP (*Labour, Chorley*)  
Miss Julie Kirkbride MP (*Conservative, Bromsgrove*)  
Anne Moffat MP (*Labour, East Lothian*)  
Mr Mark Oaten MP (*Liberal Democrat, Winchester*)  
Mr Mike Weir MP (*Scottish National Party, Angus*)  
Mr Anthony Wright MP (*Labour, Great Yarmouth*)

### Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via [http://www.parliament.uk/parliamentary\\_committees/parliamentary\\_committees](http://www.parliament.uk/parliamentary_committees/parliamentary_committees)

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [http://www.parliament.uk/parliamentary\\_committees/berr.cfm](http://www.parliament.uk/parliamentary_committees/berr.cfm)

### Committee staff

The current staff of the Committee are: Eve Samson (Clerk), Emma Berry (Second Clerk), Robert Cope (Committee Specialist), Louise Whitley (Inquiry Manager), Anita Fuki (Committee Assistant), Lorna Horton (Committee Secretary) and Jim Hudson (Senior Office Clerk).

### Contacts

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# Contents

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<b>Report</b>	<i>Page</i>
<b>1 Introduction</b>	<b>3</b>
<b>2 Royal Mail Group payments to Post Office Ltd</b>	<b>3</b>
<b>3 Financial support for outreach</b>	<b>4</b>
<b>Formal Minutes</b>	<b>7</b>
<b>Witnesses</b>	<b>8</b>
<b>List of written evidence</b>	<b>8</b>
<b>List of unprinted evidence</b>	<b>8</b>
<b>List of Reports from the Committee during the current Parliament</b>	<b>9</b>

# 1 Introduction

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1. We have published Reports on the Post Office network change programme twice so far this year. Our first Report looked at the progress of the programme, in which the post office network will be reduced to some 11,500 branches.<sup>1</sup> Our second commented on the responses to the first Report, and raised particular concerns about the financial transparency of Post Office Ltd and Royal Mail Group, its parent company, about the adequacy of funding for outreach services, and about the relationship between Post Office Ltd and mail services.<sup>2</sup> Mail services are currently the subject of two reviews, one run by Postcomm and the second by an independent panel, chaired by Richard Hooper. We made the unusual decision to take oral evidence from Post Office Ltd and Postwatch between publishing a report and receiving the Government response. This evidence has confirmed two of our concerns: the costs to Post Office Ltd of delivering Royal Mail Group services; and the financial support to sub-postmasters for providing outreach services. We believe it should be drawn to the attention of the House and the wider public.

## 2 Royal Mail Group payments to Post Office Ltd

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2. Post Office Ltd is a wholly owned subsidiary of Royal Mail Group. In 2007-08 it received £358 million from Royal Mail Group for providing mail services. We were surprised to find that this did not cover the costs of providing these services. We draw particular attention to the following exchange between Mr Alan Cook CBE, Managing Director of Post Office Ltd and the Chairman of our Committee:

Mr Cook: To explain the current situation, to be clear, the Royal Mail Group is the parent company and then there are Royal Mail Letters and Post Office Ltd I act as Managing Director of Post Office Ltd and I sit on the board of Royal Mail Group. We are quite closely integrated today. Having said that, there is a need for us to provide transparency in terms of the financial relationship, so we have what we call an inter-business agreement that exists between Royal Mail Letters and Post Office Ltd which defines how much is paid by Royal Mail Letters to Post Office Ltd for the services we provide. ... **As things currently stand, given the profitability of Post Office Ltd, the payment that Royal Mail makes to us is not sufficient for me to make a profit on it.** [emphasis added] The way I am tackling that is to make the business more efficient by taking out cost and generally improving efficiency until such time as we can make a profit out of that business.

...

Chairman: I was interested by what you just told me, Mr Cook. [...] I want to make sure that you did actually say that the payment that you receive from Royal Mail is

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<sup>1</sup> Third Report of Session 2007-08, *Post Office Closure Programme*, HC 292-I

<sup>2</sup> Sixth Report of Session 2007-08, *After the Network Change Programme: the future of the post office network*, HC 577

not sufficient to meet the cost of the services you are asked to provide for that arrangement?

Mr Cook: Yes. The business is losing a lot of money today. That is the problem we are trying to fix effectively.

Chairman: Is there an issue here about the Royal Mail Group shoving costs on to the Post Office Ltd subsidiary which is being funded by taxpayer subsidy?

Mr Cook: I think I can make Post Office Ltd profitable from the money that is paid to us by Royal Mail. I do not think the problem is that Royal Mail do not pay enough; I think the problem is that it costs too much to run Post Office Ltd

Chairman: Your cost base is too high?

Mr Cook: Yes. I have to say that that is a very subjective view because it is not easily benchmarked.<sup>3</sup>

3. We have commented in past reports about the relationship between Royal Mail Group and Post Office Ltd and the lack of transparency in Post Office Ltd's finances.<sup>4</sup> Both bodies are wholly owned by the Government and provide vital services to the public: there should be far more openness. It is possible that Royal Mail Group is paying a fair price for the services it receives and the problem is that Post Office Ltd is inefficient. As the state is sole shareholder in the business, it is in the public interest that Post Office Ltd is under pressure to become more efficient. It is also possible that Royal Mail Group is inappropriately using a state-supported part of its business (Post Office Ltd) to cross subsidise its mail services. Given the close relationship between the two bodies, and the lack of any obvious benchmark, it is impossible for us to judge which is the case.

**4. We repeat our earlier conclusion that it is neither reasonable nor prudent to conduct the reviews of mail services without considering the relationship between Royal Mail Group and Post Office Ltd and urge those currently conducting reviews to take this fully into account. Moreover, Royal Mail Group and Post Office Ltd should provide clear information on: what services Royal Mail Group expects Post Office Ltd to deliver for it; how Royal Mail Group determines the price it pays for these services; and how much it actually currently costs Post Office Ltd to deliver them.**

## 3 Financial support for outreach

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5. In response to petitions, the Government has noted that it will be providing the £150 million Social Network Payment to support the post office network to 2011 and that "the Government strategy includes provision for 2500 compensated closures and 500 new Outreach services."<sup>5</sup> We have raised the subject of Outreach in previous reports.<sup>6</sup> We were

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<sup>3</sup> Qq 23, 26, 27 and 28

<sup>4</sup> Trade and Industry Committee, Eighth Report of Session 2006-07, *Restructuring the post office network*, HC 593; Business and Enterprise Committee, Sixth Report of Session 2007-08, *After the Network Change Programme: the future of the post office network*, HC 577

<sup>5</sup> See, for example, Observations from the Secretary of State for Business, Enterprise and Regulatory reform to the Petition of supporters of the "Keep Mayfield Post Office Open" campaign.

concerned about the level of payment for Outreach services, particularly for partner outreach, in which a local partner, such as a retailer or publican, is appointed by a sub-postmaster or mistress to provide a range of Post Office services.<sup>7</sup> We received evidence that this funding was insufficient from witnesses from Rippingale in Lincolnshire, Tilton in Leicestershire and Devon. At the meeting with Post Office Ltd we asked for further explanation of outreach service funding. We were not reassured by the answers we received.

6. Naomi Nardi, had told us that:

“PARTNER OUTREACH is the least sustainable of the Outreach Models relying on the work of a third party, who shares payment from POL [Post Office Ltd] with a core sub-postmaster, to deliver services.

.....

Perversely, POL does not involve itself in Partner's payment terms. That is subject to individual negotiation with the core sub-postmaster, which means payments will vary across Outreaches for the same work and are open to abuse.

Whilst some core sub-postmasters will no doubt offer fair deals, others may not. The finance package is not transparent nor has POL considered there to be any need to ensure that Partners get reasonable recompense for the work, responsibility and security of the money and mails that they are handling.”<sup>8</sup>

7. When we questioned Post Office Ltd about this, the Managing Director of Post Office Ltd told us:

“This is a general point across the whole network. There are post offices in Tescos, in WH Smiths, in Co-ops or whatever. We pay those organisations for the transactions they perform for us and they hire staff to do the work. We do not stand back; we actually go in and train those staff. If it is a sub-postmaster, we interview the sub-postmaster to make sure that they are capable of running the business and we exercise a high degree of quality control, mystery shopping and all that sort of stuff to make sure that it works properly. It is their own business and they have to decide the labour rates in their area or whatever.”<sup>9</sup>

8. In response to this Ms Nardi told us:

“Regarding Mr Cook's response using the illustration of employees of Tesco & W H Smith: those are not Outreaches and the structures of the different businesses do not relate to one another at all.

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<sup>6</sup> Business and Enterprise Committee, Sixth Report of Session 2007-08; *Post Office Closure Programme*; HC 292, Business and Enterprise Committee, Sixth Report of Session 2007-08, *After the Network Change Programme: the future of the post office network*, HC 577

<sup>7</sup> Business and Enterprise Committee, Sixth Report of Session 2007-08, *After the Network Change Programme: the future of the post office network*, HC 577 Ev 4 and Ev 12

<sup>8</sup> Ev 28 (Naomi Nardi)

<sup>9</sup> Q 164

The core sub-postmasters do not directly employ Partners. If they did, we would very much welcome the minimum wage.

In fact, Partners are being offered around £2,000 to £3,000 per annum, depending upon transaction numbers and the deal struck with the Core. That is approximately £8 to £12 per day gross for up to 9-10 hours a day, and often across seven days a week.

In our own situation, given the stricture by POL to offer Partner Outreach for the entire time that our retail side functions, we would earn £1.23 an hour, gross. This is too busy a shop & PO to run single-handed and so in effect, one of us would have to work for the Post Office for almost nothing. If we need holiday or sickness cover, for which we must pay minimum legal rates, we make a loss. In an unguarded moment the core sub-postmaster put forward for us here, told us that he thought a business would 'have to be desperate' to take it on!"<sup>10</sup>

**9. We remain concerned that the funding provided for Outreach services may be inadequate. If this is the case, Outreach services will fail and the network be diminished. We note that the adequacy of Outreach funding has been raised by witnesses from several different parts of the country. However, we are not the appropriate body to look at the detailed financial arrangements for outreach, which will involve many different contracts. A significant amount of public funding is provided to sustain the network; we need to be confident the public receives the services this is meant to secure. We recommend that the National Audit Office investigate the financial arrangements for Outreach services.**

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<sup>10</sup> Ev 28 (Naomi Nardi)

# Formal Minutes

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**Wednesday 16 July 2008**

Members present:

Peter Luff, in the Chair

Mr Adrian Bailey

Roger Berry

Mr Michael Clapham

Miss Julie Kirkbride

Anne Moffat

Mr Mark Oaten

Mr Anthony Wright

Draft Report (*Post Office finance: matters arising from evidence taken on 10 June 2008*), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 9 read and agreed to.

*Resolved*, That the Report be the Tenth Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

Written evidence was ordered to be reported to the House for placing in the Library and Parliamentary Archives.

[Adjourned till Tuesday 7 October at 10.15 am

## Witnesses

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**Tuesday 10 June 2008**

*Page*

**Alan Cook**, Chief Executive, **Paula Vennells**, Network Director, Post Office Ltd, and **Howard Webber**, Chief Executive, Postwatch

Ev 1

## List of written evidence

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1	Postwatch	Ev 24
2	Naomi Nardi	Ev 28

## List of unprinted evidence

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The following memoranda have been reported to the House, but to save printing costs they have not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Parliamentary Archives, and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (tel. 020 7219 3074). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

Paul Edwards  
Henry Harington  
Roger Whitaker

# List of Reports from the Committee during the current Parliament

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## Session 2007–08

First Report	The work of the Committee in 2007	HC 233
Second Report	Jobs for the Girls: Two Years On	HC 291
Third Report	Post Office Closure Programme	HC 292
Fourth Report	Funding the Nuclear Decommissioning Authority	HC 394
Fifth Report	Waking up to India: Developments in UK-India economic relations	HC 209
Sixth Report	After the Network Change Programme: the future of the post office network	HC 577
Seventh Report	Keeping the door wide open: Turkey and EU accession	HC 367
Eighth Report (First Joint Report of Committee's on Arms Export Controls)	Scrutiny of Arms Export Controls (2008): UK Strategic Export Controls Annual Report 2006, Quarterly Reports for 2007, licensing policy and review of export control legislation	HC 254
Ninth Report	Construction matters	HC 127

# Oral evidence

## Taken before the Business and Enterprise Committee

on Tuesday 10 June 2008

Members present:

Peter Luff, in the Chair

Roger Berry  
Mr Brian Binley  
Mr Michael Clapham

Mr Lindsay Hoyle  
Miss Julie Kirkbride

*Witnesses:* **Mr Alan Cook CBE**, Managing Director, and **Ms Paula Vennells**, Network Director, Post Office Ltd and **Mr Howard Webber**, Chief Executive, Postwatch, gave evidence.

**Q1 Chairman:** Good morning, even though we know you all so well, would you begin by introducing yourselves for the record?

**Mr Webber:** I am Howard Webber, Chief Executive of Postwatch.

**Mr Cook:** Alan Cook, Managing Director, Post Office Ltd.

**Ms Vennells:** Paula Vennells, Network Director of Post Office Ltd.

**Q2 Chairman:** This is a rather unusual occasion in a sense. We are inviting you to anticipate your response to our report published last week, in many senses, and asking you about some of the issues that flow from that. I want to begin by the mighty edifice I erected on a phrase or two in your response to our previous report where we describe what you said—and I am looking at Mr Cook in particular—about your views on the minimum size of network as being more nuanced than the Government's. You said in your response, and I quote: While Post Office Ltd has no plan or desire to see any further reduction in the overall size of the Post Office network, it does not believe it is possible or desirable to set a minimum number of fixed outlets. What do you make of our view that the Government is paying for 11,500, which you acknowledge further on in that response?

**Mr Cook:** Could I make a couple of introductory remarks first in which I will pick that up? The first thing to say is that we have no plan or desire to shrink the network further after this current network change programme. I believe we have always been clear about this and we strongly desire to maintain a network size of 11,500 plus 500 new outreach, making 12,000 in total, and to be as near to that as possible. That will be a mix of full-time and part-time outlets and access points, including the outreaches for the full 12,000, all of which will provide access to a range of Post Office services. We do, though, have to work within government funding and government policy but we would oppose any further plan to shrink the size of the network for commercial reasons that I will come on to no doubt during the course of the morning. We are committed to replacing branches which close voluntarily after completion of the programme unless in very exceptional circumstances there is no

customer base of any size, but we would also expect to be able to open new outlets in areas of new or dramatically increased customer demand as a result of a new housing development or shopping complex or whatever, for example. All our business planning, as submitted to the Government as our shareholder, assumes a total network of those 12,000 outlets. We are working extremely hard to introduce new marketing services to deliver that. That is our position on the size of the network. May I go on briefly on the Network Change programme as a whole?

**Q3 Chairman:** Let us do the size of network first and then I will give you an opportunity to make a second submission to us because this is a really important point. What I would like to do is look to Mr Webber at this point. The committee attaches great importance to the code of practice on business as usual in Network Change. We said we would like to see a draft of the code before the summer recess. First, and this is a rather leading question, do you think we are right to attach such importance to the code and, secondly, is our timescale reasonable?

**Mr Webber:** You are certainly right to attach importance to that. We hope it is reasonable. It is a matter on which we will be working over the next few weeks with Post Office Ltd very closely to try to achieve. Obviously the implementation of the code is not going to be for Postwatch itself; it is going to be for the new National Consumer Council beyond the end of September, but we have their mandate—we have been working closely with the Chief Executive of the new National Consumer Council—to negotiate that. We hope very much to get certainly the principles settled, and some of the practicalities, before the recess.

**Q4 Chairman:** This is not an unimportant point. A lot of us have suspicions and we were discussing them before the session began. I know that there have been different managements in the Post Office. In the past, sometimes the Post Office seems to have been quite keen to seize the opportunity created by a retirement and to shrink the network modestly and it has not always thrown itself heart and soul into

finding a replacement. That is what underlay this committee's concern in our report. There has been a history of that. Do you understand that?

