

**COST-BENEFIT ANALYSIS OF  
RURAL POST OFFICE BRANCHES**

**A Final Report to the  
Postal Services Commission**

**Prepared by NERA and  
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## **EXECUTIVE SUMMARY**

### **The Purpose of this Report**

1. This is the report of a cost-benefit study of rural Post Office branches conducted for the Postal Services Commission (Postcomm) by National Economic Research Associates (NERA), in co-operation with RAND Europe and Accent Marketing & Research (Accent MR).
2. The work arises from a request from the Department of Trade and Industry (DTI) that Postcomm undertake work on: the quantification of the value of Post Office branches and Post Office services to local rural communities, including members of the communities who are elderly, disabled or on low incomes; and on the cost in aggregate, and per consumer, of delivering these services.
3. The background to this work is that DTI had announced funding to support the rural Post Office branch network over three years from 1<sup>st</sup> April 2003. Postcomm wishes to advise the Government on how the contract could be re-specified from 2006, to ensure that people in rural areas can have access to Post Office services. DTI has asked for this advice by July 2003 so that it has time to negotiate any changes in the contract.

### **The Scope of the Report**

4. This report first provides an overview of the rural Post Office branch network, and of the findings of previous work on the role and importance of rural Post Office branches. We pay particular attention to vulnerable groups (for example the elderly, pensioners etc.) and rural businesses. The report next describes the choice modelling methodology we have used to value the benefits of rural Post Office branches to households. Valuation results are presented in detail, showing valuation estimates in areas with and without a Post Office branch, and presenting valuations for different types of vulnerable households, for other households and for SMEs. These valuations are compared with Post Office Ltd estimates of costs and revenues within a cost-benefit analysis framework to show how benefit-cost ratios vary by branch size. A final section presents evidence on alternative means of provision of local Post Office services.

### **Results of Previous Studies of the Rural Post Office Network**

5. Previous studies have used questionnaires of rural residents and customers to ask about use and the importance of Post Office branches. These studies show that the majority of rural residents use their Post Office branch frequently (around once a week) but also a significant segment of the rural population do not make use of the Post Office branch at all. Respondents perceive the Post Office branch as important, with the Post Office seen as a key part of local communities. The Post Office is

particularly important to vulnerable groups with greater numbers from these groups agreeing that the Post Office has an important role in their community.

6. The Post Office also plays an important economic role in supporting an attached business (usually a shop), providing a means to access cash, and providing Post Office services to rural businesses.

### **The Choice Modelling Approach to the Valuation of the Benefits of Rural Post Offices**

7. The methodology used to estimate the benefits which households get from a local Post Office is a choice modelling one based on presenting respondents with choices that involve local Post Office branches, local Post Office branches in an alternative location such as a village hall or a van, and a Post Office in a neighbouring town or village. The option of a Post Office in a neighbouring town or village is always available. Characteristics of the office, such as opening hours and the range of services available, also vary between the options. Respondents' choices between options also involve financial implications in terms of their overall household tax bill.
8. The survey was conducted in ten different areas of the country, and considered areas with a local Post Office branch and ones without. Specific quotas were used to ensure adequate representation of households containing vulnerable members from three groups, the disabled, pensioners and those in Social and Economic Group (SEG) E. The survey also covered small businesses. The survey involved face-to-face interviews in people's homes.

### **Valuations of Local Rural Post Office Services**

9. Statistical analysis of the survey results was used to identify those factors which had a statistically-significant impact on household choice, and to identify whether valuations of services differed between different segments of the population.
10. The key variables appear to be cost of service, availability of benefit payments, availability of bill payment services, and the availability of a local branch.
11. Valuations differ between those who have a local Post Office branch available and those who do not, and between those conducting business and those who do not. As a result, separate estimates were made for these three different groups, as well as for different types of household within the first two of these groups.
12. The valuations are based on consumer surplus, the difference between what consumers actually pay for a service and the maximum they would be prepared to pay. The consumer surplus values show valuation of a local Post Office branch, or a local branch in an alternative location, compared with a branch in a neighbouring town or village.

13. Table 1 shows the valuation results for households **with** a local Post Office branch. Values are higher for vulnerable households than for others, and higher for a local branch in its current location compared with an alternative means of provision.
  
14. Table 2 shows the valuation results for households **without** a local Post Office branch. The values are lower than for those **with** a local branch. Values are slightly lower for vulnerable households than for others, but still higher for a local office compared with those for an alternative means of provision.

**Table 1**  
**Consumer Surplus Values for Households with a Local Post Office Branch**

	<b>Disabled</b>	<b>Pensioner</b>	<b>SEG E</b>	<b>Vulnerable</b>	<b>Others</b>
Local PO branch compared with one in neighbouring town or village	£10.29 a month	£11.58 a month	£8.27 a month	£9.66 a month	£6.15 a month
Local PO branch in alternative location compared with one in neighbouring town or village	£2.80 a month	£2.62 a month	£2.53 a month	£2.59 a month	£1.49 a month

**Table 2**  
**Consumer Surplus Values for Households without a Local Post Office Branch**

	<b>Disabled</b>	<b>Pensioner</b>	<b>SEG E</b>	<b>Vulnerable</b>	<b>Others</b>
Local PO branch compared with one in neighbouring town or village	£3.64 a month	£3.69 a month	£3.77 a month	£3.73 a month	£4.08 a month
Local PO branch in alternative location compared with one in neighbouring town or village	£1.88 a month	£1.92 a month	£1.97 a month	£1.95 a month	£2.17 a month

15. Table 3 shows the valuation results for SMEs. Values lie between those for resident households with and those without a local Post Office branch.

**Table 3**  
**Consumer Surplus Values for SMEs**

	SMEs
Local PO branch compared with one in neighbouring town or village	£5.58 a month
Local PO branch in alternative location compared with one in neighbouring town or village	£1.70 a month

16. Overall valuations for Post Office services were £8.59 a month for households with a local Post Office branch, £3.87 a month for households without a local Post Office branch, and £5.58 a month for SMEs.
17. The study has also produced some valuations for particular types of service, namely benefit payment and bill payment. The valuation of benefit payment by vulnerable households for those with a local Post Office branch was £4.30 a month, while the valuation of this service by other households with a local branch was £1.15 a month.
18. Some contingent valuation questions were asked to provide a comparison with valuation results from the choice modelling. One of the problems with this approach is that respondents might be more likely to bias their answers. In addition there is a difficulty in interpreting very high answers (of which there are rather few) and zero answers (of which there are many). Nevertheless the contingent valuation answers appear to be broadly consistent with those from the choice modelling. We also analysed information on the additional transport costs that would be incurred in the event of branch closure.

