



DEBATE PACK

Number CDP-0285, 3 January 2019

Franchising of Crown post offices and effect on high streets and local communities

By Lorna Booth and
Olivia Phelan

Summary

A debate on franchising of Crown post offices and effect on high streets and local communities will take place in Westminster Hall on Thursday 10 January 2019 at 1:30pm. The debate is sponsored by Lisa Nandy MP.

Crown post offices account for about 2% of post offices. Crown post offices are large post offices that are directly managed by Post Office Ltd and franchising them would see them be moved to being managed by partners such as WH Smith.

The Communication Workers Union, who oppose the changes, have pointed to effects on jobs and service levels.

Research by Citizens Advice suggests that some aspects of the service in former Crown post offices are a bit better than that in current Crown post offices, some aspects of the service are a bit worse and many aspects are similar.

The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

Contents

1. Overview	2
1.1 Franchising	2
1.2 Objections to the changes	3
1.3 Service levels	3
1.4 Statistics	4
1.5 Role of the Government	5
1.6 Funding and transformation	5
1.7 Further information	6
2. Press articles	7
3. Press releases	8
4. Parliamentary material	9
4.1 Debates	9
4.2 Parliamentary questions	9
Oral questions	9
Written questions	10

1. Overview

Some Crown post offices – Crown post offices are the couple of hundred larger post offices that are run directly by the Post Office Ltd – are being franchised, so that they are run instead by partners such as WHSmith, in different premises.

1.1 Franchising

The Post Office's modernisation programme is seeing franchise partners such as WHSmith take over the running of some, but not all, Crown post office branches. Most franchised branches have relocated to premises nearby, with the post office often being moved to be within an existing shop.

This process is part of a modernisation programme for the post office network.¹

In April 2016, the Post Office announced a new 10 year agreement with WHSmith to relocate more Post Office branches into WHSmith stores which, at that time, operated 107 Post Offices. 61 Post Offices were planned to move into WHSmith stores by April 2017. Just over half of those were expected to continue to be run directly by the Post Office.² In January 2017, the Post Office announced that they were seeking franchise partners for a further 37 of its directly managed crown branches.³

On 11 October 2018, the Post Office announced a new agreement with WHSmith. Up to 41 further Crown branches are planned to be relocated into WHSmith stores in 2019. WHSmith will also take over the running of the 33 Crown Post Offices that are already hosted in their stores but currently operated by the Post Office.⁴

Roger Gale, Network and Sales Director at Post Office said:

We have worked with WHSmith successfully for more than a decade and our partnership with them helps to secure our services on high streets for years to come. We're continuing to respond to unprecedented change on high streets and in consumer trends.

By adapting to the needs of customers we're making sure Post Offices will matter even more tomorrow than they do today, with services available when and where people want them, in convenient locations and open for longer hours, including Sundays.

We've made significant changes in our network of 11,500 Post Offices over the past few years, modernising more than 7,500

¹ Citizens advice, [Research into the quality and consistency of service standards and product knowledge across the post office network](#), June 2017

² Post Office Ltd, [Post Office Ltd and WHSmith in new ten year agreement](#) 13 April 2016

³ Post Office Ltd, [Post Office confirms further plans to safeguard high street branches](#), 10 January 2017

⁴ Post Office Ltd, [Post Office to expand number of branches in WHSmith stores](#), 11 October 2018

branches and increasing opening hours for customers by more than 200,000 a week. We've also developed our services, including the introduction of everyday banking for customers of the UK's high street banks.

The vast majority of the Post Office's network of 11,500 Post Office branches, large and small, are run on a franchise or agency basis with retailers as part of thriving businesses. It makes sense to further expand this successful, sustainable way of providing Post Office services to people.⁵

1.2 Objections to the changes

Many MPs have objected to changes in their constituencies.

Following the announcement in October 2018 that further post offices are to be taken over by WHSmith, the Communication Workers Union (CWU) announced a new campaign against the franchising of Crown Post Offices, called [Save Our Post Office](#). The campaign encourages people to write to their MP about post office franchising.