**Mr Webber:** There certainly has been a history but I think there has been unanimity from everyone from the National Federation of Sub-Postmasters, to Postwatch, to the Government, to Post Office Ltd that 11,500 plus outreach is the sort of level that the network should be at, and that is where we hope it will remain.

**Q5 Chairman:** I would agree the National Federation obviously takes that view. A number of individual sub-postmasters find themselves disappointed not to have been closed. The compensation terms are relatively generous, if we are honest. My concern is still that risk that quite a body will decide to go shortly after the process ends because they have lost their opportunity to get out with decent compensation terms. Am I wrong to have that concern?

**Mr Webber:** There is obviously a risk of that. The number of business as usual closures over the past year I think has been slightly below that of previous years, though that is understandable because the main compensated closure programme has been going on. It is important for Post Office Ltd and the Government to make sure that that does not happen, obviously alongside customers making sure that offices remain open and that they are well used.

**Q6 Chairman:** Mr Cook, do you want to respond to that monstrous allegation I have just made?

**Mr Cook:** The most common way for a sub-postmaster to cease being a sub-postmaster is to sell his post office. That does not necessarily present us with a problem. They may have found it difficult to sell in the build-up to Network Change with the uncertainty. As that uncertainty goes, it would become easier. I do not believe that the other side of Network Change we will get a flood of closures. We may get a number of postmasters who are disappointed not to have the opportunity to retire and seeking to sell their post office. My job is to make sure the market in post offices is sufficiently buoyant that they can find a buyer. I think one of the ways that I make sure it is sufficiently buoyant is by providing a secure commercial future for Post Office Ltd. When I am tendering for business, for example like the Card Account with the DWP, the size of this network is an asset. A huge disadvantage for me is lots of speculation that that asset is going to get smaller. The publicity that we have had in recent weeks concerning whether there could be more closures does not help Post Office Ltd at all win a tender like the Card Account.

**Q7 Chairman:** Then why did you say in your response to us that it is not possible or desirable to set the minimum number of fixed outlets?

**Mr Cook:** Do not forget that was part of the sentence. Your press release had the second part of the sentence in it. The first part of the sentence reinforced our desire to maintain 11,500 Post Offices. It is not actually my gift to give.

**Q8 Chairman:** It says: Post Office Ltd has received Government funding which should enable it to make the network run at the 12,000 offices at 2011. The word is "should".

**Mr Cook:** If I could use a more positive word, it will. Up to 2011, I have funding to maintain that number of post offices. Beyond 2011, income could fall in one of two ways: either income as a result of our losing some other government business, for example; or the size of the social network payment could reduce. My strong understanding is that the Government shares the view that the size of the network is at the optimum level and expects a social network payment to continue, but it is for them to commit to that and they have not committed beyond 2011.

**Q9 Chairman:** The problem is that we know that the access criteria can be met with 7,500 offices.

**Mr Cook:** That is true but my understanding is that the Government's current position is that it believes 11,500 fixed offices plus the 500 outreach is the right number. I would expect post-2011 still to be financially able to support that but it is not a commitment I can give, hence the point about the practicality of committing as Post Office Ltd.

**Q10 Chairman:** Until 2011, you can give a commitment that that is your firm objective. Obviously the world changes.

**Mr Cook:** We will be campaigning for it. Yes, I can give a very strong commitment and it is our very strong aspiration post-2011.

**Q11 Chairman:** Can I be clear? You talked about 11,500 plus 500 outreach, so your objective is for 11,500 fixed offices?

**Mr Cook:** There are already outreaches in the 11,500 that have been around for a number of years. I did say 11,500 plus 500 new outreach.

**Q12 Chairman:** The 11,500 figure is a figure actually to which you are really making quite a strong commitment for the next two years, after all?

**Mr Cook:** Yes, and in a way it is 12,000 because it includes the 500 outreach.

**Q13 Chairman:** Mr Webber, what needs to be in the code of conduct? What features need to be there to give us as politicians the reassurance that these warm words will actually be delivered in practice?

**Mr Webber:** I think we are going to need to import much of what is in the memorandum of understanding about the current closure programme. At the moment, the code of practice is out of date because it is based on issues that were live before the current closure programme, but we need the Government's distance criteria obviously to be included in the new code of practice. We also need the factors in terms of transport links, effect on the local economy, the demographics, et cetera, to be included so that customers are fully protected. Just as we are looking at closures now under the closure programme, we should be looking at closures in the same sort of way under the code of practice in future.

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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**Mr Cook:** We have already had a go at preparing a draft of this and we will sit down and work on that with Howard and his team. It would be quite important to us to make sure that the NCC were fully brought into what it is we agree as well.

**Q14 Chairman:** I want to ask precisely that point. We are very concerned about the abolition of Postwatch at this particularly sensitive time in the process. I am sure the NCC will do a splendid job but it is a period of disruption we could well have done without. This summer period is a particularly important period. Mr Webber, what can we do to give you more ammunition in your battle to ensure NCC gives this the priority it needs to have?

**Mr Webber:** To begin with, those of us who are working in Postwatch on the Post Office closure programme will remain either in Postwatch or under the banner of the new NCC while that programme goes on. We are not disappearing. That was a commitment which the Government gave quite a few months ago and which we are making sure is being honoured. We will be around until the end of the year or so to make sure that does happen. The new NCC has already shown great interest in this. As I say, I have been discussing with the Chief Executive of the new NCC issues around the code of practice. He has given us a very specific mandate to negotiate that code of practice. We are pretty confident that they are going to give this area a high priority.

**Q15 Mr Clapham:** The code of conduct is going to be so important for the NCC because hopefully it is going to ensure that the robustness that Postwatch has had in the way it has approached matters continues. Are we likely to see anything in that code of practice that relates to appeals? Is any direction going to be given to the process of appeal and, if so, could you say how that might change?

**Mr Webber:** We have not given much thought to that yet. Off the top of my head, I would say that I would like something like the current review process to continue, which does involve high level discussions between the new NCC as it will be and Post Office Ltd where there are disputes about replacement branches. I would not commit to that at the moment but I see no reason why we would not have something similar to the current review process.

**Q16 Mr Binley:** May I ask a bit of an historical question in the first instance? You will know, Mr Cook, that I wrote to you asking for you to give my part of Northamptonshire a three-month opportunity to see if we could talk with the County Council to see if we could keep some of those post offices open. I might tell you that one of them particularly served an aged community in a very important and effective way, so it really impacted at the micro level that affects me rather than at a macro level, which I understand you are dealing with. Can you tell me why you could not give me that three months?

**Mr Cook:** The whole question of local authority funding—

**Q17 Chairman:** We will get the full details later. I think the simple answer you want to give is that the Government will not let you. Is that the answer?

**Mr Cook:** We are required to press ahead with the closure programme. I am really interested in, and I am making good progress on, the general question of local authority funding. I think we will come to that detail later.

**Q18 Mr Binley:** I still want a specific answer because my elderly people in that patch are saying that they do not understand it, and they deserve an answer. Why is this? Is it purely that you have a timetable and the bureaucrats say you have to stick to it?

**Mr Cook:** We have agreed a timetable. We have agreed a process of consultation, whatever. In a sense, that is true.

**Chairman:** We will come back to that in more detail a little later on.

**Q19 Mr Binley:** May I go on to two other questions because I am really concerned? I just do not understand why you did not do more with those people who the Chairman mentioned earlier who were in fact waiting to get out and wanting to get out, and there were a number of those. I do not understand why there was not more of a connection between those who wanted to stay and continue their jobs and those who wanted to go. It seemed to me you did not do very much work to see what happened in a given local area in that respect.

**Mr Cook:** There is quite a strong correlation between individual sub-postmaster desires and the ultimate solution. I have to say, though, that it is probably more important to make sure there is a stronger correlation with customer need than sub-postmaster need. Where, for example, you have a very small community and two sub-post offices not very far apart, this is not that unusual.

**Q20 Mr Binley:** That is not like the factor of taking 30,000 people, Mr Cook?

**Mr Cook:** I am just giving an example. I am saying if you have a situation where one postmaster wants to go and the other does not, then it makes sense to take postmaster preferences into account, but the primary driver of this programme is to make sure that we end up with an evenly spread network serving the community. Having said that, the vast majority of sub-postmasters that are going are reasonably content to go.

**Mr Binley:** I am doubtful but carry on.

**Q21 Chairman:** We have pushed the question about the future level as far as we can because from 2011 you are giving us a clearer commitment in that last response of 11,500, which is encouraging. Would you like to say something as half of your opening statement about the future, which may helpfully introduce something else we want to ask you about. Is that right?

**Mr Cook:** Yes. I was going to give you a quick status update on the Network Change Programme. That is all.

**Q22 Chairman:** Let me ask something else first before you do that. Let me ask some background questions of a more philosophical nature, as it were. We had a concern, and the relationship between Royal Mail and Post Office Ltd is clearly a feature of the independent review that is currently being conducted. I would like you both to answer this question, both the Post Office Ltd and Postwatch. Can you explain to us what impact changes in mail services would have on Post Office Ltd?

**Mr Cook:** What sort of changes?

**Q23 Chairman:** What kind of impact would potential changes in the arrangements for our mail services, the ownership and structure, have on Post Office Ltd?

**Mr Cook:** To explain the current situation, to be clear, the Royal Mail Group is the parent company and then there are Royal Mail Letters and Post Office Ltd. I act as Managing Director of Post Office Ltd and I sit on the board of Royal Mail Group. We are quite closely integrated today. Having said that, there is a need for us to provide transparency in terms of the financial relationship, so we have what we call an inter-business agreement that exists between Royal Mail Letters and Post Office Ltd which defines how much is paid by Royal Mail Letters to Post Office Ltd for the services we provide. That has been in place for many a year. Since I have joined, we have been through it in quite some detail and gone through a process of much more aligning, if you like, Royal Mail's aspirations for Post Office and their customers in terms of how much they would pay us for a given transaction and, in turn, how much we would then pay a sub-postmaster. There is a much clearer line of sight now: if Royal Mail Letters want to do this, they pay us for it and that is reflected in the payment they make to us and the payment we then make on to sub-postmasters. The motivation of sub-postmasters is now much more in line with Royal Mail's motivation, if you see what I mean, but it is all done on a pretty commercial basis. The issue will be: is the total amount of the payment correct? That is quite difficult to benchmark because there is not another market in the UK that one can benchmark against. As things currently stand, given the profitability of Post Office Ltd, the payment that Royal Mail makes to us is not sufficient for me to make a profit on it. The way I am tackling that is to make the business more efficient by taking out cost and generally improving efficiency until such time as we can make a profit out of that business.

**Q24 Chairman:** The independent review is talking about potentially quite radical changes to the arrangements for mail and sorting services.

**Mr Cook:** Yes. I probably did not complete the answer to your question.

**Q25 Chairman:** It was very helpful but it did not answer the question.

**Mr Cook:** The reason I was saying that, and I probably lost my way, was that we already have a fair degree of independence within the group, because I think that is healthy to make sure that the right financial relationship exists. On that basis, there seems little benefit in, for example, taking Post Office Ltd out of the group. You could replicate those arrangements from outside the group relatively easily, but at the moment, as things stand, there does not seem any point from our perspective in doing that.

**Mr Webber:** Picking up on Alan's last point, we would agree that the benefits which are suggested for demerger of Post Office Ltd from the Royal Mail Group can be gained in other ways, very clearly. The ability of post offices to take the goods and services of other postal operators could be achieved very easily without that. Then there are dangers of demerger—that Royal Mail might reduce the range of services it does provide through post office outlets, and certainly reduce the number of post office outlets that it would put those services through. We certainly feel the case has yet to be made. We are not quite sure what the evil is that demerger would answer.

**Q26 Chairman:** I was interested by what you just told me, Mr Cook. I will flag it up Mr Binley for the question he is going to ask later about finding some more detail. I want to make sure that you did actually say that the payment that you receive from Royal Mail is not sufficient to meet the cost of the services you are asked to provide for that arrangement?

**Mr Cook:** Yes. The business is losing a lot of money today. That is the problem we are trying to fix effectively.

**Q27 Chairman:** Is there an issue here about the Royal Mail Group shoving costs on to the Post Office Ltd subsidiary which is being funded by taxpayer subsidy?

**Mr Cook:** I think I can make Post Office Ltd profitable from the money that is paid to us by Royal Mail. I do not think the problem is that Royal Mail do not pay enough; I think the problem is that it costs too much to run Post Office Ltd.

**Q28 Chairman:** Your cost base is too high?

**Mr Cook:** Yes. I have to say that that is a very subjective view because it is not easily benchmarked.

**Q29 Chairman:** We will talk about finances in a bit more detail. Let me ask another philosophical question about the Post Office network and universal service obligation. This is probably to Mr Webber initially. To what extent does the Post Office network underpin the universal service obligation?

**Mr Webber:** Legally to a limited extent because the actual requirements of the universal service in terms of post office outlets are limited. They are a lot more limited than even the 7,500 outlets which the Government's access criteria would lay down.

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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Meeting the Postcomm requirement, meeting the licence requirement, is very easy for Post Office Ltd. The Government access criteria are slightly harder to meet but not hard enough and the 11,500 figure is, as we know, a lot higher again. There is a floor below which services may not fall. I think at the moment the USO element is not that significant.

**Q30 Chairman:** It is the access criteria and defining the importance of the network for political purposes?

**Mr Webber:** Absolutely, and much more so than the requirements laid down by Postcomm.

**Q31 Chairman:** Mr Cook, do you agree with that answer?

**Mr Cook:** Yes, absolutely; our commitment to the 11,500 plus the 500 makes that not a relevant concern to us.

**Q32 Mr Binley:** I think one of the problems during this whole closure process has been that people did not understand the information regarding financial matters that you gave them, and particularly gave to individual post offices, quite frankly. It suggested that the Post Office totally was not very clear about its financial arrangements or where it stood in terms of cost and that relationship to profit. Could the whole relationship between Royal Mail Group and the Post Office be more transparent in that respect and could you do more work to ensure that that transparency had meaning for people who work at the coalface in your business?

**Mr Cook:** The first thing I would say is that although we have a strong social purpose in the business, we are a commercial business and we have to fight for the business that we get. We have put in a very comprehensive tender, to use the Card Account example again, for the Card Account. We are facing active competition for that business. All the time, I am worried that if I reveal too much information, I weaken my hand in competing for business. Just to make that point, the first point would be that I do need to make sure that I can compete effectively and commercially. Having said that, in the context of this inter-business agreement that exists between Royal Mail and Post Office Ltd, Postcomm has been given that inter-business agreement and so the transparency is there. They are looking at that, as are we, to see if there is some way we could benchmark the fairness of the total sum. It is quite difficult to do. Postcomm have asked for a lot of information for example about other contracts we have with other organisations, like insurance companies and banks and whatever. It is quite difficult to draw any meaningful conclusion from that because they are in different market-places. I think we can look across Europe and try and draw some lessons there but it is quite a complicated piece of work to reach a fair conclusion on what the base level is, other than the custom and practice that existed. In terms of the front line, that is the work that I alluded to in part of my opening statement that said that it was undoubtedly a few years ago a bit of a black art. Postmasters were paid what postmasters were paid

for different transactions and they might be paid more for something that was not a tremendously profitable activity for Royal Mail and *vice versa*, and so on. It would be quite customary for a manufacturer to pay its distributor amounts of money for different types of transactions in proportion to how valuable that transaction was for them, to encourage the distributor to put a lot of effort behind selling such and such a product. That is the process we have been through over the last 18 months; that is the new inter-business agreement that is in place. It still produces a payment in total from Royal Mail to Post Office Ltd that is much similar in total amount than it did before but the way it is made up is radically different. We did a pay deal 13 months ago with the National Federation of Sub-Postmasters which realigned agent pay on Royal Mail's products to be in line with that inter-business agreement. I now think we have much stronger alignment right down the chain from Royal Mail through Post Office Ltd to sub-postmasters in terms of making sure that they are correctly paid in relative terms for the different products.

