

Consultation: Building a Mutual Post Office - response form

You can also respond online to this consultation at www.bis.gov.uk/pomutualisation or email responses to postoffice.mutualisation@bis.gsi.gov.uk

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 12 December 2011

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Please return completed forms to:

Post Office Mutualisation Consultation
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Please tick the box from the list below that best describes you as a respondent. This allows views to be presented by group type.

<input type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Central Government
<input checked="" type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Large business (over 250 staff)

	Legal representative
	Local Government
	Medium business (50 to 250 staff)
	Micro business (up to 9 staff)
	Small business (10 to 49 staff)
	Trade union or staff association
	Other (please describe)

Question 1: Do you agree with this analysis of the value of the Post Office network? Are there any aspects of your post office experience that you consider particularly important for a mutual Post office to retain?

Value of the Post Office

The Post Office network has a vital social and economic value and often forms a focal point for older people, particularly in rural and deprived urban communities. For the 5.5 million people of pensionable age in the UK using its services, the social value of the post office was estimated to be between £329 million and £1.56 billion.ⁱ Here the “social value” is based on a quantitative analysis of customers’ willingness to pay for the post office network and the services provided by post offices. In many areas post offices provide the only access to services that are close to people’s homes, and are therefore particularly important in serving the needs of people in later life with limited mobility due to ill health or low income.

The post office remains popular and continues to be trusted and well regarded by customers who benefit from accessible, convenient, friendly, face-to-face services, including postal, public and financial services in the heart of their own communities.

In 2006 Age Concern undertook surveys and consultations with older people to establish why they valued their post office. The results overwhelmingly confirmed the importance of post offices to older people. The services offered by post offices that were rated as most important were first provision of a shop and second financial services. Of those responding to the survey, 44% used the post office to collect their pension, 43% for access to cash and 56% used it to pay their bills.

Retaining Post Office value

The Post Office is in a unique position to deliver products and services that could help increase the level of financial inclusion in the older population. The number of Post Office branches means that nationally they have much greater reach than other providers of financial services. For instance, across the UK in December 2010 Barclays had 1658 branchesⁱⁱ, whereas the Post Office has around 11,800 branches. Preserving the Post Office network means older people will have access to vital services, which will protect their financial security.

The decline in the number of post offices has meant problems in accessibility as people lose their local branches and have to travel further to reach services. This

is particularly a problem for those people in later life who face additional barriers of limited mobility, poor health, low incomes and shrinking social contact. The loss of local post offices has been particularly damaging; during the two year programme of closures, 2,432 outlets were shut, leaving the current network of around 11,500, compared to a peak of 25,000 in the 1960s.

Without the Government's subsidy, many of the unprofitable branches, which tend to be in rural and less affluent areas, would be under significant pressure to close. To date the retention of Post Office Ltd in public ownership has ensured social considerations are taken into account when determining the size of the network, operating model and range of services on offer.

The Department for Business, Innovation and Skills (BIS) is responsible for formulating the Government's strategic policy for the Post Office network and for agreeing Post Office Limited's business plan. There has been more cross-government support, with pilots to make Post Office the front office of government. In future we would like to see much greater cross-government involvement in determining potential service offerings of the network to secure the financial stability of the network.

The formation of a mutual Post Office should therefore retain and build on:

- Access criteria that ensures reasonable access to Post Office services wherever people live.
- Dedicated support for unprofitable branches, particularly in remote and / or deprived communities.
- Services for vulnerable customers who are reliant on the Post Office, in particular for financial services.
- Ongoing relationship across government with the Post Office to deliver contracts that makes more government services available locally.

Question 2: Do you agree that a 'mixed membership' model is the correct model to be considered for a mutual Post Office? If so, whom do you consider should make up the different constituencies of members, and why?

X Yes

No

Not sure

Comments:

In the right circumstances Age UK would have no objection in principle to a mixed membership model. However, it would need to be in a form that retains the emphasis on both sustainability and public benefit. The Post Office should consider a mutual model that ensures all stakeholders have a role in the strategic direction of the Post Office through a 'mixed membership' mode. For example, the model proposed in the Co-operatives UK research published in 2011ⁱⁱⁱ.

It is important that members representing consumers have a part to play in shaping the direction of the Post Office. There needs to be more work to understand the best way consumers can be involved. The consultation document notes that the Post Office has a disproportionate number of older customers. As members they will be able to articulate and protect the economic and social value of the network.