CWU general secretary Dave Ward said:

At a time when the government is claiming to be on the side of workers, it is an outrage that it is allowing well rewarded jobs to go from a public service, handing them straight to a second-rate employer like WHSmith – recently rated as the worst retailer on the high street who will undoubtedly provide a significantly inferior service.⁶

1.3 Service levels

Citizens Advice carried out mystery shopper research in 2017 looking at the standard of services across different types of post office. They concluded that:

Overall, the post office network is performing well, considering its size, complexity and the significant change it has been through since 2012. New branches are also performing in line with, or better than, traditional post offices.⁷

The table shows key results of the study for a variety of measures, comparing Crown post offices with former Crown post offices (those that have since been franchised).

Overall this research suggests that some aspects of the service in former Crown post offices are a bit better than that in current Crown post offices, some aspects of the service are a bit worse and many aspects are similar.

⁵ Post Office Ltd., [Post Office to expand number of branches in WHSmith stores](#), 11 October 2018

⁶ CWU, [Mobilise, campaign, tell your MP – Save Our Post Office](#), 25 October 2018

⁷ Citizens Advice, [The state of the post office network](#), June 2017

Service standards in Crown and former Crown post offices

	Crown post offices	Former Crown post offices
Accessibility:		
Parking nearby (within 100 yards)	48%	41%
At least one accessible entrance	97%	99%
Clear route to serving positions / no obstacles	98%	95%
Hearing loops	46%	51%
Portable PIN pads	67%	65%
Queuing		
Served immediately	38%	29%
Average waiting time when queuing	4m 12s	4m 15s
Average open counter positions	2.1	1.9
Privacy		
Privacy measures provided	39%	50%
Service standards		
Correct service offered initially (2nd class large letter)	24%	41%
Correct service offered after prompts (2nd class large letter)	58%	71%
Correct service offered initially (Signed For small parcel)	52%	52%
Correct service offered after prompts (Signed For small parcel)	71%	70%
Banking		
Were able to deposit cash into bank account	82%	77%

Source: Citizens Advice, The state of the post office network, 30 June 2017

1.4 Statistics

At the end of March 2018, there were 262 Crown branches, 2% of the Post Office Network.

Most post offices are agency post office branches: post offices owned and managed by either an independent postmaster or a larger franchise partner (for example WHSmith or the Co-operative).⁸ Increasing numbers are outreach services: typically small part-time branches that may use a village hall or mobile van to provide post office services to communities that might not otherwise receive them.

⁸ There are multiple types of agency branch. Further details about the different types of post office branch can be found in the Library briefing [The Post Office](#).

Number of post offices by contract type

	<i>Crown</i>	<i>Agency</i>	<i>Outreach</i>	Total
2009	373	10,776	803	11,952
2010	373	10,599	933	11,905
2011	373	10,468	979	11,820
2012	373	10,428	1,017	11,818
2013	373	10,342	1,065	11,780
2014	350	10,255	1,091	11,696
2015	326	10,172	1,136	11,634
2016	315	10,062	1,266	11,643
2017	285	9,935	1,439	11,659
2018	262	9,768	1,517	11,547

Source: Post Office Limited, Network Reports

Notes: Data is for end of March in each year

1.5 Role of the Government

The Post Office is a limited company owned entirely by the government.⁹ It was separated from Royal Mail in 2012.

The Department of Business, Energy and Industrial Strategy holds government responsibility for postal affairs (including the Post Office). The current Minister with responsibility for postal affairs is [Kelly Tolhurst MP](#), Minister for Small Business, Consumers and Corporate Responsibility.¹⁰

The Post Office operates at arm's-length from government. The government provides funding and sets criteria for the size and accessibility of the post office network – for more on these see the Library briefing, [The Post Office](#).

Information regarding the size and makeup of the Post Office Network can be found in the Library note [Post Office Numbers](#).

Devolution and postal services

Post is an area that is not devolved in general.

The one main exception to this rule is that the devolved administrations may provide financial assistance for the provision of services from post offices (other than postal services and services relating to postal or money orders).¹¹

1.6 Funding and transformation

The Post Office has been undergoing a major network transformation programme for much of the last decade. The company has been reforming itself in order to become self-sustaining. This has included reducing central costs, increasing revenues, and modernising branches in the network.

⁹ Post Office, [Corporate Structure](#) [last accessed 03/01/18]

¹⁰ Gov.uk, [Kelly Tolhurst MP](#) [last accessed 03/01/19]

¹¹ See [Schedule 5 to the Scotland Act 1998](#), [schedule 7A to the Government of Wales Act 2006](#) and [Schedule 3 to the Northern Ireland Act 1998](#).