**Q33 Mr Binley:** You will know that many sub-postmasters during the negotiations felt that your figures in terms of support costs from the centre were crude to the point of being almost meaningless in terms of an impact upon the viability of an individual office. You will have had that feedback, I am sure, because I certainly did. That is the area of real concern because you are making judgments about people's livelihoods. I met one young man whose business came to an end shortly after he ceased to be a sub-office; he could not sustain his business and yet the figures you gave him had no meaning to him. Do you understand the difficulties that creates at the coalface?

**Mr Cook:** Absolutely, and I am sorry but I was only talking about the Royal Mail's—

**Q34 Mr Binley:** I know you were but I want to take you back to where it really matters.

**Mr Cook:** If we then go on to the bigger picture, which is the overheads, I think I have already conceded that the overheads are too great in the business. In fact, the last time we met I talked about the aspiration to take £270 million worth of cost out of the cost base. The Network Change Programme only contributes £45 million of that £270 million. I only make that point to illustrate the scale of the change that needs to be taken elsewhere. The plan that I submitted to Government at the outset of this five-year period from 2006 to 2011 makes the assumption that we can deliver all that cost saving. Therefore, the number of closures we chose is in the light of the fact that I need to deliver the rest of that saving. I do understand the scale of the challenge. We are working on all those costs and they will come out.

**Q35 Mr Binley:** I understand that but at the local level a man's business has gone to the wall on the basis of figures which he reckons had no meaning to him in terms of running his business. Either you have

a problem of communication or you have a problem of not really knowing what the figures were in relation to an individual post office. Either situation is unacceptable, quite frankly.

**Mr Cook:** Certainly the latter is not the case in the sense that we have a strong understanding of what all these overhead costs are and how they are branched—the extent to which the sub-postmaster accepts what that money is spent on, understands for example how much it costs to deliver cash to his post office, understands how expensive it is to keep cash in the till and what steps we can take to optimise the amount of cash that is left in the till overnight, understands the cost of the IT, which is too high, without a doubt. We are redeveloping the IT with a view to reducing its cost. We have supplied breakdowns. If individual sub-postmasters have not understood that well enough, that is a disappointment to me, without a doubt.

**Q36 Mr Binley:** They certainly have and let me pass that on to you for future negotiations. You have a lot of work to do there. Can I move on to a letter we received from John Hemming MP, who is one of our colleagues in the House, who is very concerned about this relationship between your problems at the macro level and how it impacts upon micro level in terms of fixed costs. He maintains that it appears that they wrongly allocated at least some of your central fixed costs on a per office basis rather than on an *ad valorem* basis. The fact is that if they reduce the number of offices, the central fixed cost frequently will remain much the same. There is a problem there, is there not?

**Mr Cook:** This is something I have spent a fair amount of my career doing.

**Q37 Mr Binley:** We are both businessmen.

**Mr Cook:** There are not really too many fixed costs. Lots of people will protest that costs are fixed but the name of the business here has got to be to try and make as much of the cost base that Post Office Ltd has as variable as possible. That can be achieved for example in some of the central functions by outsourcing. You would then buy a service and therefore if you buy less service, you just pay less because you pay per unit and you are not saddled with the cost of the building and so on. There are many techniques to try and make the cost more variable, but the trick has to be that I cannot accept a protestation that a piece of cost is fixed and therefore cannot be touched because we have to come up with a fundamentally—

**Q38 Mr Binley:** I did not say that.

**Mr Cook:** I am not saying you said that either. I am just saying that the challenge for me is really to tackle the costs in as rigorous a way as possible, and that is something I have had experience of doing. It is part of the reason that I would like to think that I got the job, but it is not easy and it is not going to happen overnight because some of these changes are quite material, but I am working on the assumption that they are all implemented within the timescale of this five-year plan through to 2011.

**Q39 Mr Binley:** My final question before we leave that: certainly there is a job still to do for people who come up against this over the coming months. There is a job to do and you need to work hard at it.

**Mr Cook:** Yes, in a communication sense. I understand that.

**Q40 Mr Binley:** You have already intimated that the payment from Royal Mail does not include a profit element. I believe that is what you intimated. There is a profit and loss element. Can I ask whether the payments from services such as Local Collect are shared between Post Office Ltd and the Royal Mail?

**Mr Cook:** You mean picking up parcels at a post office? That is typically performed for Parcelforce and there is a charge. It is one of the many items in that inter-business agreement for which there is a payment.

**Q41 Mr Binley:** You think that is included in that financial relationship between the Royal Mail and yourself?

**Mr Cook:** Yes.

**Q42 Chairman:** I have a note here which is just an example of the lack of transparency that concerns this committee. It says that the Royal Mail offers a local collect service which offers business the chance to offer their customers the option of collecting at their local post office for the charge of £300 per year. I imagine that is for letters.

**Mr Cook:** Yes, that is businesses picking up from mail centres.

**Q43 Chairman:** That is from mail centres and not from local post offices?

**Mr Cook:** No. There is a feature with Parcelforce where you can have a parcel that has been delivered to your home dropped off at the local post office to collect. That is what I thought you were talking about.

**Q44 Chairman:** Is that not a bit of business you ought to get your hands on, Mr Cook? If I were a small businessman who gets my post at two or three in the afternoon rather than at nine o'clock in the morning, I would certainly welcome the opportunity to go to my local sub-post office and collect my letters. Is it a business that you are trying to get into?

**Mr Cook:** It is certainly a conversation that I am having with Royal Mail. There are some mail integrity issues around making sure we would have enough space because some of the small sub-post offices are really small and by “mail’s integrity” I mean it cannot just be left sitting by the side of the counter in the shop or Postcomm would have plenty to say,

**Q45 Chairman:** Except for incoming post?

**Mr Cook:** No, I think it is an opportunity.

**Chairman:** An opportunity created by the sheer awfulness of Royal Mail Letters’ current performance. It is an opportunity you should seize.

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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**Q46 Roger Berry:** Mr Cook, a related question on transparency: you will be aware because I have had correspondence about this that in February I inquired of the 14 post offices in my constituency how many were commercially viable from Post Office Ltd's point of view. It took three months, countless emails including back and forth and telephone calls, before I finally was told that one out of the 14 is actually commercially viable. My question is: did it take three months because of working out what commercially viable meant or did it take three months due to inefficiency or did it take three months because to say that without Government support all but one of my post offices would close would undermine your commercial position? Why did it take three months to answer a simple question like that? May I add: should you not be telling every MP how many post offices in his or her constituency are not commercially viable from Post Office Ltd's point of view because that is the important part of the debate, is it not?

**Mr Cook:** The important part of the debate is if we wanted to close one, I think. The number of post offices that is commercially viable I hope is going to climb steadily over the next few years, partly as a result of the cost reduction I talked about and partly as a result of revenue improvements as we launch new products and undertake new activities. The number of post offices that is commercially viable for us will move all the time, but I cannot for one minute begin to defend why it took three months to get an answer to your question. All I can say is that there was no plot; there was no ulterior motive. You do have the information now.

**Q47 Roger Berry:** I have it now after the consultation exercise and after the decision has been made. Would it not be helpful to inform public debate, if you have, as in my case, 14 post offices and one proposed for closure? Would not part of the debate about the future of the service be better informed if people had known that actually without taxpayer support all but one would have been closed? Is that not relevant?

**Mr Cook:** We have always felt that what we should be providing is information on the branches that are proposed to be closed, not branches that we are proposing to keep open, if you see what I mean.

**Ms Vennells:** There is another point as well, which is that the consultation process is not actually about the financial viability or not of the post offices. I forget the number exactly but it is round about 99.5%, maybe slightly higher than that, that all lose money for POL. It is very unfortunate that where we close one that is financially viable but the consultation process is not about exposing those figures in the public domain; it is not about people's views as to whether a particular post office is profitable or not. What an agent will see very often is the potential that their business may well be profitable because they will be looking at different figures. The consultation process is about the future provision. It is about asking within a locality what their view is in terms of our recommendations, and so whether actually we have got it right in terms of

the branch access criteria: have we looked at the right transportation, have we looked at the locations, certainly for receiving offices? The consultation is not about the actual financial viability of the branch or not. The importance of that is the importance to us in terms of the amount we save for a branch. We have, particularly since your correspondence with Alan, made that information available to all MPs now and to date I think we sent it out to over 20 who have actually requested the information. Savings information is available but it is not something that we want as part of the consultation process because that is not our brief from Government.

**Q48 Roger Berry:** I just think it should be on your website and that people ought to know. If the post office is in their constituency, they ought to know from your point of view how many are commercially viable and which are not commercially viable and therefore require taxpayer support. That is the context in which the current debate is taking place. Most of my constituents, until I told them, had not the faintest idea that without taxpayer support all but one would have closed. All they knew was that they started with 14; you were proposing to close one; surprise, surprise, people were unhappy. I was lucky. Without Government support, I would be even less lucky. I think it is part of the debate. I am astonished and amazed that in terms of financial transparency we do not know in each constituency, given that is the basis for the consultation exercise and the information sharing, and that you are not telling people how many would be shut without public support. Maybe I am just odd in that respect.

**Mr Cook:** Obviously we published right at the outset the total numbers and how much money Government was putting in.

**Roger Berry:** I know that element. I am talking about individual constituencies to inform local debate, which is what we have been having.

**Chairman:** It would actually have helped your case in Bristol had you made this information available.

**Roger Berry:** It is about transparency. I am as unhappy about one closing as I am about 13 but there is a difference between one and 13 and that information was never put in the public domain at the time of the consultation in my constituency and as far as I know elsewhere people have not got a clue about the big picture. I just think it should be an informed debate with rational discussion. Why that is not in the public domain, I simply do not understand. You would never allow a government department not to provide that information in the context of a public policy debate.

**Chairman:** Does Mr Webber think this information would help?

**Q49 Roger Berry:** I have not asked him but he is nodding.

**Mr Webber:** I am indeed nodding. It is an illustration of what seems to Postwatch to be the biggest weakness in the programme. In terms of the administration of the programme, the selection of the right branches, given that 2,500 have to close (as

the Government has decided), we do not have any serious argument. We know all sorts of individual issues to take up with Post Office Ltd. The one serious argument we do have with Post Office Ltd is not just the quality of their communication but their attitude towards communication. Communication is something which is not seen as a positive by Post Office Ltd, it seems to us. It is something which they feel at most is a necessary evil. It has been improving over the months but not fast enough. I was not aware of this particular exchange, Mr Berry, but it is an illustration, as you describe it, of the fact. Customers would feel at least better informed and probably less negative about the closures if they knew the sort of information which is now being made available.

**Q50 Chairman:** Mr Cook, that is the case for the prosecution. What is the case for the defence?

**Mr Cook:** The case for the defence—and maybe it is too much in the interests of sub-postmasters—is that there is an issue in publishing that individual sub-post offices which are not up for closure are unprofitable to us and in some way hanging the Sword of Damocles over them. It would certainly affect the financial value of that sub-post office to the sub-postmaster. It would probably be harder, for example, for a sub-postmaster to sell that business if it was thought that it was unprofitable to Post Office Ltd. If I am issuing a confirmation that 11,500 will be retained, I know logically you would say that therefore it should not make any difference, but I think if it has a label over it saying “this one would close but for government subsidy” it is not an attractive prospect for a sub-postmaster.

**Roger Berry:** There are two points. I specifically said in my initial email in February that I was not asking for the name of the one commercially viable post office in my constituency. I was given no individual person’s details. In private, I would be curious. The second point is that we know that the vast majority of post offices in this country would close without public subsidy because they are not commercially viable.

**Chairman:** That figure is 7,500.

**Q51 Roger Berry:** No, it is roughly four out of 14 or 10 out of 14—

**Mr Cook:** I am sorry, I misunderstood. I thought you were asking for each post office to be named and whether it was viable or not.

**Q52 Roger Berry:** No, I have never been in correspondence on that and I was not asking that this morning either.

**Mr Cook:** Then I will not put that forward as a defence, Mr Chairman, because I misunderstood the point.

**Q53 Chairman:** Mr Webber has made a very serious accusation. He said that you regard communication as a necessary evil. Historically, that is the experience of all of us of the Post Office. I think you

may be determined to change this but I am very far from convinced that the culture has changed in the organisation.

**Mr Cook:** If that is how it is coming across, that is a disappointment to me, clearly. If that is how it has come across to Howard, it is a disappointment. It is certainly not my aspiration. I think we have improved the standards of communication, even since the last select committee, to be frank. Howard is nodding again, just for the record! If that comes across to Postwatch as reluctant improvements, then that is a disappointment. That is not the case. I am ready to hear how we can make it better.

**Q54 Roger Berry:** I will copy my extensive correspondence to Postwatch and they can do with it what they wish, but three months to get the answer to a straightforward simple question struck me as a bit odd.

**Mr Cook:** I agree.

**Q55 Miss Kirkbride:** We have listened to your response to why you did not give Roger the information. Bearing in mind that it amounts to pretty much two-thirds of post offices that are not profitable, it does not seem to me quite the stigma that you are making out. For those of us who are still to go through the process of being told which post offices might be subject to the axe, can you perhaps look in future to telling me how many of my post offices in Bromsgrove—not identified—would not be viable?

**Mr Cook:** Yes, I am sure that could be done.

**Q56 Miss Kirkbride:** You could be clearer about those which would attract public subsidy?

**Mr Cook:** I misunderstood Mr Berry’s point to start with but, yes. I cannot defend three months. I can only apologise. Certainly I accept the principle. The bigger concern, which is something we have to look at, is if it comes across as a problem in communication, which is a hard-won battle on the part of either the watchdog or the public or Members of Parliament. That is something on which we have to work harder.

**Q57 Mr Clapham:** For clarification on that point, after the last report by this committee, we received the assurance that there would be more involvement with the local MP. Given that assurance, are you now saying that as the consultations continue, each MP will be informed of the number of viable post offices, without identifying them, in his constituency?

**Ms Vennells:** We are currently doing that where an MP asks for it. We give the information in private meetings with MPs at the start of public consultation and 10 days before the end when there is a further meeting and so there is every opportunity for us to do that.

**Q58 Mr Clapham:** It is only given at the end if we ask for it?

**Ms Vennells:** Yes.

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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**Q59 Roger Berry:** A single freedom of information request would mean that this information would have to be made available. I am astonished at the reticence. Why can this not be made available on the website?

**Mr Cook:** By constituency?

**Roger Berry:** Yes, because that is how it has been organised.

**Q60 Mr Binley:** My concern is about the culture of the whole operation and the commensurate lack of care at local level that is really causing these problems. I refer again to the crude application of support figures in the negotiations. I refer to people who feel they are being cheated and the consultation really is not very meaningful; you are doing an occasional retention of a post office that was due to be closed but it all looks so pat and done by design and it does not seem to project any care at local level. That is my concern, that you are like a big brother—or not a big brother because that is too concerning—or a big organisation that comes in and says, “This is what we are doing; this is what the situation is and, yes, we will do a consultation process because we have to”, but it really is not very meaningful.

**Mr Cook:** I do not accept that at all. When we go into an area at the outset we have an outline plan, an expectation of what we are likely to do. Since the programme has begun, even before we had gone to public consultation, we had changed 201 of the proposed branches. Then, when we have gone into local consultation, which is public, a further 47—

**Q61 Chairman:** We are going to come on to the details of the network change next.

**Mr Cook:** I do need to defend myself a bit.

**Q62 Chairman:** You do and I will give you a chance to do that in the next section of questions. You are hearing a concern about the continuing lack of openness with the wider public, which is Brian Binley’s point.

**Mr Cook:** We have a significant number of people in the business working on this. They are very friendly with these sub-postmasters. The suggestion that there is something going on—

**Q63 Chairman:** It is not just sub-postmasters. I am worried about sub-postmasters but I am worried about the communities served by sub-post offices. Often those interests coincide and often they do not. We have to be concerned for both. Before we move on to network change, I want to push on a couple of other points. On the point that Mr Binley was making about overheads: as the network shrinks, if you cannot “variablise” your fixed costs, your fixed costs stay and new offices become commercially unviable. Can you give me an assurance? We have expressed concern about this in our last report. A lot of the savings you want to make to meet this underpayment from Royal Mail for services you are providing you have not yet identified. There is a real risk that if you cannot reduce your overheads, more post offices will become more unprofitable.

