

### **ACS Submission: Post Office Network Inquiry**

1. ACS (the Association of Convenience Stores) welcomes the opportunity to submit evidence to the Business, Energy and Industrial Strategy Select Committee inquiry on the Post Office network. ACS represents 33,500 local shops and petrol forecourts including Co-op, McColls, Shell and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Costcutter. Further information about ACS is available at Annex A.
2. The convenience sector and Post Office are key strategic partners for the delivery of the Post Office Network. Convenience stores trade in all types of communities across the country providing groceries and a range of services to local people. One-in-four (23%) convenience stores host a Post Office branch and many also offer complimentary services including free-to-use ATMs (46%)<sup>1</sup>. ACS' Community Barometer report highlights that consumers consider Post Offices and convenience stores to have the most positive impact on their local area<sup>2</sup>.
3. Convenience retailers have taken on many Post Office branches since the Network Transformation Programme began in 2012, providing postal services in fresh modernised branches and retaining local access to Post Offices where they are no longer viable as standalone businesses. Given changing consumer shopping habits, high street transformation and moves towards online services, now is the right time for the Committee to consider the future for the Post Office network.

#### **Considerations for Parliamentarians and Policy Makers**

- The convenience sector has a unique reach into every village, neighbourhood and high street across the country, operating long hours and providing quality services making the sector a natural partner for the Post Office.
- The long-term future of the network is reliant on commercial viability for retailers – increasing operating pressures including rising employment and property costs are causing retailers to scrutinise their provision of Post Office services as per all other in-store services.
- Post Office Limited has successfully transitioned into a profit-making business based on its franchise model. The Post Office should continue to work with retailers on strengthening the Local model to secure the future of the network.
- The Government must continue its financial support for rural community branches beyond the £160m funding for 2018 – 2021 to retain a national branch network.
- The Post Office should build on its expanded banking services offer by continuing to explore new services to be offered in-branch, including government and financial services.

**For more information on this submission, please contact Steve Dowling, ACS Public Affairs Manager, via [steve.dowling@acs.org.uk](mailto:steve.dowling@acs.org.uk) / 01252 533009.**

<sup>1</sup> ACS Local Shop Report 2018

<sup>2</sup> ACS Local Shop Report 2018

## **The Postal Network**

### **Q1) Is the Post Office currently delivering services to the necessary standard across the UK?**

4. The most recent statistics from March 2018 show that the Post Office has met all but one of its access criteria as set by the government to protect access to postal services for consumers<sup>3</sup>. We do not have specific changes to suggest to these existing access criteria and recognise that the 2016 BEIS consultation concluded that 'three miles provides an appropriate and convenient level of access for rural communities'<sup>4</sup>. The one criterion missed – the number of postcode districts in which 95% of the population are within six miles of their nearest branch – is intended to ensure a minimum level of access for remote rural areas. This shows the need for continued government funding to protect 'last shop in the village' community branches, including the £160m package set to expire in March 2021.
5. The access criteria do not include a measurement of products and services available and we would support greater capability for retailers to expand the Post Office services they offer. Most convenience retailers hosting a Post Office are on a 'Local' or 'Mains' contract but the Post Office is beginning to open more 'Local Plus' branches<sup>5</sup>. Local Plus branches have an enhanced range of services from the Local model, for example additional manual banking and international parcel services, but can only be operated from branches at least five miles from the nearest full-service branch<sup>6</sup>. Convenience retailers carefully manage their product and services offer across their businesses and should be able to more widely offer additional Post Office services where this may benefit either local community access to a service or the overall viability of a branch.
6. Service provision in convenience stores has grown significantly in the last decade and convenience retailers rely on providing a range of services in-store to drive footfall. These services are often low margin leading to a constant assessment of the contribution the service makes to store trading performance versus the costs of operating. This includes bill payment services (64%), parcel collection points (34%) and click and collect services (32%) – all of which are offered by the Post Office and alternative providers<sup>7</sup>. Convenience retailers that do not host a Post Office branch are increasingly providing similar services from alternative providers to respond to the needs of their customers. Some retailers have raised concerns that the non-compete clause used by Post Office to prevent the provision of Post Office services alongside competing service providers can be a barrier to the delivery of new branches. Some retailers have indicated they would like to operate both Post Office services and other services in parallel to provide consumers with more choice.