### **The Costs of Providing Local Rural Post Office**

19. There are two main types of cost incurred by Post Office Ltd in providing rural branches, the payments they make to sub-postmasters, and their own network support costs. The former consists of two components, Assigned Office Payments (AOP), which are a fixed payments for each office, and Traffic Related Pay (TRP) which vary with the amount of business conducted by the branch.

### **Cost-Benefit Analysis**

20. The cost-benefit analysis has been conducted by estimating costs, revenues and benefits for individual branches on the basis of the size of the branch in terms of levels of business conducted. Results are presented as averages for ten different size ranges of branches. These size ranges contain equal numbers of branches.

21. Costs are equal to the sum of the three components of Post Office Ltd costs. Benefits are equal to estimated Post Office Ltd revenue plus estimated household benefits. The household benefits are derived using Post Office Ltd figures on the numbers of households of different types in the catchment areas of each branch. These household numbers are adjusted to allow for overlap of catchment areas. The valuations used are those for households with a local Post Office branch, divided between an average value of £9.66 a month for vulnerable households and a value of £6.15 a month for other households.
22. Table 4 shows the main results of the cost-benefit appraisal. Results show that in each range of branch size, except the largest, the average financial return to Post Office Ltd was negative, with revenue/cost ratios increasing as branch size increases, but only rising above the break-even value of 1 for the largest size group. Household benefits exceed the revenue that Post Office Ltd earns, and so comprises the greater part of total benefits, especially for the smaller branch sizes. Average benefit/cost ratios rise as branch size increases, but are less than one for the two smallest category of branch. The implication of a value of a benefit/cost ratio which is less than one is that continued operation of such branches is not justified.

**Table 4**  
**Cost-Benefit Analysis Results by Branch Size**  
**[Commercial - in - Confidence Columns Deleted]**

Size group	Average annual POL payment to sub-postmasters per branch	Average annual POL support costs per branch	Average annual POL costs per branch	Average annual POL revenue per branch	Average annual household benefits per branch	Average total annual benefits per branch	Average annual profit or loss per branch	Average rev/cost ratio per branch	Average annual net benefits per branch	Average benefit/cost ratio per branch
	£	£	£	£	£	£	£		£	
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
1	4,340							0.06		0.77
2	7,200							0.18		0.88
3	10,565							0.29		1.03
4	11,932							0.39		1.22
5	14,685							0.48		1.45
6	17,350							0.57		1.60
7	22,007							0.65		1.77
8	28,410							0.73		1.87
9	39,598							0.82		1.93
10	61,954							1.01		2.03

Source: NERA and Post Office Ltd.

Note: Size group 1 is the smallest 10 per cent of rural branches in terms of business, size group 2 the next 10 per cent, and so on.

23. Table 5 shows results in terms of cost per customer in providing rural Post Office branch services. As is to be expected, cost per customer falls as branch size increases, with particularly high costs for the smallest branch size group.

**Table 5**  
**Annual POL Cost and Revenue per Customer by Branch Size**  
**[Commercial - in - Confidence Columns Deleted]**

Size group	Average annual customers	Average POL cost	Average POL cost per customer	Average POL revenue	Average POL revenue per customer	Average POL loss per customer
		£	£	£	£	£
1	988					18.33
2	3432					5.64
3	6812					3.02
4	10452					1.87
5	14716					1.33
6	20176					0.93
7	27976					0.66
8	39104					0.45
9	59800					0.26
10	121940					0.01 (profit)

Source: NERA and Post Office Ltd.

Note: Size group 1 is the smallest 10 per cent of rural branches in terms of business, size group 2 the next 10 per cent, and so on.

24. The cost-benefit analysis framework can be used to assess the value of changes in the size of the rural Post Office, but it does not provide a valuation of the whole of the rural Post Office network.

### Alternative Ways of Delivering Local Post Office Services

25. Postcomm have undertaken a study of international experience with alternative methods of provision of local Post Office services, and we provide a summary in this report.
26. Previous surveys of customer and residents' views of alternative methods of provision show that the majority of respondents favour a mobile Post Office branch option, closely followed by a satellite service (where a nearby sub-postmaster will temporarily set up a Post Office counter). A community run branch is also favoured but this requires local resources to staff the Post Office branch.
27. Comparison of valuations of local Post Office branches compared with satellite branches in the present study shows a much lower valuation of satellites.

## **1. INTRODUCTION**

### **1.1. Study Brief**

This is the Final Report of a cost-benefit study of rural Post Office branches conducted for the Postal Services Commission (Postcomm) by National Economic Research Associates (NERA) in co-operation with RAND Europe and Accent Marketing & Research (Accent MR). NERA was responsible for the overall direction of the project, for the cost-benefit analysis and for this final report, RAND Europe had prime responsibility for the design of the choice modelling exercise and undertook the detailed statistical analysis of the results of that exercise, and Accent undertook the household surveys.

### **1.2. Our Terms of Reference**

The Department of Trade and Industry (DTI) requested that Postcomm undertake the following work:

- quantification of the value of Post Office branches and Post Office services to local rural communities, including members of the communities who are elderly, disabled or on low incomes;
- estimates of the cost in aggregate, and per consumer, of delivering these services.

In response Postcomm commissioned this cost-benefit analysis of the rural Post Office network from NERA and RAND Europe. The Terms of Reference indicate that Postcomm expected to undertake work on the costs of the rural Post Office network themselves with Post Office Ltd, and feed the results into the cost-benefit analysis.