**Mr Cook:** I am very confident we will meet our cost-reduction targets and if we meet those cost-reduction targets, then the numbers add up. By 2011 with 11,500 post offices plus 500 outreaches, to be at this stage of a five-year programme in a position of having either secured or identified £220 million out of the £270 million cost-saving is a pretty good place to be. I could not possibly sit here and say I have found it all but I feel pretty good about where I am in terms of achievement.

**Q64 Chairman:** Obviously where commercial confidentiality is required to protect you from competitors, we understand that, but the presumption we think at local level and at national level should be available to both of us, after all, we own you; we are the shareholders. The Government acts on our behalf but we are the people who own you. You are our business, not just any other business; you are one of the few last genuinely effectively nationalised industries there is, so openness should be the presumption. What do you make of that table we produce, which was part of the submission to the European Union, where all the figures that we think we need as a committee to understand have been removed. Do you think that is reasonable?

**Mr Cook:** Which table is this?

**Q65 Chairman:** It was a breakdown of Post Office Ltd’s revenue and costs of operating its non-commercial branches, income and expenditure, services of general public interest. The figures are all there but we cannot access them.

**Mr Cook:** These figures are made available to the shareholder executive obviously.

**Q66 Chairman:** We should be having a go at the Government not you about the lack of transparency?

**Mr Cook:** I do not want to point a finger but at the end of the day we are 100% owned by Government and we report all our numbers to Government.

**Q67 Chairman:** Thank you. We will have a go at the Government. When we add to this the doubt about the validity of Royal Mail Group’s own financial figures, which Postcomm have expressed, it comes up with a pretty murky picture, which means that we parliamentarians cannot properly do our job. It may not be your fault. I may be having a go at the wrong target, and I understand that. Mr Webber, do you understand the concerns we are expressing?

**Mr Webber:** Absolutely. The exchange a few moments ago between Brian Binley and Alan Cook did illustrate the issue that a lot of changes have been made to the Network Change Programme—and I know we will come on to that in a minute but it is important—either before or during public consultation and a lot of improvements have been promised by Post Office Ltd, and they do not advertise them; they do not make a good news story out of them, which is what they are. Obviously the Post Office Closure Programme is bound to be unpopular; by definition it is going to be unpopular.

Its unpopularity would be a lot less if Post Office Ltd made more, as they should properly do, about what the improvements are; this is not just about closures but it is about outreaches and improvements to the branches and so on. This does not come naturally. It does seem to be tacked on at the end, if at all.

**Chairman:** We are going over old ground again but I have to say I sympathise with those points. Mr Hoyle wants to go on to some figures.

**Q68 Mr Hoyle:** Moving to the figures on post office closures, when you do the cost-counting exercise, is it the same for each post office or do you have variations in the way that you cost them?

**Mr Cook:** Do you mean the central cost?

**Q69 Mr Hoyle:** Yes. You have all these post offices down for closure. Do you use the same formula on each post office or do you have variations in the way that you put the profit and loss in?

**Mr Cook:** There are some fixed costs. If I can give you an example, if a cash in transit truck has to come, it comes just because the branch exists and if it comes once a week, then that is a regular cost. Another branch down the road, though, could have a cash in transit truck come once a week but be doing three times the volume of transactions and so some of the cost that we allocate would be driven by the number of transactions that go through the post office.

**Q70 Mr Hoyle:** If you have more transactions, there is more cost?

**Mr Cook:** Yes, that is right, because they are using the IT, for example. If you are branching the cost of the technology, the typical way to branch that would be by transactions. Some of the other costs will be chunks of costs, just because the branch exists.

**Q71 Chairman:** If you are doing more business, you lose more money for you. Is that what you are saying?

**Mr Cook:** No, no, if you do more business, then the unit cost drops. Doing more business is the lifeblood of saving this business, without a doubt.

**Q72 Mr Hoyle:** Roughly what would you say in number of transactions is viable or unviable? I know it varies but just give us an average.

**Ms Vennells:** Could you ask the question again, please?

**Q73 Mr Hoyle:** What number of transactions would you have to have through a post office, number of visits or whatever way you want to count it? On average what would you say makes it viable or unviable?

**Ms Vennells:** We would have to come back to you with some specifics on that.

**Q74 Mr Hoyle:** Roughly?

**Ms Vennells:** I could not give you a figure.

**Q75 Mr Hoyle:** Is the figure 20,000, 1,000, 500? There must be some way of doing it.

**Ms Vennells:** It depends on the size of the office and the amount of customer sessions they are doing and, as Alan says, the amount for instance of cash deliveries they take. They are quite varied, as you know.

**Q76 Mr Hoyle:** The more cash deliveries you have, the more it costs you?

**Ms Vennells:** It does not cost more for more cash deliveries. There is a central cost for cash deliveries, which is allocated across a number of post offices according to the amount of usage they have of that. It is a spread of cost.

**Q77 Mr Hoyle:** If you have a vehicle that drops off once every two weeks, you would only charge him once every two weeks. If the vehicle stops twice a week, you would charge him for twice a week? The busier you are, the more the vehicle goes, the more you are charged?

**Mr Cook:** Typically, you do not visit the branch more often; you just leave more cash. So there is a cost to the cash in the till. There is a point where, if the branch became sufficiently busy, you would say, "I do not want to leave that much cash on a Monday because it would be too expensive to have it in the till all week" and then you might go to a second delivery. It is done in steps with something like cash.

**Q78 Mr Hoyle:** If you cannot give us that figure now, could you give us what you believe the average number of customers is to be viable or unviable?

**Mr Cook:** I would have to come back to you on that.

**Q79 Chairman:** There is so much doubt in our minds about the way you attribute overheads and the validity of your figures. How you attribute IT costs fascinates me. How can the cost of IT be shared by transactions? Are you saying that if IT costs drop the system uses less? I remember when I was on a committee of the House of Commons and the officials showed me figures for the overheads of the costs of running the Members' dining room. I was appalled by the figure and said, "This is a scandalously large sum". They went away and came back and said, "Oh, we made a mistake", and they reduced it by three-quarters. Attributing overheads is an art form and not a science.

**Mr Cook:** There are two issues here: one, the amount of overheads, which I have already conceded is too much, and so I have tried to share out a pot that is too big; and then you have to come up with a fair way of attributing those overheads. The only absolute fact in all this is that all of the money that is spent has been allocated to one of the branches and then you need to look for each type of expenditure as to the most appropriate way of branching that cost.

**Q80 Chairman:** I suppose we are so strong on the question of transparency because we are Members of Parliament and we are under scrutiny at present and more transparency is required of us. I think the answer to our problems is more transparency. I think more transparency is the answer to your problems too, Mr Cook. Mr Webber is nodding

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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again. Let us move on to the Network Change Programme. This committee stands by a lot of its earlier recommendations which we will not re-visit because there is now no chance of getting a change of policy. For example, this committee stands very strongly behind the view that six weeks is not an adequate length of time for consultation. It should have been 12 weeks. It was done for the convenience of the Post Office, the postmasters and the Government and not the communities. Many of the problems we have encountered stem from the fact it was a six-week and not a 12-week consultation. There is no point going there. We are there now. We are looking at other issues that flow from that mistake. Postwatch said to us that once the decision announcement has taken place, there is not the option of revisiting proposals in the area plan. I do not know if you want to talk about that briefly, Mr Webber. That is a function of the short consultation period. We cannot change that, can we? We are stuck with it now.

**Mr Webber:** Yes.

**Q81 Chairman:** Postwatch has done some very interesting work. Do you want to tell us about your mystery shopper programme when it comes to information, Mr Webber?

**Mr Webber:** Yes, this has been focused on Post Office Ltd's call centre. We were disappointed that Post Office Ltd decided, on consideration after we made the case last time, not to allow comments to be recorded over the phone in general rather than requiring them only to be made in writing. I think that decision placed a greater responsibility still on Post Office Ltd to make sure that taking written comments was made as simple as possible. We carried out our original mystery shopping exercise in November. I talked about it when I was last before the committee in January. We carried it out again; we re-ran it in April and May. We were disappointed that in a number of respects things had not improved. What had improved was the technical side of it. It is now a lot easier and requires fewer steps to get through to a human being at the Post Office Ltd call centre. What was disappointing, though, was that the lack of consistently accurate information which we had noted on the first set of research was repeated the second time round in terms of the freepost addresses provided by the call centre staff, the email addresses provided by the call centre staff and the factual information provided by them. Our sample was small; it was only about 170 calls. In one sense, it was not a scientific sample. But these are facts. These are things that our regional committee members and regional staff who made the calls discovered, that they were having to wait; three people had to wait for more than five minutes and there were a number of cases where the wrong information was provided. We are not saying that the percentage figures we discovered of misinformation were necessarily typical of calls as a whole, but the fact is that they happened and they should not have happened. We are disappointed that the improvements which we had agreed with Post Office Ltd should be made following the last lot of

research and also following the exchanges we had with them before this committee have not actually been put into practice.

**Q82 Chairman:** We are now more than half-way through the process and still you cannot get factual information through the help line services that is accurate?

**Mr Webber:** There were errors, yes.

**Q83 Chairman:** There is some concern here. Do you share the concern that is expressed?

**Ms Vennells:** Yes, we do. I should register that I responded to Howard and said how disappointed we were that this was the case. The changes were put in place and, as Howard said, the survey they did was possibly not representative. In that particular period of time we had 170 calls and the call centres were handling 30,000, so it is a very small percentage, but that does not take away from the fact that the information has to be accurate and people have to get through to us as quickly as they can. What we have done since is reinforce the changes that we had put in place and we have also done a couple of additional things. We have done our own survey. This is not because I would say this, would I not? We did not find the same level of difficulties. Again, ours was not representative either in terms of the number of calls, and so what we have done is that we are now going to commission some representative research. We have gone back; we have done more training of call centre staff. We do that on a regular basis and we will be putting in extra. One of the problems that Howard raised with us was the issue of access to emails through to the website. What we have done is to purchase Networkchange.co.uk as well as Network.change.co.uk because in a very small number of cases that was proving a problem with people getting their emails sent back to them. That said, of the level of communication we had during local consultations, we have had about 120,000 pieces so far, over 30,000 have been through email. It does not seem to be a very significant problem, but again it is Postwatch's responsibility to point these things out to us and we are grateful because that is their role as scrutineer. We will respond on every single occasion that they come back to us.

**Q84 Chairman:** I want you to give you the opportunity to talk about the bigger picture. Let me just have one other whinge about the detail. It was very disappointing in your last response to us that you effectively dismissed the idea that MPs should have more notice of closure programmes and you subsequently slipped out a statement saying that you would give us an extra period. You did not tell us, this committee, that you had changed your mind. It is this point about communication; it seems to come last in the list of things you are doing. We would have welcomed that unreservedly; we are pleased about it but you never actually told us. Why is that?

**Mr Cook:** I did not realise we had not told you.

**Q85 Chairman:** Do I have that right? We were never told.

**Mr Cook:** I sort of came away from the last select committee thinking we were going to need to extend the period.

**Q86 Chairman:** The outcome was very satisfactory.

**Ms Vennells:** Our apologies for not writing to you personally but we certainly—

**Chairman:** Several days after the press notice, we were sent the press notice on the issue saying this would happen. We did get the press notice a few days later.

**Mr Hoyle:** The press are more important.

**Q87 Chairman:** It is good and thank you for doing it. We welcome it.

**Mr Cook:** I left the room thinking we had to do something about it. If I had left you with the impression that we were not going to do anything about it, then that is my fault.

**Q88 Chairman:** Before we go into detailed questions about aspects of the Network Change Programme, is there anything you want to say about it to bring us up to date on figures? Postwatch have been very helpful in giving an update on figures, which we appreciate.

**Mr Cook:** Could I say where we are at the moment and set this in context? You are right that we are just a little over half-way through the programme. The last of the area plans is underway and we are working on it; 30 of the public consultations are complete or underway; we have had about 110,000 separate pieces of input which have been logged and recorded; 784 branches have closed so far. As I said earlier, it is 207 not 201 proposals have been withdrawn prior to local consultation and a further 41 have been withdrawn as a result of consultation. Of the 41 that were withdrawn, 24 replacement proposals were put forward in their place. We have opened 72 outreach outlets and a total of 264 further outreach outlets are in the pipeline. As you know, we have been asked by Government to look at the increased use of outreach type solutions in urban locations. We are also making real improvements and investments in the network going forward as a result of all these changes, so we have committed so far to specific improvements in over 200 branches, and these would usually be around access or possibly extra counter position or whatever. It is still quite early but the early signs are that we are retaining customers, even as the branches close, so the migration figures that we have seen so far would suggest that in excess of 80% of the income is still coming in but to a neighbouring branch, which is obviously really important for the viability of the neighbouring sub-post office.

**Q89 Chairman:** You were working on the figure of 80%?

**Mr Cook:** Yes, that is the aspiration. It is a bit premature yet to say we will beat that because the first branch did not close until January. We do not really have a wide body of evidence yet. Now that we are further through the programme, the review process is examining, at the request of Howard

Webber's organisation, more individual decisions. We have had our first stage 4 review, as we call it, which is a reference to the Royal Mail Group Chairman, Allan Leighton, and that one resulted in the branch being retained. There are challenges and uncertainties remaining, particularly around our tender for the Post Office Current Account. You have heard my comments already about our commitment to the current size of the network. On local funding, we have had some really encouraging conversations now with Essex County Council. It may well be that you will want to cover that separate topic and so maybe I will not say more about that but wait until we get that point. That is an update anyway as to the latest numbers.

**Q90 Chairman:** Mr Webber, is there anything you want to say by way of general introduction before we go into this?

**Mr Webber:** Probably not other than to highlight one of the points that Alan made, which may illustrate that Post Office Ltd could be making more than they do of the good news stories. Of the 42 post offices which they have, as it were, been reprieved following public consultation, only 24 replacement branches have been put up. That was one of the key themes of the last time that Alan and I were separately in front of the committee, that whenever a post office was reprieved, then another one was chosen in its place. It is by no means a matter of routine that a substitute post office is put up for closure. That is a very welcome development.

**Q91 Chairman:** That is on top of the changes made in the previous consultation phase as a result of your input?

**Mr Webber:** Yes.

**Q92 Chairman:** We expressed concern, and we were right to express concern, that as we were right at the end of the process, we had to take whatever was left of the target and meet it, which could be good or bad news depending where we are on 2,500. Where are we in terms of the overall figure of, we have been told, 2,500?

**Mr Cook:** It would be bad but we will not do that. I think I did say at the last committee that we did not expect that we would end up closing 2,500.

**Q93 Chairman:** You thought the figure would be 2,400.

**Mr Cook:** Yes, and I said I would guess we would lose, say, up to 100. You have just heard Howard say the numbers: 42 have been overturned and 20 odd put back. At the moment we are heading south of 2,500. The process that we will follow in the very last plan is exactly the same as we would follow in the first plan, so there is no desire to do anything other than that.

**Q94 Chairman:** So you are on target to meet the Government's objective with a slight downward movement on the total?

**Mr Cook:** Yes, but that is not a problem to come in at a bit less than 2,500.

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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**Chairman:** It will not surprise you to know that you made one very big error of judgment—I say you there but it may be other parties involved—which Mr Hoyle is about to explore with you in Mr Hoyle’s constituency.

**Q95 Mr Hoyle:** What is taken into account in the appeals process?

**Mr Cook:** The whole rationale for choosing one branch over another.

**Q96 Mr Hoyle:** What is the rationale?

**Mr Cook:** First and foremost, we have to meet the Government’s access criterion and then we need to make sure that we have a uniform spread of branches across an area.

