



SURREY COUNTY COUNCIL'S LOCAL COMMITTEE IN EPSOM & EWELL EPSOM HIGH STREET POST OFFICE

25th APRIL 2005

KEY ISSUE

The Post office is conducting a formal consultation on plans to change the way the Epsom High Street Branch of the Post Office is managed.

SUMMARY

Post Office Ltd is facing the commercial realities of significant losses on its directly managed post office branch business and looking at future options for many of its branches. The Epsom High Street branch has been identified as being suitable for transfer to a franchise operator and Post Office Ltd plans to enter an agreement with Primeco Ltd, who have experience of running post office franchises across the country. Post Office Ltd is conducting a consultation exercise and inviting comments on any aspect of the proposals.

RECOMMENDATIONS

The Local Committee is invited to note the contents of this report and comment on Post Office Ltd proposals for Epsom High Street branch. It is suggested the Committee responds to the Post Office setting out any concerns.

1. Introduction and background

- 1.1 The Epsom High Street Post Office is a directly managed branch of Post Office Ltd (POL). Around 10% of the 5,500 remaining urban post offices are directly managed branches (also known as Crown Offices).
- 1.2 In recent years, POL has argued that there were too many urban post offices competing for too little business. By closing some post offices the remaining ones would be strengthened and stay in business. In October 2002 Parliament gave the go ahead for a programme to close up to 3,000 urban post offices in the UK with investment in the remaining network. This programme has also seen closures in the borough of Epsom & Ewell.
- 1.3 In spite of the rationalisation process of recent years, POL's directly managed network is still losing around £70m per annum and has reported that it may need to close or franchise up to 235 branches in the future. This process of change has already commenced, but POL has assured government that fewer than 30 directly managed branches will need to close in the next five years.
- 1.4 POL is now conducting a consultation process on their plans to convert the Epsom High Street branch to a franchised outlet, by transferring the management of post office services to Primeco Ltd. Primeco trades as Spar and already operates many post offices across the country.
- 1.5 POL is consulting widely and invites comments and issues of concern to be raised. The consultation period extends until 6 May 2005. Epsom & Ewell Borough Council Environment Committee considered the question of the Epsom branch on 19 April and representations have been made to Post Office Ltd.

2. Analysis of the Issues

- 2.1 Over recent years POL states that there has been a steady decline in customer visits to its network of branches, largely due to the loss of some of its most traditional areas of business. The ability of customers to receive payments directly into accounts and to conduct transactions on the internet has provided alternative ways for people to access services. POL is working to replace this lost business with income from new products and services.
- 2.2 POL has also found that running costs, in particular staffing and premises costs, are significantly higher than for those of partner managed branches, as a proportion of income, and very few directly managed branches make a profit.
- 2.3 POL is committed to retaining a core of directly managed branches, but has concluded that some branches would be more successful in a mixed retail business. It points out that 97% of all post office branches are managed through individual partnerships with postmasters or retail companies.

3. Proposals for Epsom High Street Branch

3.1 It has been decided that Epsom High Street is a branch that would benefit from the introduction of a mixed retail business and, accordingly, POL plans to enter a franchise agreement with Primeco. In their consultation letter of 5 March 2005 POL offered the following assurances in relation to Epsom High Street Branch:

- The branch will remain open at its current location
- The full range of post office services and products will continue to be offered
- Earlier (8.30 am) opening will be introduced on Mondays and Tuesdays
- There will be an enhanced range of retail goods, including newspapers and confectionery
- The proposed franchise partner is planning to invest in improvements to the branch and to modernise and refurbish the premises.

4. Evidence in relation to franchised branches

4.1 Postwatch and Postcomm commissioned research by MORI undertaken in October 2004 to examine the customer experience in post offices.

4.2 Overall, the results showed that the queue wait for customers was a little longer in directly managed post offices, with 25% having to wait more than 5 minutes, compared to only 20% in non directly managed branches.

4.3 Proactive questioning - to ensure the most appropriate advice and information was given, varied with 66% of directly managed staff seeking further information to offer the most suitable product or service, but this was true of only 36% of staff within franchised post offices.

4.4 The research showed that, on the whole, directly managed branches were more customer oriented and demonstrated better performance on:

- Information available on products and services
- Customer handling performance
- Accuracy, quality and completeness of advice

From the customer perspective, therefore, there is little evidence in support of the conversion of directly managed branches to franchise arrangements.

5. Key Issues

5.1 The key concerns for the Epsom branch fall into 3 areas: accessibility, sustainability and standards of service. There are also issues in relation to the staff, if transfer goes ahead.

Accessibility - The branch is located in a prime position in the town centre and POL has given assurance of retaining the site, with the franchise partner proposing to modernise and refurbish the premises. The evidence of franchised post offices suggests they currently provide on average a shorter queue wait.

Sustainability – There is a question as whether there is a need for an additional retail outlet of the type proposed for the post office, but the combination of additional retail facilities and post office services in the same premises will offer additional convenience to the customer. This will give greater sustainability to the post office operation in this location.

Standards of Service – Evidence from research suggests that franchised branches do better on queue waits, but are less customer focused and other aspects of service quality can be inferior. It is doubtful that the post office can exercise the same levels of control of standards in a franchised operation.

Implications for Staff – The future for existing staff is uncertain with the prospect of redeployment or redundancy if the transfer goes ahead.

6. Conclusion and reasons for recommendation

6.1 The Local Committee is unlikely to be able to exert much influence over the commercial decision to transfer to a franchisee, but can assert its views on key issues relating to services to local people. The committee is invited to consider the issues raised and make representations to Post Office Ltd on key concerns and seek assurances on future service. The key issues include:

- a) At busy times and particularly on Saturday mornings in Epsom High Street branch, waiting times can be unacceptable.
- b) How will the Post Office ensure that there is no deterioration in the quality of service advice afforded to customers if it is not directly managing the operation?
- c) Will an opportunity be given for local Members to comment and consult on refurbishment and modernisation proposals?

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