Between 2010 and 2017, the Government allocated £2 billion to fund the Post Office's modernisation and transformation programme. In December 2017, the Government agreed a new funding package of £370million for the Post Office to run till 2021. As part of these funding settlements, the subsidy that the government provides to support the network has been decreasing. For more detail see the Library briefing, [The Post Office](#).

1.7 Further information

There is more information in three Library briefings on the Post Office and postal services:

- [The Post Office](#)
- [Post office numbers](#)
- [Postal services](#) – focusses on the Royal Mail and other postal operators rather than the Post Office but contains information on letter and parcel trends

Other useful information:

- Citizen's Advice, [Post office's more important to local community than pubs, finds Citizens Advice](#), 15 Jul 2017
- Citizen's Advice, [Trends in the postal services market](#), 18 May 2018
- Citizens Advice, [Consumer use of post offices](#), 14 July 2017
- YouGov / London Economics for the Department for Business, Energy and Industrial Strategy, [The social value of the post office network](#), 8 Nov 2016

Related issues – the high street and banking services

For more general information on the **state of the high street** and government policy in this area, see:

- House of Commons Library, [Budget 2018: The retail sector](#), 1 Nov 2018 – summary of state of high street retail and what's being done to revive it
- House of Commons Library, [Retail sector in the UK](#), 29 Oct 2018
- High Streets Expert Panel, [The High Street Report](#), 20 Dec 2018
- Ministry of Housing, Communities & Local Government, [Future High Streets Fund: call for proposals](#), 26 Dec 2018

For information on bank branch closures and the provision of **banking services** at post offices, see:

- House of Commons Library, [Bank Branch closures](#), 19 Oct 2018
- House of Commons Library, [The Post Office](#), 15 Nov 2018

2. Press articles

[Post Office workers protest against franchising of branches](#)

Mattha Busby

The Guardian, 1 December 2018

[Government fury at Post office's WH Smith franchise deal](#)

Jack Courtez

Better Retailing, 7 November 2018

[Post office to close and franchise more Crown branches](#)

BBC News, 10 January 2017

3. Press releases

[Mounting Parliamentary criticism of PO franchising plan](#)

Communications Workers Union, 1 November 2018

[How the CWU is fighting to save our post office – and how you can get involved](#)

Communication Workers Union, 25 October 2018

[Post Office to expand number of branches in WH Smith stores](#)

One Post Office, 11 October 2018

4. Parliamentary material

4.1 Debates

Recent debates on post offices:

- [Post Offices \(North Yorkshire\), 6 Nov 2018](#)
- [Post Office Closures, 25 Apr 2017](#)
- [Local Post Offices \(Lords\), 30 Mar 2017](#)

4.2 Parliamentary questions

Oral questions

[Post Office Closures](#)

HC Deb 20 Nov 2018, c 713

Hugh Gaffney (Coatbridge, Chryston and Bellshill) (Lab): What discussions his Department has had with representatives of the Post Office on its plans to close 74 Crown offices.

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Kelly Tolhurst): While the Government set the strategic direction for the Post Office, they allow the company the commercial freedom to deliver this strategy as an independent business. The 74 Crown branches are being franchised to WHSmith, either on-site or through relocation to a WHSmith store. There will be no reduction in the number of branches from the franchising with WHSmith.

Hugh Gaffney: I am a proud member of the Communication Workers Union and a former postal worker. The Minister has said in written answers to Members that the privatisation of the Post Office is a commercial decision for the Post Office and that the Government only set the strategic direction. Nevertheless, the Post Office has decided to privatise these Crown branches and is using tens of millions of pounds of public money to bankroll it. This is a disgraceful situation. When will the Government start exercising some basic financial oversight?

Kelly Tolhurst: I am sorry, but I entirely disagree with the hon. Gentleman. We have no closure programmes. I should add that under Labour's management of the Post Office its network shrank by 37%, which resulted in 7,000 closures, and that in the first five years of Labour Government the Post Office went from being in profit to having losses of more than £1 billion.