The background to this work is that DTI has announced funding to support the rural Post Office network over three years from 1<sup>st</sup> April 2003. This funding consists of:

- £66 million a year to cover fixed payments to subpostmasters. These payments vary from branch to branch and are based on the amount of business undertaken by each branch - the smaller the branch, the greater the proportion of its income that will come from fixed payments;
- payments of £79 million in 2003/04, and of £74 million in 2004/05 and in 2005/06 to cover 90 per cent of Post Office Ltd's current non-marginal support costs; and
- annual payments of £5 million, £10 million and £10 million for a discretionary fund to make additional payments to subpostmasters in need and to trial innovative ways of providing Post Office services.

This funding is to be administered by Post Office Ltd under contract to the Government. In return, Post Office Ltd will be required to maintain the rural network and prevent all avoidable closures. The Post Office branches will provide access to 'over the counter' services in rural areas including:

- access to payments of state pensions, tax credits and benefits;
- access to cash through banking services;
- dispatch points for letters and parcels;
- sales of postage stamps;
- renewal of licences such as TV licences;
- bill payments to utilities; and
- government information and services specified in service contracts between Post Office Ltd and individual Government departments.

The funding will ensure that customers have access to services where they would otherwise not be provided on a commercial basis.

The contract is a rolling contract with a two year notice period for amendment or cancellation. Postcomm wishes to advise the Government on how the contract could be re-specified from 2006, to ensure that people in rural areas can have access to Post Office services. DTI has asked for this advice by July 2003 so that it has time to negotiate any changes in the contract.

### **1.3. The Structure of this Report**

The rest of this report is structured as follows:

- Chapter 2 provides an overview of the rural Post Office network, and previous work on the role and importance of rural Post Office branches. We pay particular attention to vulnerable groups (for example the elderly, pensioners etc.) and rural businesses.
- in Chapter 3 we describe the choice modelling methodology we have used to value the benefits of rural Post Office branches to households and SMEs - the chapter provides an introduction to the choice modelling approach, and explains how we designed the questionnaire, selected the interview locations and conducted the pilot and main interviews;
- Chapter 4 summarises our findings in regard to use of rural Post Office services by our survey participants;

- Chapter 5 presents our valuation results, showing how values differ between vulnerable and other households, how they differ between households with a local Post Office branch and those without, and how they differ between purely residential households and those running an SME. We also show how values vary between different valuation methods. We select the most appropriate valuations for use in the cost-benefit analysis;
- Chapter 6 presents information on the costs to Post Office Ltd of providing rural Post Office services;
- Chapter 7 brings together information on costs, with the information on revenue and the benefits to rural households, within an overall cost-benefit analysis framework. We summarise the results of the comparison of benefits and costs for Post Office branches in different size bands;
- Chapter 8 considers the evidence on the benefits and costs of alternative methods of provision of local Post Office services.

We are also providing a set of technical appendices in a separate volume:

- Appendix A summarises current Post Office services available at Post Office branches;
- Appendix B consists of our survey questionnaire;
- Appendix C provides a technical description of the choice modelling and valuation results.



## **2. THE RURAL POST OFFICE NETWORK**

### **2.1. Introduction**

This chapter provides a review of the current network of rural Post Office branches, the services provided and the use of these rural offices. The chapter also provides a review of relevant previous work on the role and importance of the rural network. Throughout the chapter we have considered vulnerable groups and their use and perceptions of the Post Office. Drawing on Postcomm's definition, vulnerable groups include (figures in brackets denote the proportion of the UK population<sup>1</sup>):

- the elderly (18 per cent);
- single parents (10 per cent);
- unemployed (6 per cent);
- disabled people (15 per cent);
- carers (16 per cent);
- those without access to a car (27 per cent); and
- those who find it fairly or very difficult to access public transport (29 per cent).

A final group of interest are rural businesses.

Throughout this chapter settlements containing 10,000 or fewer inhabitants are defined as rural.

### **2.2. Number and Type of Rural Post Office Branches**

At the end of March 2002 the rural Post Office branch network consisted of 8,645 offices.<sup>2</sup> Rural Post Office branches make up around half of the total Post Office network, and serve a rural population of some 14 million.<sup>3</sup> The rural network is made up of a number of different types of Post Office branch, differing in terms of location and opening hours. Table 2.1 provides a breakdown of rural Post Office branches by type.

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<sup>1</sup> Postcomm, *Access to Post Office Services: Time to Act*, 2002, p.20.

<sup>2</sup> Op. cit., p.35.

<sup>3</sup> Countryside Agency data.

**Table 2.1**  
**Breakdown of Rural Post Office Branches by Contract Type**

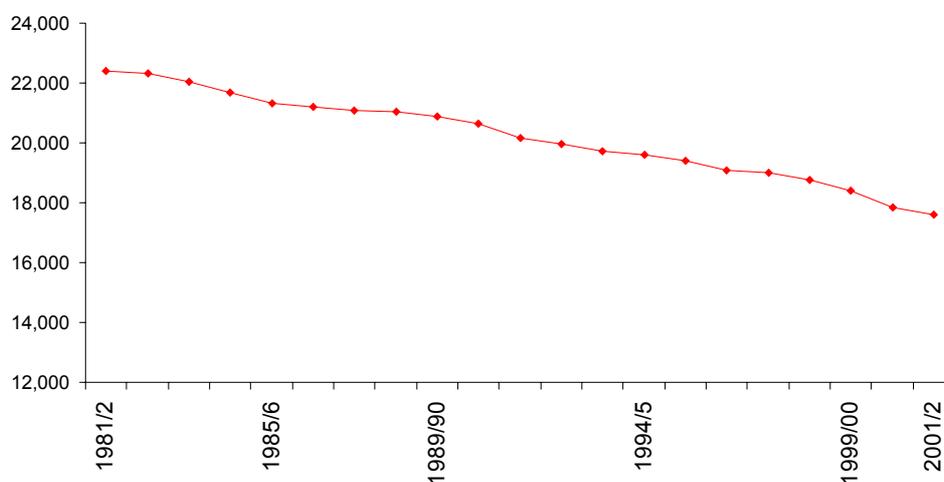
Contract type	Description	No.	Per cent of rural network
Directly managed	Post Office Ltd owned large High St branches	23	0.3
Franchise	Privately owned large High St branches converted from directly managed with a commercial 5 yr contract	35	0.4
Modified sub	Privately owned large High St branches converted from directly managed with a traditional 3 month notice	224	2.6
<b>Full time sub</b>	<b>Privately owned medium branches in small towns and villages</b>	<b>6,683</b>	<b>77.3</b>
Part time sub	Privately owned medium branches in small towns and villages where the SPM has been asked to open for limited hours	200	2.3
Part time community	Privately owned small branches in villages, where PO have relaxed the opening hours in response to local conditions	1,401	16.2
Satellite	A SPM from a nearby village visits the community once a week and sets up a temporary branch	27	0.3
Mobile	A van from which Post Office services are provided, visits the village once a week	52	0.6
Total		8,645	100

*Source: Postcomm, Access to Post Office Services: Time to Act, 2002, p.37.*

The majority (over 77 per cent) of rural Post Office branches are full time sub offices in small towns and villages managed by a subpostmaster (SPM) on behalf of Post Office Ltd. Alternatives to the traditional dedicated Post Office branch building include the mobile van that visits the village, and the satellite office with a nearby SPM setting up a temporary counter.