**Q97 Mr Hoyle:** What can we use as an appeal to keep a post office open? What is taken into account?

**Mr Cook:** Typically the sort of issues that have arisen that have resulted in a proposed closure being overturned have been, for example, around public transport where we had a presumption, when proposing a closure, that access to the nearest branch would be achieved by a given set of public transport which in reality is either not there or is planned to be removed or whatever by the local authority or a change in the population density in the area.

**Q98 Chairman:** Can I ask Mr Webber if he agrees with that analysis?

**Mr Webber:** Yes. I could give a couple of examples, if that would be useful, of where proposals have been overturned at the review stage. For example, at Micklegate in York there was the fourth stage that Alan mentioned, which went to the Royal Mail Chairman. It is a case where the post office had rather more than 1,800 customer visits a week and it was going to close in York, and the receiving post office was apparently going to take only 43% of that business, so 57% would presumably have been lost. It seemed to us that either that meant there would be serious damage to customers in that 1,000 customer visits a week would be lost to the Post Office network in general and 1,000 customers would be disappointed, or the receiving post office, if the Post Office Ltd figures were wrong, would be just grossly overloaded because too many of those 1,800 would be overcrowding it. Allan Leighton did agree with our argument on that and the office was saved. There is another one just across the river from here, Lambeth Walk, where we worked very closely with Kate Hoey. There were a whole range of factors there. There were new housing developments, it is an area of urban deprivation, there was no direct public transport link to the receiving branch and there was a high proportion of the population who were in sheltered accommodation and so on. None of these factors on its own might have been sufficient to be a killer argument but together they were very strong arguments that Kate Hoey and we put together. We persisted with that, we escalated the case and the branch was saved.

**Q99 Mr Hoyle:** Would another factor be if your original report was wrong?

**Mr Cook:** By definition, the examples I gave would be where we got it wrong because if we assumed that a given set of public transport was to be available and it was not—

**Q100 Mr Hoyle:** What about misleading statements that were not accurate, would that be another one?

**Mr Cook:** It could be.

**Q101 Mr Hoyle:** In a letter dated 15 April Mr Cook stated. “We have not identified any new developments that would alter the final decision . . .” You stated that the developments would not matter because we have not got new developments in this area. In fact, we have got significant new developments. You did not think it mattered but I think it does. In an email from Howard Webber to myself on 9 May it says that POL claim “no more than 300 houses would be built in the area”. You will not believe it, but a further letter was sent on 23 May that states there are 450 dwellings, so it is going up within two weeks of your own letters, not you personally but POL. It says there will be 450 dwellings within one kilometre of the Bolton Road post office. Why have we picked one kilometre? Every other criterion works on one mile and three miles. That in itself is a nice little cover-up or camouflage exercise, is it not? You then go on to recognise there are actually 856 properties to the south of this post office. There is the former Lex, Pilling Lane site where there are 400 and the planning permission is granted and the work is due to begin. Social housing is rising by 30% in all of the cases I am giving you because that is what Chorley now insists upon. There is social deprivation and it is a high pensioner area as well. There is the land off Burgh lane (English Partnership land) where there are 150, planning permission has been given and the work is due to begin. That is on top of a site that is already underway that I am not going to count. On Vertex Training Centre Land there are 150 to 200. On land off Little Carr Lane there are 56 and that is nearly complete. There will be another 100 houses over the next two to three years. That is 856 properties and that is without other land that I could name. That is on permissions given. Now, you have got to admit to me that is a lot of properties. This is all to the south of this post office. There is not another post office until you reach the village of Adlington. What is going wrong and what is going on?

**Ms Vennells:** Mr Hoyle, let me try and take some of those points and answer you as best I can. First of all, you implied that we do not care. We do care. We care desperately. We have people doing these jobs and working extraordinarily hard. In the case of Bolton Road, as you know, we tried to contact the council several times and received very little information from them. We chased them a number of times and eventually we did get through some information. I think it was between 300–400 were approved by planning permission.

**Q102 Mr Hoyle:** That is within one kilometre of the post office?

**Ms Vennells:** I am not personally aware of the details, but it was within the area that we were looking at with Postwatch for that particular branch. The view was that that would not make a material difference to the provision of services that we were looking at in terms of receiving offices. As you now know, prior to going to public consultation we did, with Postwatch's involvement, take another branch out of your constituency and that was to address some of the concerns that were raised about whether there would be sufficient capacity around. One branch was kept in. That was not so overtly obvious because it was not part of the public consultation process. As I said, we went back to the council several times but we could not get the approved data on planning permission.

**Q103 Mr Hoyle:** It is public knowledge. I gave you the figures. It seems that you do not believe me. I am the Member of Parliament who represents the area and I have stated where the properties were being built. I gave you the numbers and said that it would reach 1,000. It is now at 850 and with planning permission it is more. It is 1,000 if we take the other sites that are under negotiation at the moment. I gave you the numbers. I phoned the council on two occasions just to get the latest figures and it was not a problem. The information is also on their website.

**Ms Vennells:** Let me try and take those points separately. You gave us the information. Of course we take what you give us as the truth. Why would we not? You are a Member of Parliament and you are a member of this Select Committee. It would be incredibly irresponsible and stupid of us, frankly, not to do that, which is why we followed up to try and get the planning permission information. We needed to have this document. It has to be proven to us that the amount of housing that is going to be built is actually what the council has approved. The figures we could get led us to believe that the provision that we had allowed for was adequate. Within your own constituency I believe the figure for the population that can use post offices is that only about 20% do. When you apply that factor then even in the Bolton Road area we believe, to the best of our knowledge, we have given you provision. Do we believe you or not? We met you again very recently. I believe we have agreed to walk the ground with you to look at the area south of Bolton Road because it is very, very important to us that we provide the right provision. As we have said in all cases, if we have got it wrong or if the provision changes in an area, which is very relevant in your case, or if we are going through a process which is carrying on past the end of the closure process, we will review it and we will put in the right amount of post office service provision. That is not an issue for us at all.

**Q104 Mr Hoyle:** You are not even getting close because on 9 May you stated to me that there were 300 houses to be built in the area. The planning permission that you were told about is for 400. How did you manage to downgrade it to 300? You

managed to lose 100 houses straightaway and that is on the nearest development across the road from this post office. The fact is that the majority of this is social housing. What concerns me is that there are 856 properties with planning permission. Does that make a difference or not to the case?

**Ms Vennells:** We will have a look at the data with you when we walk the ground, Mr Hoyle.

**Q105 Mr Hoyle:** Just suppose I am correct—

**Ms Vennells:** I do not carry in my head the individual counter sessions for the receiving branches.

**Q106 Mr Hoyle:** I will help you. It is between 1,000 and 1,500 at this branch that you have closed, which is higher than most of the post offices you are retaining.

**Ms Vennells:** And there would therefore have been sufficient capacity in the receiving branches to help there.

**Mr Hoyle:** The nearest branch—because you are going to trip yourself up now—is actually on a road where there are no public transport links from this ward to the nearest branch and, therefore, you will say they should go to the Crown post office. You have got to go at least half a mile to the Crown post office from this post office because all the new developments are to the south where there is no post office until the next village. Less than 90% are outside of one mile. You are putting forward as evidence that they should go to the Crown post office. What you have also not taken into account is that we have got a brand new village to the north of the Crown post office called Buckshaw with 3,500 properties and no post office. There is a limit and a saturation point to everything. This is the fastest growing district in the whole of the north-west with thousands upon thousands of houses. You have not dealt with this correctly. You have not envisaged the growth that everybody else has. The fact of the matter is that it has been a complete sham from start to finish because in the report you sent to me, the council and anybody else who was interested you say that the nearest post office is on Highways Avenue two miles away. Highways Avenue is in Exton. It is nowhere near this post office. You would go past two post offices to get there. From start to finish you have had no correct information. At your last meeting you said to me that Buckstone Village, where the new properties I have discussed are, is not relevant. First of all, it is not called Buckstone, it is called Buckshaw. Secondly, it is nowhere near this post office. The 850 properties that I have described are to the south of it. You cannot even get it right now when you have had four attempts. I would also be interested to know what Mr Webber thinks because it is a complete shambles. You ought to hold your hands up and say you have got it completely wrong and re-open the post office tomorrow and do the best by the people of Chorley that you have affected because what you have done has been absolutely ridiculous.

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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**Q107 Chairman:** The reason I am letting Mr Hoyle pursue at such length an individual constituency case is not only because it is his birthday but also because it raises some very important issues of principle. It highlights the problem of a short consultation period. I think it shows the problems of communication as well between local authorities and Post Office Ltd in extremely graphic terms. I think it also raises important questions about the quality of the work you are doing. Mr Webber, is there anything you would like to say about this?

**Mr Webber:** We were left in a rather uncomfortable piggy-in-the-middle position. Mr Hoyle wrote to me first at the beginning of April. I think his letter arrived on 7 April and I was on holiday at the time so I did not get round to it for a week. I then asked Post Office Ltd for their comments because it suggested that there had been serious factual discrepancies between what we had been told and what Mr Hoyle believed to be the case about the new development. I have to say, if I had been Post Office Ltd at that point I would have leapt in straightaway and told me, as Chief Executive of Postwatch, to butt out and said, "We'll deal with this. We will have a meeting with Mr Hoyle. We'll sort these matters out." They did not and that was a failing in my view. Instead I had to wait three weeks or more for a reply from Post Office Ltd, and the reply came on 8 May, which was two working days before the post office was due to close. That is what led to my email to Mr Hoyle on 9 May. I am not going to comment on the factual accuracy of the issues because that really is something that both Mr Hoyle and Post Office Ltd are much more able to do than I am. In terms of an approach to dealing with MPs in general, I think it is very unfortunate. A lot more speed would have been helpful. Also, I have a feeling that it would have been useful from the point of view of Post Office Ltd to talk directly with Mr Hoyle at that point rather than to use me as an intermediary.

**Q108 Mr Hoyle:** I think you have hit the nail on the head. Do you think it was coincidental or deliberate that you only managed to answer Mr Webber on the day that you closed the post office?

**Ms Vennells:** No, not at all.

**Q109 Mr Hoyle:** Why did you take so long to answer the letter?

**Ms Vennells:** There are a couple of points. Had you written to us we, would have responded to you directly.

**Mr Hoyle:** I have sent letters. You really do not want to make matters worse. Can you put the spade down because you should be embarrassed by what you keep telling me. Either get your facts right or say you cannot answer. I have sent letters to Allan Leighton, to yourselves and Mr Cook. Everybody has had a letter from me. I kept saying to everybody that they had got this wrong, that they had not taken this evidence into account. Mr Webber could not even get an answer. Why did it take at least two or three weeks for you to answer Mr Webber on the day you closed the post office? You have got to feel embarrassed yourself by that or have you no shame

whatsoever? I represent these people. You do not know the upset this has caused. You do not care. I care. It is time you had a conscience as well. What are you going to do to put right this wrong?

**Chairman:** You are going to be walking the ground with Mr Hoyle quite soon.

**Mr Hoyle:** That does not do anything.

**Chairman:** The Committee would like to follow this in a little more detail because it raises some really important issues of principle. My sympathies are with Mr Hoyle on this. Let us move on from the specifics now to some of the other questions. We would like to see quite a detailed account of what went wrong on this occasion because it does serve to highlight real concerns that the rest of us who have not had yet must share.

**Q110 Mr Hoyle:** How could a post office be closed when the facts about housing development have not been taken into account correctly, when the process has been ridiculed by the regulator, when the post office in question was well used by the local population and every report that you have done has been wrong? Nobody can make a true judgment on closure based on those facts. Do you agree with that?

**Ms Vennells:** Mr Hoyle, there are a number of points in that. In terms of our workings with Postwatch on this, one of the reasons it took sometime to get back to you is that we were very concerned that we checked that the information was correct. Mr Webber will remember that we had various conversations about this. I wanted to get the detail from the local Postwatch people as well as our own teams locally to make sure that we had responded to the criticisms that were being levelled at us properly and whether we had got the numbers right or not. As we have said, we are very happy to walk the ground with you and we are very happy to share with the Committee the lessons that have been learned from this. What we have also done—and we have agreed this with Postwatch—is agree that we will share at a local level with the Postwatch people whatever information we get from MPs relating to the local consultation process so that there is no confusion whatsoever. I am grateful in a sense that that has been raised as part of this. I am not grateful that this has happened in your own constituency. We will look at it in terms of future provision. We followed the consultation timings that we are working to and came to the decision having looked at all the information we had available to us.

**Q111 Mr Hoyle:** We will walk the ground and I am grateful for that. Let us say we have proved the case. Will you re-open the post office if I am right?

**Ms Vennells:** We will look at the provision of services that are required. It may be that you require post office services in a different area. If this building is happening at a period of time to the south of Bolton Road, it may be better for us and better for the communities, which is the most important thing, that the post office services are available where they are needed. Part of the brief for this programme is

for us to make savings. There is no point in us re-opening the post offices if we can do it more efficiently and as well somewhere else.

**Q112 Mr Hoyle:** Let me just clear this up once and for all. The people of this area have been cheated because of how it has been dealt with. Three thousand people who used this post office signed the petition. They are local people who need it. If you have got it wrong and the things that I have stated have not been taken into account, why is it that you cannot put back this post office? Just tell me why. We are talking about something that is from here to Big Ben away with 400 new social houses. We can find something better than this. The other thing that was wrong in the report was that you could not park. You can park outside this post office and across from it and it is within walking distance. I could carry on forever picking holes in what is wrong. As you have got it wrong why can you not reopen this post office? It is in the right place, the shop is empty, the postmaster did not want to go and others will take his place if he does not come back. Why is it you cannot reopen this post office? Just explain why to me. Please bear in mind that when the press phoned up your Manchester press office to ask what the chance was of reopening this post office the answer was, "There's no chance whatsoever. We will never do that under any circumstances." Why?

**Mr Cook:** There would be no point in offering to walk the ground if you were not prepared to change something as a result.

**Q113 Mr Hoyle:** What do you mean by change?

**Mr Cook:** Potentially either re-open a branch or put some form of provision in there that is not there now. There is no point walking the ground with you if we are going to say nothing has changed.

**Q114 Mr Hoyle:** I appreciate that. That is a major step forward. Thank you for that. Can you tell your Manchester press office not to tell my local press here that there is no chance of re-opening anything in this area?

**Mr Cook:** That is not guaranteeing that—

**Mr Hoyle:** I did not say it was, but it is a step in the right direction.

**Q115 Mr Binley:** I want to bring up two post offices in Northampton. One is now closed and the time has gone to resuscitate it. You said the criteria were public transport primarily and changing population density. Gloucester Avenue and Western Favell are both in well-established areas with sizeable numbers of elderly people. The consultation took place over Christmas and so that took virtually two weeks out of our period for consultation, which made me angry and I wrote to you about that. There was no change in the relationship between public transport and population density from the time we started to the time we ended and yet you closed one and saved the other. Why?

**Ms Vennells:** Mr Binley, I cannot comment on the two individual post offices—

**Q116 Mr Binley:** You will just have to, with respect.

**Mr Cook:** We knew that one was coming!

**Mr Binley:** If you had done more research you might have known mine might be coming as well.

**Q117 Chairman:** Why can you not comment?

**Ms Vennells:** I do not know the individual post offices. What I can say is that this is the type of feedback that we get constantly because we have a programme where we are closing post offices and wherever we close one it will cause enormous difficulties for people.

**Mr Binley:** Mr Cook made the point about the criteria for consultation and the criteria that mattered in changing your mind about whether a post office stayed open or not. I have given you two examples of sizably stable areas served by post offices. One you decided to reprieve—and I am very grateful for that—but the other you did not. On the basis of the criteria suggested I need to understand why not. I am happy that you write to me because I can see no reason why, on the basis that you have just told me, in relation to criteria, and I think that is important to the people that are facing this programme.

**Chairman:** It goes back to the first question that Mr Hoyle asked about this issue of principle. What is taken into account? You have given some general answers, but it does seem more of an art form rather than a science.