James Frith: Let us have another look at this, shall we? Seventy-four of the public's post offices are being privatised without the permission of the public. WHSmith is already advertising minimum wage part-time roles to take over post office counters, while consultations on those jobs have yet to be completed. Can the Minister imagine what it must feel like for your job to be under consultation and to face possible redundancy, with the job already advertised for someone else? Will she intervene and call this practice out, as a matter of principle?

Kelly Tolhurst: Let me first highlight the fact that there are no Crown post offices in the hon. Gentleman's constituency.

Franchising is one of the measures to support and maintain the long-term sustainability of our network of 11,500 post offices throughout the country. As I said, the network was reduced under the last Labour Government, but we are committed to the Post Office and to keeping those branches open.

Ian C. Lucas: Restrictive practices are preventing my constituent Mr Avi Bungar from providing various post office services because he runs a sub-post office. Why are the Government giving big business WHSmith a sweetheart deal and preferential Crown post office terms, and preventing sub-postmasters from having the same?

Kelly Tolhurst: I respect the fact that the hon. Gentleman has experienced issues in his constituency in relation to a particular post office, but to set a long-term sustainability programme for the Post Office against potential postmasters is quite frankly wrong. This is part of a sustainable programme that will enable us—this Government—to keep 11,500 post offices open, to increase, via the Post Office, the pay to which post office workers are entitled, and to give them longer hours and better locations.

Written questions

[Department for Business, Energy and Industrial Strategy: WH Smith: Post Offices: 198342](#)

Asked by Jo Stevens

Asked on 3 December 2018

To ask the Secretary of State for Business, Energy and Industrial Strategy, how many of the 41 Crown post offices in dedicated premises that are earmarked to be franchised and relocated to WH Smith have Applicant Enrolment Identification (AEI) machines; and how many of those AEI machines will be relocated.

Answered by Kelly Tolhurst

Answered on 6 December 2018

The Government recognises the critical role that post offices play in communities and for small businesses across the UK. This is why the Government committed to safeguard the post office network and protect existing rural services. The overall number of post offices across the UK remains at its most stable in decades with over 11,500 branches thanks to significant Government investment of over £2 billion since 2010.

While the Government sets the strategic direction for the Post Office, it allows the company the commercial freedom to deliver this strategy as an independent business. The distribution of branches is an operational matter of commercial judgement for Post Office management team. I have therefore asked Paula Vennells, the Group Chief Executive of Post

Office Limited, to write to the hon Member on this matter. A copy of her reply will be placed in the Libraries of the House.

[Department for Business, Energy and Industrial Strategy: WH Smith: Post Offices: Written question - 192721](#)

Asked by Roger Godsiff

Asked on 19 November 2018

To ask the Secretary of State for Business, Energy and Industrial Strategy, whether the Government has (a) sought and (b) obtained guarantees from WH Smith that post office staff will not be (i) made redundant and (ii) moved to roles with (A) poorer working conditions and (B) lower pay after their branches are franchised.

Answered by Kelly Tolhurst

Answered on 27 November 2018

As an independent organisation, the Government has no in the day to day running of the Post Office. However, the Post Office has been clear in its duty of care for any staff affected. Staff affected have the right to transfer their employment to the franchise partner under protected existing terms and conditions in line with Transfer of Undertakings (Protection of Employment) regulations (TUPE) or voluntarily leave with a settlement.

[Department for Business, Energy and Industrial Strategy: Post Offices: Bank Services: Written question - 190967](#)

Asked by Gil Furniss

Asked on 13 November 2018

To ask the Secretary of State for Business, Energy and Industrial Strategy, what financial services the Post Office provides at (a) Crown post office and hosted Crown post office, (b) franchise post office, (c) Main post office, (d) post office Locals, (e) traditional sub-post office and (f) other types of post office branches.

Answered by Kelly Tolhurst

Answered on 19 November 2018

Financial services such as Everyday Banking, Bill Payment and Postal Orders are available in over 11,500 Post Offices around the UK. Additional Post Office Money services are available on-line, over the phone, and in selected Post Office branches.

[Department for Business, Energy and Industrial Strategy: Post Offices: Closures and Franchises: Written question - 187074](#)

Asked by Rachael Maskell

Asked on 1 November 2018

To ask the Secretary of State for Business, Energy and Industrial Strategy, what his Department's definition is of a public consultation; and what parts of the closure and franchising of Crown post offices his Department plans to consult on.