The entire Post Office branch network has been declining over the last two decades. Figure 2.1 shows the number of Post Office branches from 1981/82 to 2001/02, and illustrates a clear reduction in the number of Post Office branches across the UK.

**Figure 2.1**  
**Number of Post Office Branches, 1981/82 to 2001/02**



Source: Postcomm, *Access to Post Office Services: Time to Act*, 2002, p.34.

This reduction in the total network has been more acutely felt in the rural network, with 74 per cent of closures in 2001/02 occurring within the rural network (194 from a total of 262 closures across the network).<sup>4</sup> Closures have resulted from the reduction in the number of potential SPMs<sup>5</sup>, wider consumer choice in how to access services, wider lifestyle trends and uncertainty over future income that discourages prospective SPMs.

The rate of closure has recently reduced. The Government placed a formal requirement on Post Office Ltd until 2006 that there should be no avoidable closures of rural Post Office branches. Post Office Ltd's response has been to appoint 31 Rural Transfer Advisors who make every effort to find replacements for SPMs who resign.

Post Office branch closure in the rural network tends to have a knock-on effect on the level of services available within the rural community, because many closures also result in the closure of an attached business. Table 2.2 provides a breakdown of closures and attached businesses from 2001/02.

<sup>4</sup> Postcomm, *Access to Post Office Services, Time to Act*, 2002, p.35.

<sup>5</sup> Postcomm, *Post Office, Customers and Communities*, 2001, p.17.

**Table 2.2**  
**Rural Post Office Branch Closures 2001/02 and Attached Business**

<b>Business</b>	<b>Rural</b>	<b>Percentage of closures</b>
None	62	32
Convenience	16	8
Confectioner/tobacconist/newsagent	17	8
General store	67	35
General stationer	2	1
Greetings stationer	8	4
Pharmacist/chemist	0	0
Garage/service station	3	2
Miscellaneous	19	10
<b>Total</b>	<b>194</b>	<b>100</b>

*Source: Postcomm, Access to Post Office Services: Time to Act, 2002, p.41.*

### 2.3. Services Provided by Rural Post Office Branches

A range of services are provided by Post Office branches. These do not differ between the rural and urban network, but differ between large and small Post Office branches within both the urban and rural network. Table 2.3 summarises the main services provided by Post Office branches. A full list of Post Office services is provided in Appendix A.

**Table 2.3**  
**Services Offered by the Post Office Branch**

<b>Service</b>	<b>Branch availability</b>
Postal services e.g. parcels and letters for delivery	All branches
Banking services e.g. cashing personal cheques if you bank with one of the Post Office branch's banking partners	All branches
Bill payment	All branches
Cashing benefits	All branches
Leisure e.g. ticket and travel products, fishing licences	Some services, limited availability
Travel e.g. passport checking, bureau de change	Some services, limited availability
Money transmission e.g. MoneyGram	Some services, limited availability
Telephony e.g. phone cards, home phone service	Some services, limited availability

*Source: NERA based on Postcomm information.*

The majority of rural Post Office branches are part of an attached business, such as a general store and hence the Post Office branch site will also offer a range of retail services.

### 2.3.1. Main services used

Work has been carried out to look more closely at customers' use of Post Office branches. Environmental Resources Management (ERM) with MORI and SERRL undertook a large face-to-face survey for Postcomm in 2001.<sup>6</sup> This survey included urban and rural respondents, but we refer only to the results of the rural survey. The survey included 65 rural SPMs, 897 rural customers who were surveyed at the Post Office branch (both undertaken by ERM), 1,775 rural residents who were surveyed in their home and 302 residents in 'closure' areas<sup>7</sup> who were surveyed in their home (undertaken by MORI).

The MORI residents survey showed the following services as the five top Post Office services<sup>8</sup>:

1. Stamps/ mailing (85 per cent);
2. Parcel post (53 per cent);
3. Paying car tax (51 per cent);
4. Paying bills (39 per cent); and
5. Licensing services (32 per cent).

The ERM customer survey found that collecting benefits was the most used service, followed by purchase of stamps, bill payment and parcel post.<sup>9</sup>

ERM Economics survey work for the Countryside Agency in 2000 surveyed 20 villages and small towns in England using telephone, postal, and face-to-face techniques. Results from domestic customers, surveyed at the Post Office branch, reinforce the finding that the use of stamps and mailing services (54 per cent), and the collection of pensions (32 per cent), are the most used services.<sup>10</sup>

### 2.3.2. Main services for vulnerable groups

Analysis of MORI results for the seven vulnerable groups reveal that mailing remains the most important service, but also that pensions/benefits and bill payment are very important

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<sup>6</sup> ERM, SERRL and MORI tables provided by Postcomm.

<sup>7</sup> Closure areas were defined as those which previously had a rural Post Office branch.

<sup>8</sup> ERM, SERRL and MORI tables provided by Postcomm.

<sup>9</sup> ERM, SERRL and MORI tables provided by Postcomm.

