



Post offices securing their future – Business & Enterprise Committee’s call for evidence - Submission from ACRE (Action with Communities in Rural England)

Executive summary

1. ACRE welcomes the review of the Post Office Network and the opportunity to submit evidence. We hope that the review will lead to a sustainable future for the network so that the closure of rural post offices can be avoided in the future.
2. The post office service is of important benefit to social and economic inclusion especially in rural areas. Post Offices provide friendly, easy to reach and trusted access points for local people living in rural areas.
3. ACRE supports the focus on helping post offices to diversify their services for the benefit of government and other bodies including an extension of post office banking. We would also welcome the opportunity for the post office to act as a hub for a range of public, private and social enterprises.
4. Although we recognize that support cannot be unlimited or indefinite, there is a strong case for transitional support due to the increased costs of provision in rural areas and the importance of a universally accessible service.
5. ACRE and the Rural Community Action Network have been closely involved in opposing and finding solutions for post office closures in rural communities and would welcome the opportunity to discuss this with the Committee.

Introduction

6. This submission has been compiled by Action with Communities in Rural England (ACRE). ACRE is the national umbrella of the Rural Community Action Network (RCAN), which operates at national, regional and local level in support of rural communities across the country.
7. The Rural Community Action Network is the collective name for the 38 Rural Community Councils throughout England, their eight regional bodies and their national umbrella, ACRE. Rural Community Councils are charitable local development agencies, generally based at county level, which support and enable initiatives in rural communities.
8. This submission is made on behalf of RCAN. ACRE is aware that some members of RCAN plan to submit evidence separately.

What services should the Post Office network offer?

-from government,

9. ACRE believes that the Post Office network should retain and enhance its current delivery role because it is an important interface between government and the public and business. The awarding recently of the Post Office Card Account contract signalled a renewed confidence in the Network that should be built upon. The trusted brand provides an excellent opportunity to increase its functions and should enable government to review whether withdrawn services, should be returned.

10. It is vital that the Government continues to recognize that Post Office Ltd is an ideal vehicle for accessing government services and information. There is an economically sound argument that if you offer a selection of products in one location for which a market exists, there is likely to be an increase in customer traffic to that business. Therefore the Government should seek to award business to the post office, even if alternative agencies such as PayPoint are more cost efficient, because accessibility to PayPoint outlets in rural areas is not as easy as it is in urban areas.

11. The Government services provided should include:

- TV Licenses
- Driving License and Passport Checking in each office
- Business Banking for small businesses
- Current Accounts – “Peoples Bank” or Credit Union
- Loans for Small and Medium sized Enterprises

12. The current variation between the main services available at different post office outlets is detrimental to customers. Customers should be able to access the same fundamental services across the network. However there should be some allowances for outlet flexibility to meet local needs such as opening hours.

-from local authorities, and

13. Local authorities have similar needs to retain links with their customers to the government. Given this and their role in supporting the maintenance of post office services, they should be a beneficial partner in the development and innovation of the post office network. Services available from local authorities should include:

- Council Tax payment options
- Council Rent Payments
- Bus Passes
- Payment of Fines
- Future ID cards
- Assistance with applications for benefits and services
- Local Authority Information
- Tourist Information and accommodation booking
- Social Services

14. Although supporting the retention of the post office network generally, many local authorities do not offer facilities for paying council tax or housing rents through the network because of the financial cost. Providing local services in rural areas usually costs more and Government and local authorities should be prepared to support a service that they wish to retain.

-from other sources, including services in competition with Royal Mail Group;

15. An essential service that is not provided by the post office network is access to full banking. The network provides the potential to provide dependable banking services to personal and business customers. A "Community Bank" along the lines of the proposal from the New Economics Foundation (*The Case for Community Banking*, NEF) as a Post Office badged bank is a serious option considering the global banking crisis and public anxiety about high street banks. The economic challenges being experienced by the major banks alongside their likely continued closure programme leaves a market gap for post offices to offer, especially in rural areas.

16. A full banking service might after initial set up generate sufficient income to reduce or eliminate the need for long term government subsidy of the network. ACRE would also like to see the provision of business banking more widely available. Currently only 4 of the 17 banks that offer access to personal bank accounts offer business banking. Businesses in rural areas rely heavily on Post Offices and increased access to banking facilities would be beneficial to their businesses. For example we would like to see this review explore the National Federation of Sub postmasters' proposal for the establishment of a British Post Bank to generate new income by offering a wide range of business and personal banking products.

17. ACRE believes that diversification is fundamental to the network's future success, post offices could act as community hubs including GPs surgeries and internet cafes in hubs. This review presents an excellent opportunity for a feasibility study in respect of whether credit unions might be situated in post offices. ACRE would also like to see further obligation placed on energy companies to allow payment through Post Offices.