In the past the Government has been criticised for their consultation processes in relation to post offices. The report of the Public Accounts Committee (2009) criticised the previous government for the local consultation phase of the closure programme, stated too little time had been allowed for consultation; the decisions had already been made; and the public were not being listened to properly.^{iv} Mixed membership should give members a more direct role, but wider ongoing consultation in communities about the future of the Post Office should also need to be part of the way the mutual would work.

The list of consumers and producers listed in the consultation document seems appropriate. There will need to be more debate about who is deemed representative of a particular interests and how people are involved.

Question 3. Should Government fully transfer its ownership of the Post Office to the mutual over time? Please give the reasons for your views.

Yes No x Not sure

Comments:

The concept of changing the Government's relationship with the Post Office from an ownership model to a contractual relationship makes sense if the mutual is to become an independent organisation. However, there will need to be safeguards in place to protect the Post Office from failure, which may include some level of state subsidy if the Post Office does not become more financially sustainable.

There needs to be greater clarity about how the transition process would work and how members would be involved in the transition. In particular, the Government needs to set a timetable and milestones that would determine the stages of transition and under what circumstances the mutual would have greater independence. For instance, the Government states that the subsidy guarantees access criteria (p13 of the consultation document). How would this guarantee be transferred during the transition phase and in the future independent organisation?

Importantly the Government has set out criteria that need to be met before the Post Office becomes a mutual, including financial stability. The transition process should not jump the gun and move towards mutualisation without assurances that the criteria will be met relatively quickly. There is a risk of moving too hastily down this road without the strong foundations of a sustainable business, which puts at danger the ongoing public role of the Post Office.

Question 4. Do you agree that the members should engage with the business's Board of Directors through a representative body? Or do you think an alternative governance structure would be more appropriate? If so, please explain.

X Yes No Not sure

Comments:

The representative model provides members of the mutual a clear form of engagement and responsibility for the direction of the mutual.

Question 5. Who do you think should sit on the representative body? Do you agree that there should not be an overall majority of members representing either consumer or producer interests?

We are concerned that in a mixed model consumers could be in a weaker position than representatives of producers. We would suggest that rather than representatives from specific groups of consumers, members should be appointed in the public interest. Also, that there should be a majority in favour of members in the public interest, which would mean that producers would not dominate.

Question 6. Do you think a mutual Post Office should have the ability to make distributions to members, provided that the public benefit can be protected and financed through its constitution?

Yes

No

Not sure

Comments:

If distributions were made it would need to be stated in the constitution what the circumstances were for it to be appropriate to make a distribution. This is necessary in order to protect investment in the network's financial future and ongoing public benefit.

The decision could be left open for the representative body to decide whether this is appropriate.

Question 7. Do you have any comments on the considerations outlined? Are there any other considerations you think Government should pay particular attention to, in the event of a transfer of Post Office Ltd to mutual ownership?

The considerations Age UK believes are important are captured broadly in the list of "Other considerations" in the consultation document. The main issues have been highlighted in previous questions and revolve around the commitment to continuing to provide economic and social value through the Post Office network. There is a risk when the Government takes a step back and the subsidy no longer provides the incentive to deliver public benefit. This will need to be resolved in the constitution of the mutual.

In summary, these areas will need to be considered:

- Access criteria that ensures reasonable access to Post Office services wherever people live.
- Dedicated support for unprofitable branches, particularly in remote and / or deprived communities.
- Services for vulnerable customers who are reliant on the Post Office, in particular for financial services.
- Ongoing relationship across government with the Post Office to deliver contracts that makes more government services available locally.

Question 8. In the light of this document, do you consider that mutualisation should be the preferred future ownership model for Post Office Ltd, as opposed to

continued Government ownership (A)? What do you see as the advantages and disadvantages of mutualisation for the post office network and its users?

A Yes

No

X Not sure

Comments:

In the right circumstances Age UK would have no objection in principle provided that the public benefit for the most vulnerable customers is at the heart of the new Post Office vision and values.

Advantages:

- All stakeholders can influence the direction of the Post Office.
- Consumers have a more direct link to the services they value.

Disadvantages:

- Reduced government influence to protect the public benefit for the most vulnerable customers.
- Managing complex governance changes at a time when the Post Office needs to focus on financial sustainability.

Do you have any other comments that might aid the consultation process as a whole?

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

X Yes

No

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ⁱ The Social Value of the Post Office Network Report for Postcomm 5 August 2009

ⁱⁱ www.communitybanking.org.uk

ⁱⁱⁱ Mutual options for Post Office Ltd, co-operatives UK. 2011

^{iv} Oversight of the Post Office Network Change Programme HC 832 12 November 2009