<sup>10</sup> ERM Economics, *The Economic Significance of Post Office Branches in Rural Areas*, 2000 p.II.

to these groups, for example 64 per cent of the elderly collect their pension from the Post Office branch.<sup>11</sup>

Vulnerable groups rely more heavily than the general rural population on the Post Office branch to access cash. Fifty-one per cent of the elderly, 50 per cent of the unemployed and 60 per cent of those without access to a car use the Post Office branch to access cash compared to the rural average of 23 per cent.<sup>12</sup>

Citizens Advice Bureau clients surveyed in 1995 also highlight the role that the Post Office branch can play in providing information to vulnerable groups (typically those on low incomes). Over half (53 per cent) of interviewed CAB clients used the Post Office branch to collect information, ranging from benefit agency forms to information on National Savings.<sup>13</sup>

### **2.3.3. Main services for businesses**

ERM Economics survey work found that the main service used by businesses is stamps and mailing (64 per cent). The largest monetary transaction for businesses was cash deposits, but used by only 8 per cent of businesses.<sup>14</sup>

### **2.3.4. Future changes in Post Office services**

Important changes are occurring in Post Office service provision, reflecting the government's decision to pay benefits directly into recipient's accounts. This means that benefit recipients will no longer be able to access cash through a benefit book at the Post Office counter. Instead, recipients will have to choose an account in which payment can be made directly. Recipients have three choices<sup>15</sup>:

- **Payment into existing bank accounts.** Cash may be accessed through existing arrangements between a number of high street banks and the Post Office branch.
- **Payment into a 'basic bank account'.** These accounts will be with nine high street banks and one building society. Cash can be withdrawn at the banks, Post Office branches, cash machines etc. Standing orders and direct debits can be set up, although no overdraft facility is available.

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<sup>11</sup> Postcomm, *Serving the Community VI – Post Office Branches' Vulnerable Customers in Rural and Urban Deprived Areas*, 2002 p.11.

<sup>12</sup> Postcomm, *Serving the Community I – Evidence of the Community Value of Post Office Branches in Rural Areas*, 2001, p.20.

<sup>13</sup> NACAB, *Rural Benefits: CAB Evidence on the Role of Rural Post Office Branches in Rural Communities*, 1995, p.33.

<sup>14</sup> ERM Economics, *The Economic Significance of Post Office Branches in Rural Areas*, 2000, p.II.

<sup>15</sup> Postcomm, *Access to Post Office Services: Time to Act*, 2002, p.118.

- **Card account at the Post Office branch.** This is a basic account, targeted at recipients who do not want even a basic bank account. Only the government can pay in funds, and withdrawals can only be made at the Post Office branch.

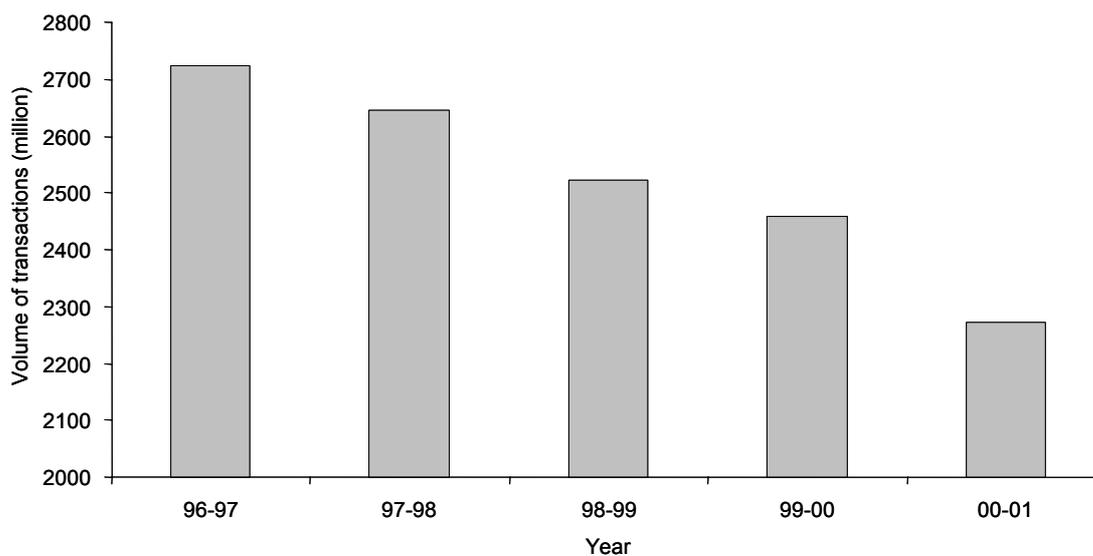
This will be phased in over a period of two years, beginning in April 2003.

Cashing benefits through benefit books is one of the major sources of Post Office branch income (36 per cent of the network income in 1998/99<sup>16</sup>), and this change will directly affect Post Office branches throughout the network.

## 2.4. Use and Accessibility of Rural Post Office Branches

Use of Post Office services across the entire network has been declining over time. Figure 2.2 illustrates trends in the volume of transactions from 1996/97 to 2000/01.

**Figure 2.2**  
**Volume of Total Transactions, 1996/97 to 2000/01**



Source: Postcomm, *Post Offices, Customers and Communities*, 2001, p. 38.

Main themes from MORI results from rural residents (interviewed in the respondents home) and customers (interviewed at the Post Office branch) on use and accessibility are shown in Table 2.4.

<sup>16</sup> Cabinet Office, *Counter Revolution: Modernising the Post Office Network*, A Performance and Innovation Unit Report, 2000, p.28.

**Table 2.4**  
**Use and Accessibility of Post Office Branches**

	Residents (MORI)	Customers (ERM)
Frequency of use	24% more than once a week	8% every day
	24% at least once a week	47% 2 or 3 times a week
	2% never use the Post Office branch	
Main services accessed	85% purchase of stamps and mailing	38% purchase of stamps, mailing
	41% collecting benefit*	41% collecting a benefit*
Distance travelled	48% travel less than half a mile	65% travel less than half a mile
	5% travel 5 miles or more	4% travel 5 miles or more
Mode of travel	50% by foot	55% travel by foot
	40% car as a driver	38% car/van as a driver

*Source: ERM, MORI and SERRL tables provided by Postcomm.*

*\* Includes pension, child benefit, disabled and unemployment benefit.*

On the basis of these results, Post Office services are regularly (weekly) used by a significant proportion of the rural population. These results also indicate a large segment of the rural population who use the Post Office relatively infrequently (less than once a week, and some not at all). The main service accessed is the core Post Office service of stamps and mailing services, but it is also clear that accessing benefit payments is a key service offered by the Post Office.