**Q118 Mr Binley:** I have made the point about the consultation period. The Chairman is absolutely right. Ours was even less. You might take that into account. The second point I am making is that people in Northampton consider the thing to be a sham. We are back to that local perception of what you are all about.

**Mr Cook:** I gave Mr Hoyle some of the reasons why one would be overturned, public transport or whatever.

**Q119 Mr Binley:** You are going to write to me.

**Mr Cook:** Yes. Obviously I put in increased housing because I knew that was where Mr Hoyle was coming from with another example. I think the way Mr Webber articulated it earlier on is important. You listed the ones that had been overturned for a whole variety of circumstances and if I remember you correctly, you said none of them in isolation was big enough to create the overturning but the combination together was. I do not really like the expression it is more an art form, but the reality is that this is not a black-and-white thing. We are trying to shut 2,500 post offices in as sensitive a way as we can. Every community that is adversely affected will have a jaundiced view of the process.

**Q120 Mr Binley:** I am not being jaundiced. I am asking you for specifics.

**Mr Cook:** I am not accusing you of being jaundiced. I am just saying that you are still going to have people—

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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**Q121 Mr Binley:** The implication was there.

**Mr Cook:** No, it was not. You were saying that we would have communities that feel it is a sham. I think a community is going to feel disappointed in the process if they mount a campaign to keep their post office and it is not successful.

**Q122 Chairman:** We have heard the points. You have heard the concern. It would be nice if you could answer Mr Binley's points. I would have hoped you might have done your research on members before you came. Let us move on to Essex and local authorities. Postwatch has expressed concerns about the involvement of local authorities in this area because it could undermine the viability of other branches in an area. This Committee has expressed concern about a competing subsidy from the national taxpayer and local council tax payer. It is a great idea. Where are we and what are the implications?

**Mr Cook:** If one views local authority funding as a positive thing then we have reached a pretty positive situation with Essex. One of the more technical challenges was clearly that the money given to us by central government was subject to European state aid clearance. So if a local authority starts to give us money to keep a post office open, I was worried that in some way that could prejudice the clearance we had already got of £150 million and indeed that the payment in its own right would be legitimate. We have been working with DBERR's lawyers, our own lawyers and Essex's to find a way forward where, if they want to do this, we can come up with a framework that will work in practice and that would be operationally viable. I guess the good news is we have found one. We have reached a situation where we have gone back to Essex now and said, "Okay, this is how it works. Here are the numbers for the particular branches that you are interested in." My understanding is that they are comfortable with those numbers. They have now got to decide what level of provision they would like to have. I think one of the things that we established fair early on is they do not necessarily want to put back exactly what was there before, for example, it could be limited hours or an outreach or whatever, because if they are paying, to be frank, they can decide how much provision they want to install. We are on the brink now. We have a deal in the sense of we know how we can do this. I am meeting Lord Hanningfield next week, who is the Chairman of Essex County Council. We are at a point now where we have just about established a model that will work for local authority funding.

**Q123 Chairman:** The 80% of business that would have transferred to other offices now will not transfer.

**Mr Cook:** One of the things that we are saying is that we would not automatically allow every closing post office to be local authority funded and one of the criteria would be whether that would have a particularly adverse effect on the migrating business.

That is one of the factors that we take into account. It is not that Essex will be buying back every post office that is closing; it is a particular subset.

**Q124 Chairman:** So we do not know how many they will decide to "save"?

**Mr Cook:** No. We have the formula and they have all the prices. It is for them to decide now how many they would like to do.

**Q125 Chairman:** Are there any other local authorities engaging with you in a similar way to Essex?

**Mr Cook:** We are in discussions. What we have been doing is trying to drive Essex through to a conclusion so that we have a model that we could then share rather than having everybody spending a fortune on lawyers' fees. We have a series of non-disclosure agreements signed with some local authorities and we are in a position where we can start to progress those.

**Q126 Chairman:** So the Essex one is the model which others will then follow?

**Mr Cook:** Correct.

**Q127 Miss Kirkbride:** I know it is not for you, but can you just say what the county council gets out of it other than to keep your business open? What is it that they are seeking to do in addition?

**Mr Cook:** Nothing.

**Q128 Miss Kirkbride:** It is purely to keep your business open? It is not to provide a service that the council might offer?

**Mr Cook:** No. There is nothing else going on in there. It only relates to post offices that are closing. It is not like we are selling new franchises.

**Mr Webber:** It is qualified joy because obviously an extra post office means more services for customers, provided it does not have a damaging impact on the post offices which remain as part of the network. The two aims of the whole closure programme are, firstly, to minimise customer detriment and, secondly, to have a sustainable network after that. Anything which damages the second of those aims is something we are going to oppose. I am sure it is being done with great care in that Post Office Ltd would not enter into an agreement which would damage the sustainability of the network as a whole.

**Q129 Roger Berry:** Could you give us a ballpark figure for the number of local authorities that have made a serious approach to POL in relation to this? In particular, where decisions have already been made, were local authorities making serious approaches or not?

**Ms Vennells:** We had interest from just under about 100 and 50 have requested NDAs, ( Non Disclosure Agreements), which we sent out and so far about 20 have returned them. Then it seems to have gone a little bit quiet. Wherever we have been asked to meet with local authorities we have done that straightaway. They talk to each other through the Local Authorities Association. I suspect they are

probably waiting to see where Essex get to because Essex is going through quite a learning curve at the moment in terms of working out what particular type of model, as Alan explained, they think will work in the areas where they want to put the services.

**Mr Cook:** We have also been talking with the Local Government Association and we have presented to one of their meetings and whatever. Most of the local authorities are watching to see how this pans out.

**Q130 Mr Clapham:** Mr Cook, a little earlier you said, in relation to the way in which the rationale is applied, that you thought it was a little bit better than an art form and you tried to work on information. Have you a prepared schedule of the information that you require from each particular local authority and does that go down the line to that local authority? Now that we see the Essex model is almost ready to be rolled out to local authorities, are local authorities going to be informed of that so that they may, particularly in the rural areas, come into play? My third question is to Mr Webber and is on the appeals process. We have got four stages in that appeals process, the final stage being the stage when it reaches the minister. Are we now saying, given that we have improved the process, that the MP is going to be involved in that appeals process at an earlier stage? Is it something that you have discussed and, if not, why not?

**Mr Webber:** This goes back to the point about whether this is an art or a science. It has already been revealed that the Government's access criteria could be met with just 7,500 post offices, which is 6,500 less than there were at the start of the programme. What is being done is selecting 2,500 out of those 6,500—all of those 6,500 would meet the access criteria. You are then down to the less mandatory factors, issues like transport, the mix of population, the economic effect and so on. That is what Post Office Ltd is working on, a very complex mix of factors, and that is what we are working on as well, to choose from our point of view and, from Post Office Ltd's point of view, the least damaging 2,500 to close out of those 6,500. It is always going to seem damaging to the community that is affected. On the whole we believe that Post Office Ltd has done a pretty good job and where they have not, we have managed to improve matters quite a bit during the pre-consultation phase. Where that has not happened quite a few have been improved during the public consultation phase. It is only at the end of all that that we will escalate a case, if we are still really unhappy and we feel that there is some significant problem, either that we have not got the information which we have been asking for and we think is necessary for an effective decision or we are not clear that Post Office Ltd has taken full account of all the information they have received, or we think they have got it plain wrong—We have had around 150 cases which we have escalated at the end of the public consultation where we have said we were unhappy. The majority of those cases we are satisfied on because it is only 37 cases which have gone on to the next stage, which is a national level, and only 23

which have gone on to stage three, which generally involves Paula Vennells and Millie Banerjee, my Chair, discussing matters. At the moment there is only one which has gone on to the fourth stage, which is the Chair of Royal Mail Group deciding and not the minister. MPs' input is crucial from the last two weeks of the private consultation and throughout the public consultation. The stuff that MPs have got to say is absolutely crucial in helping us to decide whether we should escalate a case. Although Lindsay Hoyle's case was a very unfortunate one, one of the results of it is that we will be receiving full details of all the communications made by MPs, any letters that they have written, meetings notes and so on, and that will help us decide even better whether we should be escalating a case. Input from MPs is absolutely crucial but it is not the only factor, obviously. There are a lot of factors which help us decide whether we are going to escalate. There are 2,500 closures to be found out of 6,500 possible ones and that inevitably means it is an art and not a science.

**Mr Cook:** As we have the model ready, we have a small supply of local authorities that have already expressed an interest in this and signed an NDA and so we can progress to a conversation with them. The rest we are handling through the Local Government Association and the Welsh and Scottish equivalents where we will say that this is the proposition. We met with Simon Milton a couple of weeks back, who is the Chair of the Local Government Association, and we are putting together a joint communication which we will then put out once we have got the model in place. We will not make money out of this. What we would be doing is effectively charging them the saving that we would have otherwise made, so it will be cost-neutral from our perspective. I think it is likely to prove to be a disappointment to many local authorities to see how expensive it is to keep these post offices open because the fundamental problem that most of these post offices will have is that there is nothing wrong with the post office, they just do not have enough customers in that particular area. They may aspire to believe that somehow or other they have got that capability quite easily. As we have already discussed with Roger Berry's point, there are a lot of post offices above these 2,500 which are not even profitable for us never mind the 2,500. We will effectively produce a price. I do think what we have learned in the Essex conversation is that it is not as simple as saying you do not put back exactly what was there before. You have to go and dig a little bit deeper and find out what they are trying to achieve in that community. It goes back to Julie Kirkbride's point, which is what is the motivation here and what are you trying to do. Essex is very enthusiastic about it, materially more so than any other local authority we are talking to. We need to work out how popular this will be in reality.

**Q131 Mr Clapham:** I want to ask Paula about the issue of requesting the standardised information. It seems to me that if you are going to move away from it being an art form then there has got to be much more of a standardised approach. Do we ask local

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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authorities, for example, the same type of information, particularly on things like bus routes? I would have thought that unless a local authority is pointed in the right direction then some of the information that is required should be about bus routes that could be missed.

**Ms Vennells:** Yes, we do and I would be very happy to send that on to the Committee. We write to the local authorities and ask for very specific information.

**Q132 Mr Binley:** We heard of the possibilities raised by the Essex question very late in the process, before closures but after consultation. Why did you not give Northamptonshire the same opportunity that other people have now had as a result of Essex raising the issue?

**Mr Cook:** Essex's post offices have closed.

**Q133 Mr Binley:** That is not my question. I think the time has gone. I just wondered why. I have not had an answer to that question.

**Mr Cook:** We needed to work on a solution with a local authority and Essex was the most enthusiastic.

**Mr Binley:** I understand that. I asked for time and you would not give me that. That is the point I am making. Why do you not give local authorities time? You will do so now. Why did you not do so at the start of the process?

**Chairman:** I think the point is that it is a competitive market and Essex got in first with the idea.

**Mr Binley:** We are talking about almost a nationalised service. Let us not play two games, Chairman.

**Chairman:** It was an idea that came from Essex about every local authority whose post office has been closed can, if it chooses to, revisit that closure process.

**Q134 Mr Binley:** Yes, it can but Northamptonshire cannot because the time has gone.

**Ms Vennells:** It can.

**Q135 Chairman:** My understanding of what we have heard from Mr Cook today is that where post offices have closed and a local authority says it thinks the balance is now wrong, it can have a discussion with you about the possibility of some modest new pattern of outlets.

**Mr Cook:** Correct.

**Q136 Chairman:** Even Lancashire can do it as well.

**Mr Cook:** That is what has happened in Essex in reality.

**Q137 Roger Berry:** EU state aid clearance has been given for the network on the grounds of general economic interest. There are people who are saying that the post office closure programme is entirely the result of EU Directives and Commission decisions. Would you care to comment on the truthfulness or otherwise of that fact?

**Mr Cook:** The post office closures are purely down to the losses being incurred.

**Q138 Roger Berry:** On this statement, for example, that the recent round of post office closures are directly linked to EU Directives and Commission decisions, I do not understand that link. Do you understand that link?

**Mr Cook:** No. There is no link.

**Q139 Chairman:** It is one of the big issues that is coming up repeatedly in our constituencies and the allegation being made is that this is all part of an EU plot. This is nothing to do with the European Commission, is it?

**Mr Cook:** No. The only angle for the European Commission is approving the state aid.

**Q140 Chairman:** Which they did.

**Mr Cook:** Yes.

**Q141 Roger Berry:** Which they have done on the grounds of general economic interest. To what extent has the resistance to post office closures that we have seen been based on access to mail services or access to other services of general economic interest?

**Mr Cook:** This would be a matter of opinion.

**Q142 Roger Berry:** You are in a good position to have a view on this, Mr Cook!

**Mr Cook:** My instinct would be that access to cash would be the primary driver of the emotion. It is jolly inconvenient not to have access to mails either, but if you really get down to it, I think it is about pension payments.

**Q143 Roger Berry:** Do you think there is any contradiction between the grounds on which state aid approval was sought and the actions of individual government departments?

**Mr Cook:** Not yet! The grounds of their approval are on the back of having the Post Office Card Account. The services of general economic interest are mostly evidenced by us paying benefits. There have been other government contracts lost, but the dramatic decline in the Post Office Card Account so far is a problem for us in the context of getting European state aid approval because if it became too small then Government would find it difficult to get approval to renew the social network payment in 2011. It might want to do so, but it might find it did not have the ability to get approval. We have a particular challenge, which is that obviously now the Post Office Card Account is up for re-tender, although the point I have just made applies anyway because the number of people using a card account is steadily dropping anyway. It is crucial for Post Office Ltd and sub-postmasters that we win the card account tender, not just because of the revenue it generates for Post Office Ltd, not just because of the revenue that is generated in the shops of sub-postmasters while the customer is in collecting their benefit, but also because it very much underpins our services of general economic interest. If in 2011 there was a further renewal of the social network payment that would need to be substantiated on the grounds of that particular fact.

**Q144 Chairman:** What do you make of the letter that is currently being sent by the Department for Work and Pensions to State pensioners which says, "The last option for receiving your payment would be to open a Post Office Card Account to collect money from your chosen post office, although this service will no longer be available from 2010"? That letter is dated 3 April this year.

**Mr Cook:** I started getting copies of that letter a few days ago. I do not think a lot of it. We are taking that up with the DWP. I would welcome you taking it up.

**Q145 Chairman:** I have another letter—and these have both come from George Thomson of the National Federation of Sub-postmasters—dated 23 May, sent to me and recipients of the green giro. This lists payment methods and does not mention the Post Office Card Account at all again. What do you make of that?

**Mr Cook:** The same. That particular service, the giro cheques, is coming up for tender now, so we have to tender for that separately. I am sure it is better for all concerned. The most expensive way for Government to pay benefits is giro cheques. It would be better and cheaper to be on a card account. Our tender for the card account is a very competitive one. We are making it much more cost-effective for Government to renew and continue the card account.

**Q146 Chairman:** The second paragraph of this letter of 23 May says, "We would like you to take advantage of the benefits of banking." They are telling people to open a bank account and not a Post Office Card Account.

**Mr Cook:** All I can say is that it is clearly much more in Post Office Ltd's interests for those benefits to be collected in cash. I think there is a consumer need to want to be able to collect their benefits in different ways. The extent to which Government chooses to force individuals down a particular path is for them to decide, but it has a very adverse affect on the Post Office if they dissuade customers.

**Q147 Chairman:** Or they do not even tell customers the option exists or tell them the option is being terminated when it is not.

**Mr Cook:** That is why I have made the point that it is not just about winning the tender for the card account, it is also about making it generally available so that new customers can take out card accounts rather than just waiting for the existing customer base to run off.

**Q148 Roger Berry:** One of your main competitors, PayPoint, was set up in 1996. I forget how long ago this all happened. This was set up by utilities who presumably were not satisfied with the then service provided by Post Office Ltd. Do you think the Regulator should take more of an interest in the range of payment services that utilities offer? Do you have any views about attitudes to your competitors in this field as well as attitudes to your staff?