18. In terms of sustainability, the Social Network payment should be maintained and believe a percentage of this payment should be earmarked for a grant aided development programme and or revenue stream to be delivered regionally. Rural Investment and Rural Re-Start funds which ran from 2005 - 2007 helped many postmasters invest for the future. Alternatively further government funds should be available to help this investment in line with the Welsh Assembly's Post Office Diversification Grants. This type of investment could be delivered through Regional Development Agencies or through Rural Community Councils for example.

To what extent would these increase the network's commercial viability? Is there a case for any service to be subsidised, and if so, to what extent?

19. ACRE believes there is a strong case for both a short term transitional subsidy and some long term support recognising the higher costs of rural delivery and to ensure

universality in provision. Service diversification and improvement should increase significantly the networks commercial viability.

20. The post office network has both commercial and social benefits for communities. ACRE would therefore welcome a pump priming transitional subsidy for post offices that require it to establish their businesses and for example help support a co-located other outlet such as a shop. ACRE is also supportive of putting in place programmes to ensure post office owners have the necessary skills to ensure their businesses become financially viable. However there is no point in providing money to support the current system unless it is significantly amended before financial support is forthcoming.

2) How much account should be taken of:

a) costs to the taxpayer in providing services through the Post Office rather than through cheaper channels; and

21. Costs to the taxpayer should be balanced against the benefit of transitional support needs to ensure the provision of a universal service in rural areas. It is imperative that the social and environmental benefits of local service provision are recognised and properly valued.

22. The post office should wherever possible establish a sustainable commercial position through a diversification approach and replicating the good practice of its competitors.

b) consumer preference for alternative channels?

23. ACRE supports consumers being offered choice in the provision of services. However problems of inaccessibility are often not properly considered. If some people cannot access alternative cheaper service providers then the service is clearly not less costly for them. For example if a person has to travel further to access a service, often the case in rural areas, they do not benefit.

24. If Post Office Ltd was an efficient business offering a cost effective service customers will choose to use it, rather than support a competitor. There is also scope for integrating services with other providers to increase footfall in one location and benefit consumers.

3) To what extent would a desire for the presence of a Post Office or Post Office services translate into actual use of those services?

25. The objective of this review should be to ensure that support for post offices translates into actual use. A business focused post office network is well placed to meet the needs of local communities. This is especially the case as travel becomes more difficult in rural areas because of peak oil, climate change and a declining public transport system. Therefore the availability of these a key service points are likely to become fundamental to the sustainability of rural settlements.

26. There is no doubt that fewer people are using the post office for the basic services of accessing cash, mailing post and paying bills and this decline is likely to continue with private accessibility to the Internet and the increase in user confidence amongst older people. However, there will still be people for whom the post office is an important service provider; those who view it as a vital community hub; and those who prefer the security of personal interaction with a friendly face rather than the anonymity of an electronic device.

27. Whilst some customers will support the post office as a matter of principle, the services offered need to be relevant to local needs, which would encourage more people to use it. Once again, if the business is well run, providing what the customer wants together with excellent service, local people will support it.

4) What are the impacts of the availability of post office facilities for businesses, and local residents; and in particular how significant is the network in aiding social and financial inclusion;

28. As has been widely identified, a post office encourages social interaction, support and well-being especially for some vulnerable groups that constitute a high proportion of post office users. In rural areas a post office greatly enhances social and financial inclusion. There is the potential to reduce peoples' need to travel and associated financial and climate change costs. Therefore it is likely that the post office will become more viable and beneficial into the future.

29. It is also well understood that many small and medium sized enterprises rely on the post office to operate their businesses. Most businesses including home workers still have the need to exchange physical items. Any decline or removal of these services could impact significantly on these businesses future viability.

5) What level of subsidy—if any—per Post Office would be reasonable in the long term; for example, should it be £20,000 or £200,000?

30. ACRE feels that it is unfeasible to assess the subsidy required without knowledge of the level and range and quality of service to be provided.

31. Broadly transitional support should be formulated to correlate the level of subsidy to the likelihood of future financial viability. As stated subsidy opportunities should translate into development opportunities for sub postmasters. Ideally the challenge for the post office is to develop a franchise that pays adequately for the volume of activity per outlet and progressively reduces the subsidy while retaining a good and accessible level of service provision across all areas.

32. However recognising the higher costs of rural provision, it is important not to rule out the possibility of the need for ongoing subsidy on the basis of a universal service obligation. There may be the need for a clear and long term commitment to subsidy in these cases.

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