Based on Countryside Agency data 54 per cent of all English parishes have one or more Post Office branches and provision increases with size.<sup>17</sup> 387,000 (6.5 per cent) rural households live more than 2 km from a Post Office, 29,110 (0.5 per cent) are more than 4 km away. ERM Economics survey work found that most domestic customers have a 10-minute walk to access their local Post Office branch.<sup>18</sup>

Access to Post Office branches appears to be good from these results, very few respondents have to travel more than 5 miles to visit a Post Office. Distance is not the only access variable, access to modes of transport and mobility is also relevant. The majority of MORI respondents travel to their local Post Office on foot.<sup>19</sup> It is also important to note that provision of rural Post Office branches is not uniform, and some areas within the UK will be further away from a rural Post Office. Some 5 per cent of rural residents find it difficult to get to a Post Office based on the MORI survey.<sup>20</sup>

<sup>17</sup> The Countryside Agency, *Rural Services in 2000, 2001*, p.8.

<sup>18</sup> ERM Economics, *The Economic Significance of Post Office Branches in Rural Areas*, 2000 p.III.

<sup>19</sup> ERM, SERRL and MORI tables provided by Postcomm.

<sup>20</sup> Ibid.

### **2.4.1. Use and accessibility for vulnerable groups**

It is important to note that the Post Office may be used somewhat differently between different groups within the rural population. Further analysis of the MORI survey by Postcomm investigated the extent to which use and accessibility differed for the seven vulnerable groups. Each group was compared to the rural average.

The elderly, those who are disabled, carers and those without access to a car reported higher levels of weekly use than the rural average. For example 77 per cent of the elderly respondents used the Post Office weekly compared to 59 per cent for the rural average. Fewer young people used the Post Office weekly.<sup>21</sup>

Young, elderly, single parents, disabled, and carers reported travelling similar distances to the Post Office, and on foot as the general rural population. Elderly and unemployed were much less likely to travel by car. A higher proportion of the disabled find it difficult to access public transport than the rural average (27 per cent versus 16 per cent). Those who find it difficult to access public transport were more likely to reach the Post Office by car (as a driver or passenger) and less likely to use a Post Office within half a mile of where they live.<sup>22</sup>

### **2.4.2. Use and accessibility for those who no longer have a local Post Office branch**

The MORI survey included a 'closure' sample, where respondents previously had a Post Office that had subsequently closed. This group reported higher rates of difficulty accessing Post Office services. Thirty-one per cent said it was fairly or very difficult to get to the Post Office. The majority (68 per cent) however reported that it was still very or fairly easy to get to a Post Office.<sup>23</sup> Postcomm note that those who are most affected by a closure are those who are already disadvantaged and reliant on convenient access to the Post Office.<sup>24</sup>

Triangle/HI Europe undertook a large survey (n = 1,100) of face-to-face interviews across Great Britain for Postwatch, published in 2002. Results from this survey also indicate that vulnerable groups are more inconvenienced by closure.<sup>25</sup>

MORI results revealed that closure respondents had difficulty accessing other key services: 39 per cent reported difficulty accessing a bank; 31 per cent getting to the Post Office; and

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<sup>21</sup> Postcomm, *Serving the Community VI- Post Office Branches' Vulnerable Customers in Rural and Urban Deprived Areas*, 2002 pp.11,3

<sup>22</sup> Op. cit., pp.4,12,20,31,38,30,48.

<sup>23</sup> Postcomm, *Post Offices, Customers and Communities*, 2001, p.51.

<sup>24</sup> Postcomm, *Access to Post Office Services: Time to Act*, 2002, p.51.

<sup>25</sup> Triangle and HI Europe, *The Impact of Post Office Closures in the Rural Community Research Report*, 2002.

similar rates were reported for chemists and supermarkets. The elderly within this group had greatest difficulty accessing the Post Office.<sup>26</sup>

Mixed results were found for levels of use following closure, 19 per cent reported higher use than two years before, 20 per cent lower use.<sup>27</sup> Triangle/HI Europe found that 92 per cent of residents continued to use another Post Office branch. The 8 per cent who no longer use a Post Office either access services at a shop, bank, supermarket or someone else goes on their behalf.<sup>28</sup>

The distance to travel to access the most used Post Office branch was over 5 miles for 23 per cent of the MORI closure group.<sup>29</sup> This may be due, in part, to accessing a Post Office branch in the most convenient location (such as on the way to work) rather than the nearest Post Office branch to where they live (the average distance to the next nearest Post Office following closure is estimated to be 1.23 miles<sup>30</sup>).

ERM Economics survey work found that where there was no Post Office branch, customers travel more often by car to the Post Office.<sup>31</sup>

### **2.4.3. Use and accessibility for businesses**

Based on ERM survey work, the majority of business customers travel to the Post Office branch by car.<sup>32</sup>

## **2.5. The Role and Importance of Rural Post Offices**

The MORI survey provides important information on the role and importance of the Post Office in rural communities. The residents survey found that 89 per cent agreed with the statement that 'I use the Post Office for services and products which are important to me'. 4 per cent disagreed with this statement. An even greater proportion (92 per cent) agreed that the Post Office has an important role in their community, 3 per cent disagreed.<sup>33</sup> Slightly lower support was shown in ERM Economics survey work, where 64 per cent stated that

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<sup>26</sup> Postcomm, *Serving the Community V – The Effect of Post Office Closures*, 2002, pp.4-5.

<sup>27</sup> Op. cit., p.8.

<sup>28</sup> Triangle and HI Europe, *The Impact of Post Office Closures in the Rural Community Research Report*, 2002, p.6.

<sup>29</sup> Postcomm, *Serving the Community V – The Effect of Post Office Closures*, 2002, p.6.

<sup>30</sup> Op. cit., p.53.

<sup>31</sup> Triangle and HI Europe, *The Impact of Post Office Closures in the Rural Community Research Report*, 2002, p.V.

<sup>32</sup> Op. cit., p.IV.