### **Q2) What concerns do you have, if any, about the long-term resilience of the Post Office network across the UK?**

7. Convenience stores are integral to maintaining a national Post Office network serving rural and isolated communities. 37% of convenience stores operate from rural locations and 38% trade as an isolated store without any surrounding retail or service businesses<sup>8</sup>. The Network Transformation Programme significantly increased retailer involvement in the network and one-in-four (23%) of the 46,262 convenience stores in mainland UK now host a branch to retain access to postal services for local communities, increase footfall to their business and benefit from association with the Post Office brand<sup>9</sup>.

---

<sup>3</sup> [The Post Office Network Report 2018](#)

<sup>4</sup> [Government Response to the 2016 Post Office Network Consultation](#) December 2017. October 2017.

<sup>5</sup> Citizens Advice. [Post offices matter to communities](#) October 2017.

<sup>6</sup> Citizens Advice. [Post offices matter to communities](#) October 2017.

<sup>7</sup> ACS Local Shop Report 2018

<sup>8</sup> ACS Local Shop Report 2018

<sup>9</sup> ACS Local Shop Report 2018

8. The Post Office and policy makers must recognise that the long-term resilience of the network is reliant on overall commercial viability for retailers. Operating costs for retailers have escalated since the Network Transformation Programme. Increasing employment costs such as the National Living Wage, business rates and a highly competitive grocery market means that all store products and services must justify their position.
9. The National Living Wage is the cost increase that has had the biggest effect on convenience retailers, which has risen from £7.20 in 2016 to £8.21 in 2019 under its remit to reach 60% of median earnings (projected to be £8.67) by 2020<sup>10</sup>. The Autumn Budget will detail a new remit for the National Living Wage beyond 2020, which could reference two-thirds of median earnings to “end low pay” and place further pressure on retailers<sup>11</sup>.
10. In response to the 2018 National Living Wage rate, 75% of retailers have reduced staff hours, 39% have reduced staff numbers and 60% of independent retailers have increased their working hours in the business<sup>12</sup>. Reductions in staff hours and staff numbers have a knock-on effect for providing services such as Post Offices, which are labour intensive to run and require trained retail staff to operate. Retailers are also seeking to mitigate rising non-wage employment costs including the costs of auto-enrolment pensions, the apprenticeship levy and employer liability for statutory sick pay.
11. The Committee should be aware of an ongoing legal case on business rates for ATMs and its relevance to the Post Office. This legal case concerns whether ATMs should be separate entries to the rating list from their host shop and is now being appealed to the Supreme Court by the Valuation Office Agency (VOA) after the Court of Appeal ruled they should not be billed directly<sup>13</sup>. If the decision is overturned to rule that ATMs should be rated separately, this would guide the VOA’s future approach to rating internal concessions within convenience stores, including Post Office counters. We believe the Court of Appeal’s decision should be upheld to support the provision of concessions and essential services provided by local shops.
12. The Labour Scheduling Requirements are built into the delivery of Post Office services in convenience stores. We understand that the Post Office are working closely with retailers to ensure that the scheduling requirements are accurate and that retailers are supported to run services as efficiently as possible. This must be kept under constant review especially given retailer’s responses to increased wage and non-wage costs as outlined above.
13. We therefore welcome that the Post Office has identified its retail proposition as a strategic risk through its latest Annual Report<sup>14</sup>. Some retailers have now adopted policies to not take on new Post Office branches after assessing their commercial viability within their business. Retailers are reliant on effective and comprehensive training and out of hours support from Post Office Limited both on the services offer and back office management procedures to maintain and then improve customer service levels.
14. We understand that the Post Office is now working closely with its retail partners on strategies aimed at driving efficiencies and the profitability of the Local model. Retailers are making their own representations both to Government and Post Office Limited about the future of the network, including concerns on the Local model in some locations and planned changes to their Post Office estates. The Post Office should continue to work with retailers to understand the increased cost

---

<sup>10</sup> Low Pay Commission. [20 years of the National Minimum Wage have boosted pay by £5,000](#) April 2019.

<sup>11</sup> [Spring Statement 2019: The Chancellor's Speech](#)

<sup>12</sup> ACS National Living Wage Survey 2018

<sup>13</sup> <https://www.propertyweek.com/news/court-of-appeal-overturns-atm-business-rates-ruling/5099769.article>

<sup>14</sup> [Post Office Annual Report 2017/18](#)

pressures retailers are facing from employing and training staff to operate branches, changes in the ever-competitive retail environment and evolving consumer needs.