Answered by Kelly Tolhurst

Answered on 6 November 2018

The Government recognises the critical role that post offices play in communities and for small businesses across the UK. This is why the Government committed to safeguard the post office network and protect existing rural services. The overall number of post offices across the UK remains at its most stable in decades with over 11,500 branches thanks to significant Government investment of over £2 billion since 2010.

While the Government sets the strategic direction for the Post Office, it allows the company the commercial freedom to deliver this strategy as an independent business. Therefore, the Government does not consult on the franchising programme as this is an operational matter for the Post Office. For any branches that are relocating, the Post Office will conduct a six-week local public consultation in line with its 'principles of community engagement in changes to the Post Office network' agreed with Citizens Advice.

[Department for Business, Energy and Industrial Strategy: Post Offices: Closures and Franchises: Written question - 187073](#)

Asked by Rachael Maskell

Asked on 1 November 2018

To ask the Secretary of State for Business, Energy and Industrial Strategy, whether all Crown post offices are planned to be closed or franchised.

Answered by Kelly Tolhurst

Answered on 6 November 2018

The Government recognises the critical role that post offices play in communities and for small businesses across the UK. This is why the Government committed to safeguard the post office network and protect existing rural services. While the Government sets the strategic direction for the Post Office – to maintain a network of at least 11,500 branches and to do so more sustainably for the taxpayer – it allows the company the commercial freedom to deliver this strategy as an independent business.

The decision whether to franchise further Crown post offices is an operational matter of commercial judgement for the Post Office.

[Department for Business, Energy and Industrial Strategy: Post Offices: Franchises: Written question - 187072](#)

Asked by Rachel Maskell

Asked on 1 November 2018

To ask the Secretary of State for Business, Energy and Industrial Strategy, if he will enable Post Offices that make a profit to remain as a Crown post office rather than being franchised.

Answered by Kelly Tolhurst

Answered on 6 November 2018

The Post Office has commercial freedom to deliver this strategy as an independent business. The decision whether to franchise a Crown post office is an operational matter of commercial judgement for the Post Office.

There are over 11,300 branches (almost 98% of the total network) already operating successfully on a franchise or agency basis. Franchising is part of the Post Office's modernisation programme designed to improve customer experience while putting the network on a sustainable footing and reducing the burden to the taxpayer. This helped Crown branches move from a £46 million loss in 2012 to a break even today.

[Department for Business, Energy and Industrial Strategy: Post Offices: Franchises: Written question - 187069](#)

Asked by Rachel Maskell

Asked on 1 November 2018

To ask the Secretary of State for Business, Energy and Industrial Strategy, whether the Post Office plans to subsidise the differential between WHSmiths' remuneration package and the Post Office remuneration package where post offices have been franchised to WHSmith.

Answered by Kelly Tolhurst

Answered on 6 November 2018

WHSmith have been operating Post Offices in their High Street Stores since 2006.

The agreement between the Post Office and WHSmith is a commercial agreement between them and as such the financial terms of the deal are commercially confidential and cannot be publicly disclosed.

However, the Post Office has been clear in its duty of care for any staff affected, in that they have the right to transfer their employment to the franchise partner in line with TUPE legislation and there might also be opportunities for redeployment or voluntary settlement.

WHSmith have been operating Post Offices in their High Street Stores since 2006.

[Department for Business, Energy and Industrial Strategy: Post Offices: Closures: Written question - 179284](#)

Asked by Jim McMahon

Asked on 15 October 2018

To ask the Secretary of State for Business, Energy and Industrial Strategy, if he will stop the closure of post offices and their relocation to WHSmith branches.

Answered by Kelly Tolhurst

Answered on 18 October 2018

The Government recognises the important role that post offices play in communities across the country. That is why we made a Manifesto commitment to safeguard the Post Office network and have invested over £2 billion since 2010. As a result, the post office network is at its most stable in decades at over 11,500 branches and 99.7% of the national population lives within three miles of their nearest branch.

The vast majority of Post Office branches are run on a franchise or agency basis with almost 98% already operating successfully. This business model has helped securing key services on high streets whilst reducing need for taxpayer subsidy.

About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publicly available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email hcinfo@parliament.uk.

Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the [conditions of the Open Parliament Licence](#).