<sup>33</sup> Postcomm, *Post Offices, Customers and Communities*, 2001, p.49.

having a local Post Office was very important or vital to them, while less than 20 per cent felt it was unimportant.<sup>34</sup>

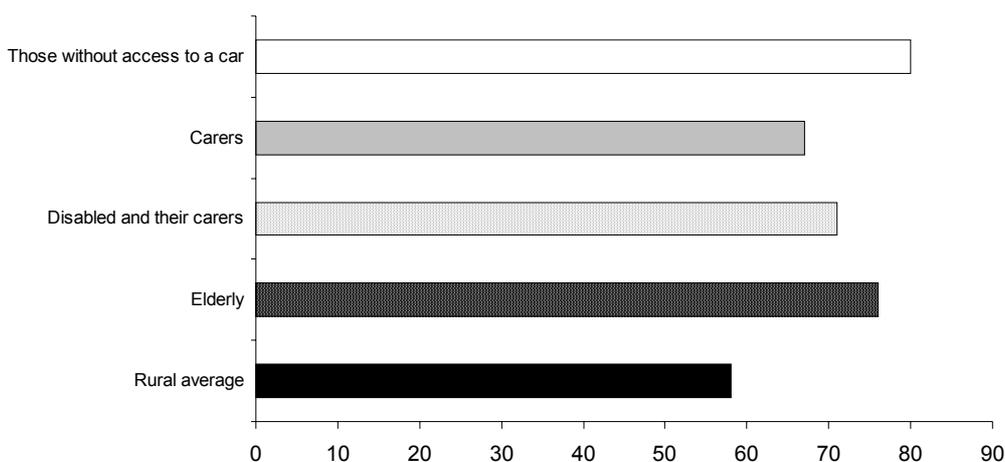
Based on ERM survey work with rural SPMs, some 66 per cent of SPMs keep an eye on 1 to 30 people and help them with forms and check that they make their regular visits.<sup>35</sup>

The Post Office was also rated higher than a leading retailer and leading bank on carrying out important tasks, trustworthiness, and as a part of the community in a 1997 NPI survey undertaken for the Post Office.<sup>36</sup>

### 2.5.1. Importance to vulnerable groups

The Post Office plays a very important role for the more vulnerable groups in the rural population. Greater proportions of the elderly, disabled, carers and those without a car agreed strongly with the statement ‘I use the Post Office for services and products that are important to me’ than the rural average from MORI survey results. Proportions for each of these groups are illustrated in Figure 2.3.

**Figure 2.3**  
**Importance of Post Office Services and Products to Selected Vulnerable Groups**



Source: NERA based on Postcomm, *Serving the Community VI- Use of Post Office by Vulnerable Customers in Rural and Urban Deprived Areas*, 2002.

Postcomm conclude that those without access to a car are most dependent on their local Post Office branch (60 per cent of this group feel that they would be inconvenienced a great deal

<sup>34</sup> Triangle and HI Europe, *The Impact of Post Office Closures in the Rural Community Research Report*, 2002 p.III.

<sup>35</sup> Postcomm, *Serving the Community I: Evidence of the Community Value of Post Office Branches in Rural Areas*, Postcomm based on ERM/MORI research, 2002, p.2.

<sup>36</sup> Quoted in Cabinet Office, *Counter Revolution: Modernising the Post Office Network*, 2000, p.23.

if their usual branch were to close).<sup>37</sup> (This group also encompasses the elderly, women and those who have limited mobility.)

Surveys of Citizens Advice Bureaus reported in 1995<sup>38</sup> also highlight the important role of the Post Office to help CAB clients, who are typically collecting benefits and on a low income.

### **2.5.2. Importance to the local economy**

The majority of rural Post Office branches also have an attached business – often the two businesses are dependent upon one another. The Post Office can provide cash that is spent in the attached business, or cash that is spent in local businesses. In the MORI resident survey work, 27 per cent of residents use the attached shop at least once a week, although some 13 per cent do not use the shop at all. Seventy-one per cent reported that their spend was below £9.99 a week.<sup>39</sup>

ERM Economics survey work found that business users spent £11.32 per user per month, and domestic users £8.59 per user per month in an attached shop. ERM Economics conclude that a shop attached to a Post Office branch could benefit from in the region of £19,000 customer expenditure per year as a result of the Post Office (this estimate is based on an assumption of 15 per cent additional spending occurring than would otherwise be the case).<sup>40</sup>

### **2.5.3. Importance to areas which no longer have a local Post Office branch**

Lower levels of importance were found in the closure sample than the general rural population. For example 78 per cent of the closure sample agreed that Post Office branches provide services and products that are important to them compared to 92 per cent of the general rural population.<sup>41</sup>

TRIANGLE/HI Europe found that 97 per cent strongly agreed or agreed that the Post Office provides important services for the community. The Post Office also had a strong association with independence. Fifty-nine per cent said it was ‘essential’ to their way of life. Frequent users, those with no transport, those who find it difficult to get to the Post Office, disabled and elderly were more likely to agree that the Post Office was essential and important to them. The reason why the Post Office was important was convenience (61 per

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<sup>37</sup> Postcomm, *Access to Post Office Services: Time to Act*, 2002, p.21.

<sup>38</sup> NACAB, *Rural Benefits: CAB Evidence on the Role of Rural Post Office Branches in Rural Communities*, 1995.

<sup>39</sup> SERRL, MORI and ERM tables provided by Postcomm.

<sup>40</sup> ERM Economics, *The Economic Significance of Post Office Branches in Rural Areas*, 2000 p.V.

<sup>41</sup> Postcomm, *Serving the Community V – The Effect of Post Office Closures*, 2002 p.3.

cent), good/vital service (15 per cent), convenient for collecting pension (12 per cent) and as a meeting place (11 per cent).<sup>42</sup>

#### **2.5.4. Importance to businesses**

ERM survey work showed high levels of support for the Post Office by rural businesses: some 73 per cent of business users stated that the local Post Office branch was very important or vital to them. Five per cent said it was unimportant.<sup>43</sup>

#### **2.5.5. The wider role of the Post Office**

The rural population value their local Post Office; some groups in particular value it more highly, including the elderly, disabled, carers and those without access to a car. The Post Office is valued for both the services it provides, but also because of the broader functions it performs for the village. The Performance and Innovation Unit (PIU) at the Cabinet Office suggested three ways that the rural Post Office plays a wider role. These include<sup>44</sup>:

- They help to keep open the last village shop or other retail outlets (in 2,000 rural settlements the shop attached to the PO is the last retail outlet);
- They support vulnerable people; and
- They act as a focal point for the community.

