

7 December 2012

Mr Adrian Bailey MP
Chair, Business Select Committee
7 Millbank
House of Commons
London
SW1P 3JA

Dear Mr Bailey

ACS (the Association of Convenience Stores) welcomes the opportunity to submit further comment to the Committee's on-going inquiry into the Post Office Network Transformation Project. ACS represents 33,500 local shops, across the UK, which operate around 4,000 Post Office branches.

ACS continues to work with retailers and Post Office Limited (POL) to help ensure the new operating models are successful and sustainable for all parties. We welcome the progress that has been made in response to initial concerns expressed by retailers and consumer groups, however we do believe the Government response to the Committee's response overlooked a number of areas where further work is needed. An outline of each of these areas is included below.

Communication and engagement

Our members report a reduction in communication and engagement from POL in recent months which has led to unnecessary concern and confusion for some retailers. ACS recognises that Post Office have taken on new staff in order to improve communication with retailers, however would welcome more consistent and regular communication regarding both the detail and progress of the network transformation programme.

Suitability of location

POL are keen to roll out the Locals model where possible, as this appears to give the largest cost saving. While we agree that financial sustainability is essential for the network, retailers have informed us that the decision on which model is most suitable for the location does not appear to take into account a number of practical retail concerns, including:

- existing retail turnover of the site the PO may go into;
- existing customer footfall of the proposed site;
- whether the proposed site is in a better location (e.g. more prominent position, enhanced parking facilities etc) than a previous local branch; and
- whether a local will damage existing retail business.

It is important that, given the new models place the Post Office at the heart of the retail business, that consideration is given to practical retail issues and concerns. Input should be gathered from the retailer as to the best model, rather than simply using a formula, as they will have the greatest knowledge of their business and the locality.

Retailer remuneration

With many sub-postmasters moving away from receiving a core salary payment, the level of reward per transaction becomes essential for the viability of the branch. Retailers will have to model their likely income over a long period of time in order to make an informed decision about the returns they may get from their Post Offices. Clearly there are a host of variables in play here, and retailers will have to make assumptions and forecasts. The results of these calculations and judgements will ultimately determine the success of the network transformation programme.

ACS and our members still have some concerns over the sustainability of some branches, especially Locals, based on this new model for remuneration. This further reiterates the need for retailer input into decisions on which operating model will be most suitable for any given site.

Training

Since the pilots have been underway, members have highlighted concerns with the breadth of training and the hours it is available. In light of this feedback, Post Office committed to increased training, which is now available until 6pm. However, while this extension is welcome, given the nature of convenience retailing and the number of part time staff employed in the sector, this still leaves many staff who work evenings and weekends unable to access this training.

Training is essential to minimise potential disruption in the retail environment, and to ensure consistent delivery of good customer service. We would welcome further consideration of what measures could be introduced to ensure all necessary staff have access to Post Office training.

Business support

ACS welcomes the extended hours of business support services now available to retailers operating Local branches outside of core branch hours. However, the increase in the helpline hours from 8am until 10pm still does not cover key times such as store opening times.

Earlier this year our members raised this concern with POL, and stressed the need for support services to be available from 6am, as if issues are to arise these are often identified when the system is first turned on in the morning. Ideally, support services should be in place during all hours that Post Office services can be delivered, which will be up to 24 hours a day under the new models.

Restrictions

We understand that the Post Office network provides key services to the whole of the UK, is designated as providing services of general economic interest, and therefore is permitted to impose certain restrictions on stores in order to maintain the network. However, with an increasingly competitive market for the services POs provide, ACS and our members believe the current restrictions policy need to be reviewed.

Earlier this year POL agreed to conduct a review of its restrictions policy. ACS believes this is an important area which should be assessed alongside the current changes in the Post Office operating model, and would therefore welcome any information on progress made in this area.

We remain concerned at the continued requirement for any sub-postmaster to pay POL 20% of their national Lottery commission, especially in the case of existing branch operators converting to a Local format.

Information for those wishing to engage

Another concern raised by members is the lack of information if they wish to take on a Post Office in their local area, especially if they do not current operate any Post Office branches. We would welcome more information and a clear point of contact for retailers wishing to engage with Post Office Limited. ACS would, of course, be happy to direct members to this information.

ACS believe that the new models can provide a more efficient and effective Post Office service, given the right retail environment, and welcomes the collaborative and voluntary approach POL have adopted to date. While there are clearly a number of issues still to be addressed, we recognise the progress which has been made in many of the areas listed above, and look forward to continuing to work closely with POL throughout the roll-out of the new models and beyond.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Lowman', with a long horizontal line extending to the right.

James Lowman,
Chief Executive