**Mr Cook:** There is a Directive on Payment Services which is pretty close to going into production and that is run by the Financial Services Authority. It is going to become a much more regulated marketplace than it has been.

**Q149 Roger Berry:** What do you think the effect is going to be?

**Mr Cook:** It will level the playing field to a degree. We are now competing very aggressively indeed. Typically most of the recent utility bill contracts—because basically the utility company which issues the bill will go out to tender for payment services capability—have been won by PayPoint and the Post Office jointly. I have made it my business to make sure that we compete very effectively for this business because cash bill payments sit very comfortably with the card account customer who is drawing the cash. If we go back to your earlier question about what is the biggest driver of the resentment of a post office closing, it is all about cash. It is about being able to collect one's benefit in cash and then pay one's bills in cash at the same place.

**Q150 Roger Berry:** The Government and the European Commission have identified the general economic interest arguments for Post Office Ltd supporting the network. If the post office network did not exist how would that general economic interest duty be satisfied?

**Mr Cook:** They would have to find another payment mechanism, banks or some other chain like PayPoint. The problem that PayPoint would have is providing sufficient cash. When this cash truck that we were talking about earlier turns up in some it collects money but in most it delivers it. We are paying out £24 billion a year in cash across the counter. The logistical exercise of getting the right amount of cash in the right town on the right day of the week and knowing you need more on winter fuel payment weeks and Bank Holiday weeks is a complex logistical business and that is one of our core activities, it is moving that cash around the country.

**Q151 Roger Berry:** Does Mr Webber have any comments to make on the issues I have just raised?

**Mr Webber:** Only a general comment. The Government does need to be joined up in this respect. It is very important that Government plays its part in ensuring that the Post Office retains its business. Alan and Paula and their colleagues are doing their best to ensure that the Post Office combines both the commercial and social roles, but it depends on customers, it depends on local government. It is a pity that in many places one cannot pay council tax through the Post Office. It would be good to be able to pay the Congestion Charge in London through the Post Office. The Government needs to ensure that as many services as possible are available through the Post Office.

**Mr Cook:** I have spent a lot of time over the last 12 months working my way round Whitehall talking to as many government departments as I can and I do

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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believe I can see new opportunities for the Post Office in providing what you might call front of office face-to-face contact on behalf of government departments. These opportunities take a while to come into fruition, they do not just happen overnight, but I do sense that there is a greater preparedness to use the Post Office for these types of services. We are also putting together a package of services for local authorities, which again is why we are talking to the Local Government Association, because with some councils you can pay your council tax at the post office and some you cannot, which is daft, but you sort of have to do a deal with each council to get to that point. I am confident we have put in a very competitive, aggressive tender for the card account. We have to win it. I am determined to win it. I think we will win it. That is why I need to make sure that everybody understands that there will be 12,000 branches including the outreach because that is central to that proposition.

**Q152 Chairman:** I would like to commend you on the more entrepreneurial approach you have taken to winning business generally, which is one of the problems that have beset the Post Office in the past. You are not doing your normal sales pitch for insurance and foreign exchange.

**Mr Cook:** I know that is not for today. There are some application forms outside for anybody that needs to avail themselves!

**Q153 Mr Clapham:** Mr Cook, I would like to turn to outreach. You did kindly clear up for us in your statement at the beginning how many post offices there are likely to be. We are talking about 11,500 fixed offices and 500 outreach offices. Given that outreaches can be based on a number of different formats, one could have, for example, hosted partnerships, mobile delivery, *et cetera*, do you have any particular preference for the kind of business model that should be used for outreach?

**Mr Cook:** No, not particularly. I think it really does depend on the circumstances. The default if it is difficult to put in any other form would be the mobile post office. That is our trump card if you cannot get the premises. I guess one could imagine mobile post offices could break down one morning. It may be a slightly greater reliability issue. The more permanent we can make them feel the better, but it really will depend on the dynamics of the area.

**Q154 Mr Clapham:** I understand that. I am aware that there are certain outreach models that one could say are less secure than others. One might look at the partnership model and see that that could easily be one that is less secure than the others and that would mean that we are moving about looking for how we would maintain and sustain outreach in any particular area. It does seem to me that there is a need to consider what might be the more durable of the outreach models.

**Ms Vennells:** I think it is a point very well made. As we go into working with Postwatch and the NCC on the new code of practice one of the things we are very aware of, which had not existed under the previous

ways of working, is exactly how we address those sorts of issues when we end up with temporary closures in outreaches. It is a good question. It is one that we have begun to think through because the same sort of criteria and factors that we take into account currently probably ought to be replicated in that code of practice. Outreaches are very often in communities that are more isolated and therefore we need to give due regard to how we cope with that going forwards.

**Q155 Mr Clapham:** In terms of the guarantee, we are talking in terms of outreaches all being guaranteed to 2011. Given that the individual outreaches are only guaranteed for 12 months, is there any likelihood here that this could in fact undermine the outreach and the determined objective of having outreach to 2011?

**Ms Vennells:** No. Where we look for outreaches and where we work with our sub-postmasters we are very cognisant of the 2011 and preferably much longer term requirement. The 12 months is a protection in a sense, which is that when an outreach opens we want to guarantee absolutely that it gets a full 12 months of operation because that is what will help establish it. You need a certain period of time for the customer traffic to build. That is what the 12 months is about.

**Mr Cook:** Normally a sub-postmaster will have three months' notice. What we are saying is that if you sign up for an outreach we are going to make that 12 months for the first year and then it slips back to the normal three months. If they then said they did not want to do it we would have to find an alternative partner. What we wanted to make sure was that they had had a long enough crack at it. We do not want a sub-postmaster saying, "I'll have a little try. If it doesn't work I'll drop it." So saying you have got to do it for at least 12 months is a way of ensuring a commitment. If the outreach is going to work and it is viable, they will not want to give it up.

**Q156 Mr Clapham:** Mr Webber, have you got any particular view on this?

**Mr Webber:** Not on that particular question, no. The programme should have as much commitment to the number of outreaches as it does to the number of closures and, to be fair, it does seem to have that. I am sure that Post Office Ltd is committed to having a successful model and having that successful model continue well beyond 2011.

**Q157 Mr Clapham:** What is the real purpose of outreach? Is it to be a bare minimum public service or to provide a gateway to the universal services? If it is the latter, why can partnership outreaches only handle parcels of 2kg?

**Ms Vennells:** The requirement of partner outreaches is to deliver the range of services that a local community requires. The Universal Service is a red herring because the US only applies to letters, it does not apply to parcels. The licence applies to parcels and through the licence Royal Mail Group is more than covered in its delivery. However, we were, as

ever, grateful to Postwatch for raising the question on this and challenging whether we had actually got our policy right on it. The specific instance was in Northern Ireland. We had looked at the amount of customer usage through the post office there and it averaged about two customers a week who needed to send parcels higher than 2kg. That said, we are not in the business with outreaches or any other post office of restricting services. So what we have done is we have gone back and made a number of improvements to that already. For instance, all home shopping returns, whatever size and number, can now be done through partner outreaches, which was not previously the case. They will take standard first and second class parcels up to 6kg. We will give each of those partner outreaches very specific customer information about how larger parcels can be handled and our sister company Parcelforce Worldwide does a home collection service which is completely free of charge. So if you have something that is a huge weight we can get that handled separately through one of the other group companies. I think we have addressed the issue there.

**Q158 Mr Clapham:** So we are saying that the community is a focus but at the same time we are looking at providing the universal service through outreach?

**Ms Vennells:** Yes, we are. Some of the outreach services provide more services than the community might have had previously. For example, all of the mobile vans will do motor vehicle licensing and in a number of cases they would not have had that previously.

**Q159 Mr Clapham:** Mr Webber, have you any comments you would like to make on that?

**Mr Webber:** We are still discussing with Post Office Ltd the detail of the weight issue. Post Office Ltd has gone a long way towards satisfying us and going beyond their initial position. Our starting point is always going to be that services should be provided unless there is some very clear reason not to. The fact that very few customers may need the service does not reduce the need for the service, because those few customers' need is a real one.

**Q160 Mr Clapham:** Mr Cook, is the financial support for outreach services adequate?

**Mr Cook:** That we provide to sub-postmasters?

**Q161 Mr Clapham:** Yes.

**Mr Cook:** Yes, I think it is. We pay the sub-postmaster the additional monies and they are then responsible for finding and locating the premises or whatever. What is happening in practice when they are being set up is we are out in the field doing it with them. We have negotiated those terms with the Federation of Sub-postmasters and reached agreement with them on them. I think we are comfortable that they should be viable. The whole point of doing this is to provide as much of a Post

Office as we can at as low as possible a cost. We will make these fine tunings like Paula and Howard have just discussed.

**Q162 Mr Clapham:** Would you agree that it is important we do get the right model because if the wrong model is used it could cause problems?

**Mr Cook:** Correct. All the while the whole way the Post Office works is if I make it too tough for a sub-postmaster they will not want to do it. It has to be commercially attractive for them. If you are a core sub-postmaster or we would like you to be one, it needs to be an attractive prospect to run four outreaches. If it is not an attractive prospect we will not get them to do it and that is when you hit difficulties. That is why the whole entrepreneurial bit is important, because the more profitable we can make post offices for sub-postmasters the easier it will be to maintain the network.

**Q163 Chairman:** A core sub-postmaster has an arrangement with you, but you have no oversight in the relationship with those who operate the partner outreach services on behalf of the core sub-postmaster. We are told that terms can vary very widely across that, which might mean some outreaches are very popular to operate and others become unpopular.

**Mr Cook:** By terms you mean what the individual is paid?

**Q164 Chairman:** This is what a sub-postmaster has written to us, "Perversely, POL does not involve itself in partners' payment terms. That is subject to individual negotiation with the core sub-postmaster, which means payments will vary across outreaches for the same work and are open to abuse. While some core sub-postmasters offer fair deals, others may not. The finance package is not transparent nor has POL considered there to be any need to ensure that partners get reasonable recompense for the work, responsibility and security of the money and mails that they are handling."

**Mr Cook:** This is a general point across the whole network. There are post offices in Tescos, in WH Smiths, in Co-ops or whatever. We pay those organisations for the transactions they perform for us and they hire staff to do the work. We do not stand back; we actually go in and train those staff. If it is a sub-postmaster, we interview the sub-postmaster to make sure that they are capable of running the business and we exercise a high degree of quality control, mystery shopping and all that sort of stuff to make sure that it works properly. It is their own business and they have to decide the labour rates in their area or whatever.

**Q165 Chairman:** Will similar scaled down arrangements apply to outreaches?

**Mr Cook:** Yes, effectively so. Our relationship is with the core sub-postmaster. We have enough quality checks in place to make sure that they are not paying such poor rates that they are employing people that cannot really do the work.

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10 June 2008 Mr Alan Cook CBE, Ms Paula Vennells and Mr Howard Webber

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**Q166 Chairman:** The question of weights of packages is a matter to which this Committee will return if Postwatch is not satisfied. We talk a lot about post offices for individuals, the access to cash for people in deprived areas, but for businesses in remoter areas the package service is really very important indeed. I think it is a matter we will look to be guided by Postwatch on. You are taking all these decisions yourselves, the Post Office is doing it. The Government has stood back and said, “We cannot get it on with this micromanagement. It is all too difficult for us. We may own it but we are not going to do this. We’ll leave it.” The ultimate arbiter is Allan Leighton. He has had one tier four appeal so far. Deciding one is easy enough. You can be magnanimous with one, but it is a different matter if you have got 10 or a dozen. Do you think it is really right that someone with a vested interest in driving down the costs—you have told us that Royal Mail is not paying enough to meet your costs at present—is the final arbiter, the final court of appeal, Allan Leighton, the Chairman of the Royal Mail Group? Do you think that is democratically reasonable?

**Mr Cook:** The review process we have got is pretty robust. I will not repeat the numbers because Howard gave them earlier. Originally the final arbiter was going to be a meeting between either Paula and myself and Millie, the Chair of Postwatch. The Government then specifically requested a fourth tier review. The way that we designed the review process is that we should be able to sort all of our differences out by Level 3 and they are typically

being solved by Level 3 with the one exception. I do know that Allan takes the responsibility very seriously and he was pleased to be asked to do it and I think he did so by overturning the closure decision. As to the appropriateness, it is really for Government to answer. I think we have a robust enough process that we are not going to get many of them in reality.

**Q167 Chairman:** So far we have only had one go to tier 4. We are going to have one double jeopardy post office and that is Walcot village in Shropshire which has gone through two review processes separately. We have only had one each of these so far. Are you happy with that aspect of it, Mr Webber?

**Mr Webber:** It is a Government decision. It has worked okay so far. As Alan has said, the original design was such that we could resolve everything by Stage 3 at the latest, which is probably one reason why there have been so few of these, just the one that has gone to Stage 4. I would not measure the success of the process by the number that go to Stage 4. It may be there will be more later on in the programme and if there are not it will be because we are satisfied with Stage 3, which is fine. I am sure that Post Office Ltd do not particularly wish to trouble Allan Leighton unnecessarily if they can resolve matters at a lower level.

**Chairman:** We are grateful to you for your time and your willingness to come before this Committee. These are important matters for our constituents. Thank you very much indeed.

# Written evidence

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## Memorandum submitted by Postwatch

### (i) NETWORK CHANGE PROGRAMME OVERVIEW, AS AT THE END OF MAY

By the end of May, Post Office Ltd (POL) had proposed (that is, these figures include plans in public consultation as well as those where final decisions have been made) 1439 closures and 346 outreaches.

Below is an update on completed area plans—those for which POL had announced final decisions.

POL had announced decisions for 21 area plans. Key points on these plans:

- They involved 1085 closure proposals in 343 parliamentary constituencies.
- POL proposed a further 163 branches for closure and replacement with outreach solutions.
- Following Postwatch feedback, POL withdrew 112 proposals during pre-consultation periods.
- Following public consultation, POL withdrew 41 proposals and changed one proposed closure to a proposed outreach, and one proposed outreach to a closure.
- POL consulted on 23 replacement branches following these withdrawals. One replacement branch has been withdrawn.
- Postwatch agrees with POL that the proposed remaining network would continue to meet the access criteria set by the Government.
- 37 proposals reached Stage 2 of the review process, 23 of which were escalated to the Stage 3. One of these then went to Stage 4—review by the Chairman of Royal Mail.

### (ii) MYSTERY SHOPPING RESEARCH RE-EXAMINING SERVICE PROVIDED BY POL'S HELPLINE

#### *Summary*

In November 2007, Postwatch undertook in-house mystery shopping telephone research to assess the utility and quality of advice received by customers using POL's 08457 22 33 44 number. This followed customer feedback that the helpline was on occasion giving out incorrect, misleading and inconsistent information.

POL agreed to a number of improvements following this research. We therefore repeated the research in April 2008, to assess whether the promised improvements have been made.

#### *Results of the November 2007 research*

Following the November 2007 research, we identified several areas for improvements to the helpline. In response to our concerns, POL agreed to the following actions:

1. IVR telephone system: The research highlighted that it was confusing for customers to speak to an operator about the closure programme. The route to speak to an operator took three steps, and customers had to select the final option on each menu screen, before selecting a generic option for "all other enquiries".

POL agreed to make changes to this. Callers now press option three for "PO services", rather than option six as previously happened. Customers are then presented with a further option, which refers to "other enquiries, including changes to the branch network".

2. Address details: There were inconsistencies in the addresses given to callers asking where to send their consultation responses. Callers should have been given freepost addresses but several other addresses were also given.

Post Office Limited agreed to advise call centre staff that freepost addresses would be given out for enquiries, "Freepost Network Change", and for consultation responses, "Freepost consultation Team".

3. E-mail address details: In the last exercise callers reported being given a series of email addresses to send their responses to. We called for a single email address to deal with the closure programme.

Post Office Limited said it would continue to maintain two email addresses—one for general programme enquiries, and another for consultation responses- but that it would inform staff that only these email addresses should be given.