**Q3) Is the current framework for sub-Post Offices sustainable for sub-Postmasters and the communities they serve?**

15. ACS actively communicates operational issues raised by our members relating to managing Post Office branches in convenience stores and helps to inform the strategic vision for the network from a retailer perspective in partnership with the Post Office and government. However, ACS is not set-up to be the commercial negotiating body for retailers and individual sub-Postmasters on remuneration and commission offered, this role is undertaken by the National Federation of SubPostmasters (NFSP) or dealt with directly by our members as part of business negotiations.
16. As detailed above, the cost pressures that retailers are facing from increased employment and property costs mean that some retailers are reviewing their approach to the delivery and provision of Post Office services in their businesses. As part of this decision-making process, retailers consider Post Office's commercial strategy and approach to remuneration for the delivery of services. Post Office's annual report shows that subpostmasters' fee payments over the previous year have declined from £388 million to £371 million (4.4%)<sup>15</sup>.

**Q4) Does the increasing role Post Offices play in providing basic banking services provide them with an opportunity or a threat?**

17. Opportunity.
18. Which? statistics suggest that at least 3,318<sup>16</sup> bank branches have closed since 2015 (at a rate of 70 branches per month) from a branch network of 10,745<sup>17</sup>. Although some banking services can be completed online where good digital connectivity is available, both consumers and businesses remain reliant on physical locations to bank to access account services and deposit and withdraw cash. The Post Office network is well-placed to deliver basic banking services to communities.
19. For example, the convenience sector remains dominated by small basket spends and cash payments, with 76% of customers indicating they paid by cash after leaving their local shop<sup>18</sup>. Convenience retailers therefore need local access to locations where they can deposit their cash takings on a regular basis. In terms of deposits, every Post Office branch in the country can now accept 'walk-in' deposits of up to £2000 per transaction and 90% of deposits in Post Offices are below the £2,000 threshold<sup>19</sup>. For sums above that figure, Post Office and the relevant bank work with the customer to arrange specific services up to an agreed sum.
20. ACS' Community Barometer research finds that banks are the second most wanted services by consumers, suggesting that enveloping banking services into Post Office branches in a context of continual bank branch closures is popular amongst different customer groups<sup>20</sup>. We support new basic banking services such as cash withdrawal facilities being in Post Offices, which can drive customers into store and increase revenue for retailers. ACS' Rural Shop Report finds that ATMs are the most valuable services for shoppers aged 18 – 24, indicating that Post Office counters providing access to cash where no ATM is available could improve footfall from younger customers to the Post Office counter and store<sup>21</sup>.

---

<sup>15</sup> [Post Office Annual Report 2017/18](#)

<sup>16</sup> Which? [Bank branch closures: is your local bank closing?](#) April 2019. House of Commons Library.

<sup>17</sup> [Bank branch closures](#) House of Commons Library.

<sup>18</sup> ACS Local Shop Report 2018

<sup>19</sup> [House of Commons Scottish Affairs Committee](#). 17 January 2018. Q49

<sup>20</sup> ACS Local Shop Report 2018

<sup>21</sup> ACS Rural Shop Report 2019

21. Access to cash through the Post Office network is a valuable *supplement* to the ATM network, providing access during long opening hours and in a range of rural, suburban and urban locations. The Post Office network cannot provide access to cash across all shopping areas or meet all demand, but the service can benefit retailers hosting Post Office branches.
22. Basic banking services can also cause problems for retailers hosting Post Office branches – for example, cash withdrawal services require a larger amount of cash to be held on the premises, increasing the risk of robbery and theft, particularly in Local branches. ‘Main’ branches, which are secure Post Office counters within a host store, provide no public accessibility to the back area behind the fortress where the safe would be located. However, in ‘Local’ branches, where Post Office services are offered over the counter alongside retail services, cash must be manually transferred from the till to the safe, which can still create risk for the colleague and shop. The management of handling large volumes of cash is a legitimate concern for retailers, whether they provide cashback through a Post Office counter or cashback over the till.
23. The Post Office will need to continue working with retailers on operational issues for banking services. As bank branch closure programmes continue, demand for banking services through the Post Office will increase, which could lead to queues and retailers storing more cash on the premises. The Post Office should also recognise that demand for cash withdrawal services could plateau or decline in the longer-term, as trends towards lower cash usage continue, which reiterates the need to look ahead to new banking and other services that could be offered in-branch.

**Q5) What new services, if any, could the Post Office provide to customers?**

24. The Government committed to the previous House of Commons Business, Innovation and Skills Select Committee in 2012 that the Post Office would “become a genuine Front Office for Government at both the national and local level”<sup>22</sup>. The Post Office has been able to tender for contracts to deliver government services, but a digital by default approach to move these services online has frustrated retailers and the full potential of the network.
25. One outcome of the 2016 consultation process was the Post Office pledging to explore and promote products and services for the network, including Credit Union accounts and raising awareness of banking services<sup>23</sup>. The Post Office offers products and services falling into four broad categories; mails and retail, financial services, government services and telecoms. All Post Office branches provide a comprehensive mailing offer and the financial services available have expanded with wider over-the-counter cash withdrawal facilities.
26. The Post Office describes itself as “the nation’s most trusted brand”<sup>24</sup> and ACS’ Community Barometer research shows consumers believe Post Offices are the services with the most positive impact on local communities<sup>25</sup>. The strength of the Post Office brand and non-renewal of the Post Office Card Account means now is the time to map out future services for the network. The Post Office should continue to bid for government services where service opportunities arise and review its overall service offer for all branch types on an ongoing basis. The Post Office should also review its approach to attracting younger customers to branch. Some Post Office services attract an older demographic and new services could future-proof the network.

---

<sup>22</sup> <https://publications.parliament.uk/pa/cm201213/cmselect/cmbis/84/8405.htm>

<sup>23</sup> [Government Response to the 2016 Post Office Network Consultation](#) December 2017. October 2017.

<sup>24</sup> <http://corporate.postoffice.co.uk/our-heritage>

<sup>25</sup> ACS Local Shop Report 2018

## **Q7) What contingencies should the Government have in place in case franchises fail?**

27. The Government must prevent any widespread failure or closure of Post Office branches by ensuring the network is on a sustainable footing for retailers. This could be achieved by adopting the following principles for supporting retailers to manage their Post Offices.
28. **Flexibility on service delivery** – Important to the future of the Post Office network is ensuring the most appropriate product mix is on sale from each branch. Greater use of the Local Plus model and allowing retailers to sell additional Post Office products where appropriate could improve flexibility for retailers and the service offer for consumers. Adopting a softer approach to the non-compete clause requiring retailers to not offer competing services from alternative providers would also enhance the attractiveness of hosting a Post Office to retailers.
29. **Additional Support on Locals** – The Post Office should continue to work closely with retailers on strengthening the effectiveness of the Locals model, including managing labour requirements and training provisions.
30. **Additional Funding for Struggling Branches** – The Post Office and government should consider how to identify branches at high risk of permanent or temporary closure. Additional support and funding could be made available to protect these branches until they are operating at a more sustainable level.
31. The Government and Post Office should also act to promote existing services offered within the Post Office to secure the network. The Post Office and UK Finance agreed an Action Plan to raise awareness of banking services available in Post Offices to be implemented from September 2018<sup>26</sup>. We would support further activity to promote these services and ongoing monitoring of awareness and confidence in them.

---

<sup>26</sup> UK Finance. [Banks and Post Office to raise greater awareness of banking services available in local post office branches](#)



## Annex A

### ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 46,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.



### WHO WE REPRESENT

#### INDEPENDENT RETAILERS



ACS represents over 19,000 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

#### SYMBOL GROUPS AND FRANCHISES



ACS represents over 14,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

#### MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents over 12,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

### THE CONVENIENCE SECTOR



In 2018, the total value of sales in the convenience sector was £39.1bn.

The average spend in a typical convenience store transaction is £6.50.



There are 46,262 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 365,000 people.

24% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

70% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

81% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2017 and May 2018, the convenience sector invested over £814m in stores.

The most popular form of investment in stores is refrigeration.

### OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

#### ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1,200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

#### ACS INVESTMENT TRACKER

Regular quarterly survey of over 1,200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

#### ACS LOCAL SHOP REPORT

Annual survey of over 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 7,669 stores. The Local Shop Report also draws on data from HIM, IGD, Nielsen and William Reed.

#### BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

For more information and data sources, visit [www.acs.org.uk](http://www.acs.org.uk)