4. Varying levels of knowledge: Callers put through to POL's call centre in Wales expressed particular concern about the quality of information provided, and noted varying levels of knowledge among call centre staff.

Post Office Limited's response did not commit to any specific actions, but noted that POL was developing their own call centre mystery shop surveys.

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*Results and recommendations from the April to May 2008 research*

It is disappointing to report that POL has largely failed to deliver the promised improvements to the helpline. While the IVR changes have been made, particular problems remain in terms of providing customers with accurate information about PO closures, correspondence and e-mail addresses.

These concerns are set out below:

1. IVR and time taken to be put through to operator: POL has implemented the promised changes to the IVR, and the effect is that the helpline is now easier to navigate. However, several callers expressed concern about the time taken for calls to be answered—three callers experienced lengthy delays of over five minutes. One of these people had to hold on for twelve minutes. Phone charges are payable at the local rate, and callers should therefore be put through to an operator with minimal delay.

**Recommendation:** We are pleased that POL has made changes to the IVR as they agreed. However, we request that POL monitor the length of time customers wait to speak to an adviser, and seek assurances that staffing levels are sufficient during periods of peak demand.

2. Address details: The last exercise revealed that a number of addresses were erroneously being given to callers, and on five occasions callers were given the address for the mail centre in Watford, which is not a freepost address.

POL assured us it would make clear to call centre staff that they should use only the correct Freepost address—for enquiries, “Freepost Network Change”, and for consultation responses, “Freepost Consultation Team”. However, call centre staff gave out incorrect address information in around 10% of the sample calls. This was in fact higher than recorded in the previous survey, though since the samples were small, it is not possible to conclude that service has deteriorated as a whole.

Examples of incorrectly provided addresses are:

Customer Care, Post Office Limited, Freepost, P O Box 740, Barnsley S73 0ZJ.

Post Office Limited Customer Care Unit, Freepost, NWW 15329, Bangor LL57 1AA.

Post Office Limited Customer Care, PO Box 747, Brampton S73 0UF.

National Consultation Team, P O Box 2060, Watford WD18 8ZW.

Network Change Programme Office, Post Office Limited Ltd, Freepost, Network Change.

Network Reinvention, FREEPOST.

**Recommendation:** We write to POL setting out our concern that the quality of information provided by the call centre has not improved. Postwatch requests that call handlers are promptly re-trained to provide the correct address.

3. Email address: Following the last research, POL assured us that only two e-mail addresses would be offered: [network.change@postoffice.co.uk](mailto:network.change@postoffice.co.uk) for general concerns, and [consultation@postoffice.co.uk](mailto:consultation@postoffice.co.uk) for specific responses.

However, some callers are still being told to use [networkchange@postoffice.co.uk](mailto:networkchange@postoffice.co.uk). This e-mail account does not exist and so bounces back. Callers were also given the general email address, despite asking to submit a view about a particular branch, in around 10% of calls. This suggests call centre staff find the current approach of providing two e-mails confusing.

**Recommendation:** We write to POL to set out our concerns that incorrect e-mail addresses are still being provided. In light of our continuing concerns, unless POL can satisfy us that call handlers will now provide the correct e-mail address, we should insist that only one e-mail address is used; [consultation@postoffice.co.uk](mailto:consultation@postoffice.co.uk) is easiest to give over the phone.

In the interim, POL should register variations on the [networkchange@postoffice.co.uk](mailto:networkchange@postoffice.co.uk) address to capture responses which for whatever reason are sent erroneously to this address.

4. Varying levels of knowledge: In a number of cases, call handlers incorrectly informed callers about the status of PO branches. We found that there were also differences between the ability of call centre staff to deal with callers’ concerns. One of our callers was told a post office in Eastbourne was not closing, while another was told that post office in Nacton in Suffolk was not closing. The information in both cases was wrong. A caller was also told there were no closures in Kings Lynn, where one PO is proposed to close.

We did not find evidence that the consistency of information provided varied between call centres.

5. Response from POL to Postwatch research.

POL’s own independent research contradicts some of our findings but POL does accept that there is room for improvement. POL has agreed to conduct further training to address the problems that Postwatch found and to commission independent research in to the service provided.

### *Methodology*

For this research, between 21 April and 2 May, Postwatch staff made 168 calls to the Post Office Limited customer service centre. Committee members were asked to make calls based on one of four scenarios, three of which were drawn from the previous exercise.

The breakdown of calls was as follows:

- Scenario one—37 calls.
- Scenario two—38 calls.
- Scenario three—46 calls.
- Scenario four—46 calls.

One call was made outside office hours and the Postwatch caller was unable to speak to a customer service adviser.

The scenarios were:

1. Tell the customer service representative that you are concerned about a particular closure and that you would like to record your views. Ask how you should go about this.
2. Place a call asking if any branches are being considered for closure in a particular town, village or city. The area chosen will need to be one in public consultation.
3. Ask the adviser about a branch closure in an area plan on which the decision has been made.
4. Inform the adviser you are unhappy with the whole programme. Say that you think no post offices should be closed. Ask who would be the best person to deal with your objections and where you might go to get more information.

### (iii) POCA II—IMPACT ON POST OFFICE NETWORK

#### *About the current product*

- The Post Office Card Account (POCA) is a basic account that can be used to receive benefits, state pensions and tax credit payments over the post office counter.
- It has over four million users.
- The current product ends in 2010 and will be replaced by a new product with improved functionality

#### *Tender for the new Government Card Account*

- In line with European Union procurement rules, an invitation went out to competitive tender. A decision regarding the successor to POCA is expected soon.
- PayPoint has submitted a bid for the successor product. The Government tender requires a minimum of 10,000 outlets—PayPoint has in excess of 19,000:
  - Although the invitation to tender does not stipulate any minimum distance criteria for access to the new product, Post Office Ltd has stronger rural network coverage than PayPoint. However PayPoint recently announced that they are “99% of the way” to having an outlet within a mile of each urban area where people live and work, and five miles of each rural area.
  - PayPoint’s coverage in deprived areas is much denser than Post Office Ltd’s and its retail partners are often willing to trade for longer hours.
- Postwatch recognise that payment into bank accounts is the most suitable option for the majority of people. However, the fact that there are more than four million POCA holders underlines both the importance of the product and the popularity of collecting benefits at post offices.
- Postwatch has a responsibility to monitor the number and location of post offices. We therefore recognise the importance of the POCA (and its successor) to the viability of the post office network.

#### *Impact on the Post Office Network should POL lose the contract*

- If Post Office Ltd were to lose the POCA contract, it would have a substantial negative impact on its network, as the card account generates substantial business for post offices. Postwatch believes the retention of the POCA contract by POL is a vital element of the sustainability of the network at its post-closure programme size.
- The National Federation of SubPostmasters (NFSP) commissioned research in 2006 which showed that on average, 10% of subpostmasters’ income was directly derived through POCA transactions (12% in urban deprived post offices).

- Post Office Ltd say that 6.5 million customer visits to post offices each week are made in order to carry out POCA transactions; and that £2 billion of money paid out through POCA each year is estimated to be spent in post offices' retail business.
- The NFSP claim that with many sub post offices already operating on the edge of viability, the loss of the income and footfall generated through POCA would lead directly to the remaining network unraveling, with thousands of further unplanned post office closures.

*How can the new product improve on the functionality of the old POCA?*

- It is imperative that the development of the successor product fully takes customers' needs into account.
- The current POCA product has very limited functionality. Users cannot set up direct debits on the card, meaning they face the additional charges levied on customers of utility services opting to pay by cheque or cash.
- The invitation to tender stipulates that the new product must "provide customer access to cash at ATMs and personal teller outlets located throughout the UK". This is an additional benefit for customers but also poses problems for the post office network, as it will affect the footfall of post offices.
- Many organisations and individuals would like to see the reformed POCA given greater functionality. Stakeholders' suggestions for improvement include:
  - the new product should offer a range of ways to access, deposit and keep track of money and also give people the opportunity to progress to more complex account features once they have built up confidence in banking;
  - the new product should provide interest on balances, an option for chip and pin, a bill payment facility and a deposit facility; and
  - increased flexibility over the documentation required to open an account (low income individuals are less likely to possess passports and driving licences).

(IV) POSTWATCH EVIDENCE TO THE INDEPENDENT REVIEW OF THE POSTAL MARKET (SECTION ON POST OFFICE DEMERGER)

(This is simply an extract from Postwatch's written submission to the Independent Review).

*What further measures would be necessary to enable the changes listed in your response to Q42? In particular: (a) Should Royal Mail and Post Office Ltd continue to form part of the same group?*

Access to postal services Postwatch's primary interest is in ensuring that consumers have access to postal services. At present Royal Mail's products and services are generally available at all post offices. If POL ceased to be part of the Royal Mail Group, it is likely that a newly separated Royal Mail would seek to review this arrangement and restrict availability to a more optimal network of sales and collection points. Indeed, Adam Crozier has in the past said that Royal Mail could meet its licence access criteria with as few as 4,000 post offices. There must therefore be a real risk that a demerged POL would result in the withdrawal of certain Royal Mail products and services from a significant number of post offices.

This would be detrimental to postal consumers and could result in further branch closures. Postcomm could take steps to mitigate such a risk, for example, by placing a long-term regulatory obligation on Royal Mail as the USO provider to ensure reasonable access to USO products. However, even with such an obligation, we still believe that there would be some diminution in the current levels of access. Opening up the PO network to other postal operators would be beneficial to consumers if it provided real choice at the retail level. Whilst such arrangements might be easier to negotiate if other providers were able to deal directly with a demerged POL, Postwatch understands that this may be an area where Postcomm currently has powers to intervene and make a direction if other providers are unable to negotiate a fair arrangement with Royal Mail wholesale, although it has not been tested. It should not require the demerger of POL to achieve this objective.

The contract for services between Royal Mail and POL Postcomm's network report in October 2007 noted that postal services make up approximately 26% of POL's business. In the year ending March 2007 Royal Mail paid POL £348m for providing these services. It is unclear how the amount paid by Royal Mail to POL for this business is calculated and whether it is cost reflective but we welcome the clarity that Postcomm is trying to bring to this area and support the aim of having a clear and transparent contract with a payment that properly reflects the work for Royal Mail carried out by POL.

### *Ownership of POL*

It is unclear who would assume ownership of a demerged POL. It would not obviously be a commercial prospect and if retained in the public sector there is a risk that without proper support and direction POL could be in a worse position than now. POL's current management is implementing a five-year plan to return the company to profitability. Whether this is successful or not would appear to be more to do with the quality of the management team and its plan rather than ownership of the company.

### *Social value of the network*

The current network subsidy payment of £150 million a year runs until 2011. It is possible that a demerged POL could identify other services with a social value to deliver through the network. If that happened, the Government could demonstrably secure better value for its subsidy thus increasing the likelihood of extending it beyond 2011.

6 June 2008

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### **Letter from Naomi Nardi, Bridestowe Post Office & Riverside Stores**

#### **POST OFFICE NETWORK CHANGE, FINANCIAL VIABILITY OF OUTREACHES WITH SPECIAL REGARD TO THE PARTNER MODEL**

I have read the BERR Committee reports on the Post Office Network Change programme with great interest. The BERR Committee seems to be the only body that might hold any sway over the actions of the Post Office throughout this reduction in the network.

I appreciate that the Committee can not take up any individual case but, with Network Change having reached Devon, we find ourselves facing a potential major flaw in the Programme.

That is: There has been no formal analysis or reporting on the financial viability and expected long-term survival of POL's much-vaunted Outreach Services.

I have searched the Internet and found nothing. I have asked the Rural Support Service, Community Council of Devon and Postwatch, none of who are aware of any analysis.

I understand that even the NFSP has concerns about the financial package for Core Sub-Postmasters beyond the initial bonus year.

I also understand that Partner Outreaches have been identified as a serious concern.

Given that Outreaches are such a major element of the current programme, I would respectfully urge the Committee to examine the detail of these business models as a matter of urgency, before it is too late to prevent irreversible damage to services in the most vulnerable parts of the country.

The impression given to the public is that Outreach is positively supported by POL and that implies some security for the future—in finance—not just the supply of signs and equipment.

That there are no guarantees beyond the first 12 months begs the question for the communities with Outreaches as to whether any service will exist beyond that initial year.

Partner Outreach is the least sustainable of the Outreach Models relying on the work of a third party, who shares payment from POL with a Core Sub-Postmaster, to deliver services.

It can be viewed as exploitative of the Partner, especially where it is used to supplant a fixed-counter service in the same premises as a Sub Post Office that is being closed and relies for its uptake upon that ex-sub-postmasters desperation to retain footfall for the survival of the remainder of their business. That is financial coercion.

POL dictates operational terms and demands that postal services in Partner premises should be available for the entire opening hours of the retail side, often increasing the burden at the same time as reducing funding drastically. That is an abuse of a dominant position.

Perversely, POL does not involve itself in Partner's payment terms. That is subject to individual negotiation with the Core Sub-postmaster, which means payments will vary across Outreaches for the same work and are open to abuse.

Whilst some Core Sub-Postmasters will no doubt offer fair deals, others may not. The finance package is not transparent nor has POL considered there to be any need to ensure that Partners get reasonable recompense for the work, responsibility and security of the money and mails that they are handling.

I understand that NFSP has negotiated with POL on behalf of the Core Sub-postmasters but apparently it has abandoned those losing their post offices to have to try and negotiate new terms by themselves—at a time when their livelihoods are being dismantled.

If those who have just lost their fixed counter post office use their compensation payment to subsidise the outreach it would work perhaps for two or three years. By the time the money ran out and their businesses fail, the closure of those offices would no longer be attributed to Network Change.

Partner Outreaches are onerous, inequitable and parasitic—doomed to failure where there is virtually no money in them for those actually doing the work.

It demeans a business owned by Government to ill-use and exploit in this way.

There should be serious concern that if none of the Outreach models has a genuinely robust structure, then the 500 communities having them imposed now and those who will have them imposed in the future, will find themselves losing Postal services altogether, as well as the retail operations that went with them, when they fail.

Thank you for your time. I do hope that the question of the viability of Outreaches is one that the Committee feels is worth investigating.

30 May 2008

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**Letter from Naomi Nardi, Bridestowe Post Office & Riverside Stores**

Having just watched the 10 June BERR Committee meeting, I very much appreciate that you took my submission about Partner Outreach seriously enough to raise it there. Thank you.

Regarding Mr Cook's response using the illustration of employees of Tesco & W H Smith. Those are not Outreaches and the structures of the different businesses do not relate to one another at all.

The core sub-postmasters do not directly employ Partners. If they did, we would very much welcome the minimum wage.

In fact, Partners are being offered around £2,000 to £3,000 per annum, depending upon transaction numbers and the deal struck with the Core. That is approximately £8 to £12 per day gross for up to 9–10 hours a day, and often across seven days a week.

In our own situation, given the stricture by POL to offer Partner Outreach for the entire time that our retail side functions, we would earn £1.23 an hour, gross. This is too busy a shop and PO to run single-handed and so in effect, one of us would have to work for the Post Office for almost nothing. If we need holiday or sickness cover, for which we must pay minimum legal rates, we make a loss. In an unguarded moment the core sub-postmaster put forward for us here, told us that he thought a business would "have to be desperate" to take it on!

I really regret not having emphasised the actual payments being offered in my previous submission. I had not wanted to make it too personal and so not relevant to the Committee. This payment structure may satisfy Mr Cook's wish to get Post Office services as cheaply as possible but it is truly not viable in the long term.

The "default" option of a mobile outreach has been shown locally to be no more than an alternative slow death. With erratic hours and practical difficulties, communities in Devon & Cornwall now find that Mobiles are being withdrawn—presumably because the core sub-postmasters running them could not earn a decent income either.

I very much hope that the Committee sees fit to revisit the detail of Outreaches. They are such a major element of the programme, especially in vulnerable rural areas. Without proper finance and safeguards to secure Outreaches, people in large tracts of the country will face major problems reaching postal services and cash in a year or so when they fail.

22 June 2008