The ERM survey reveals that the Post Office is also used to meet friends and seek informal advice. This is supported by work by the CAB<sup>45</sup>, and the Village Retail Services Association.<sup>46</sup>

Postcomm has concluded that the Post Office has an 'iconic status' but this is often at odds with the extent to which the Post Office is used.<sup>47</sup> Analysis of responses by levels of service provision in local areas also suggests that the focal point role of the Post Office is low where there are very few local shops and services (perhaps because people are used to travelling elsewhere for services) but once a community is beyond a certain size the focal point role

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<sup>42</sup> Triangle and HI Europe, *The Impact of Post Office Closures in the Rural Community Research Report*, 2002, p.36-38.

<sup>43</sup> ERM Economics, *The Economic Significance of Post Office Branches in Rural Areas*, 2000, p.II.

<sup>44</sup> Cabinet Office, *Counter Revolution: Modernising the Post Office Network*, 2000, p.40.

<sup>45</sup> 'The sub-Post Office branch plays a vital role in countering some of the problems people face in rural areas' NACAB *Rural Benefits: CAB Evidence on the Role of Rural Post Office Branches in Rural Communities*, 1995, p.1.

<sup>46</sup> 'The Post Office has always been a key focal point in the village' Village Retail Services Association, *Village Shops and Post Office Branches: A Guide to Village Investment*, 1998, p. 5.

<sup>47</sup> Postcomm, *Serving the Community I: Evidence of the Community Value of Post Office Branches in Rural Areas*, Postcomm based on ERM/MORI research, 2002, p.17.

reduces. Those in the closure group surveyed by Triangle/HI Europe even considered the Post Office as 'making a village'.<sup>48</sup>

## 2.6. Threats to Rural Post Office Branches and Responses

As we saw in Section 2.2, closures of rural Post Offices have occurred at a faster rate than in other areas. The rural network is also failing to cover costs. PIU analysis on 1998/99 data showed that the urban network made over £100 million in 1998/99, the rural network lost £25 million.<sup>49</sup> Directly run Post Office branches lost £50 million.<sup>50</sup> Around 60 per cent of rural Post Office branches made a loss. The calculation for these figures is not provided by PIU, and we have not, therefore, updated these figures. The financial position of the network as a whole has since worsened, losing £163 million in 2001/02.<sup>51</sup>

Alternative delivery channels are competing with Post Office services. Some examples are provided in Table 2.5.

**Table 2.5**  
**Alternative Means of Accessing Selected Post Office Services**

Service	Existing alternatives
Buying stamps	Other retail outlets, vending machines and franking machines.
Parcel post	Other operators, e.g. Securicor
Accessing cash	Cash machines, cash back at retail outlets, bank branches
Advice and information	CABs, internet etc.

Source: NERA, adapted from Postcomm, *Post Offices, Customers and Communities*, 2001, p.77.

The Post Office is therefore in a competitive environment for a number of the services it provides.

Wider forces are also impacting upon the number of rural Post Office branches. A recent report, *Ghost Town Britain*, into the provision of rural services (including corner shops, grocers, high-street banks, Post Office branches, pubs, hardware stores) by the New Economics Foundation has highlighted the loss of local services throughout rural UK.<sup>52</sup> The New Economics Foundation estimate that 1/5<sup>th</sup> of local services have been lost since 1995,

<sup>48</sup> Triangle and HI Europe, *The Impact of Post Office Closures in the Rural Community Research Report*, 2002, p.35.

<sup>49</sup> Cabinet Office, *Counter Revolution: Modernising the Post Office Network*, A Performance and Innovation Unit Report, 2000, p.32.

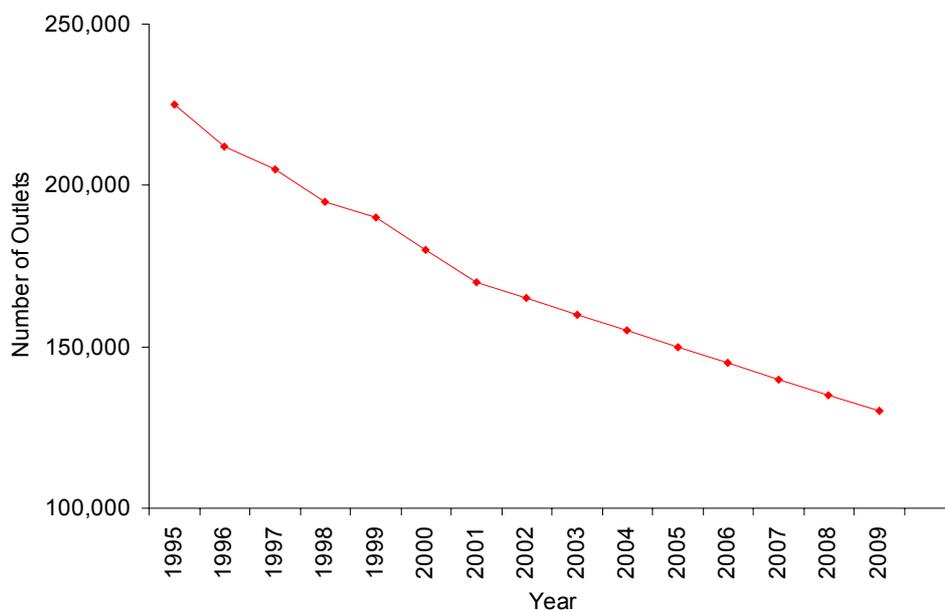
<sup>50</sup> Postcomm, communication to NERA, March 2003.

<sup>51</sup> Postcomm, *Access to Post Office Services: Time to Act*, 2002, p.110.

<sup>52</sup> New Economics Foundation, *Ghost Town Britain: The Threat from Economic Globalisation to Livelihoods, Liberty and Local Economic Freedom*, 2002, p.2.

and a further 28,000 village services will be lost over the next 5 years. Figure 2.4 shows figures and projections from the report.

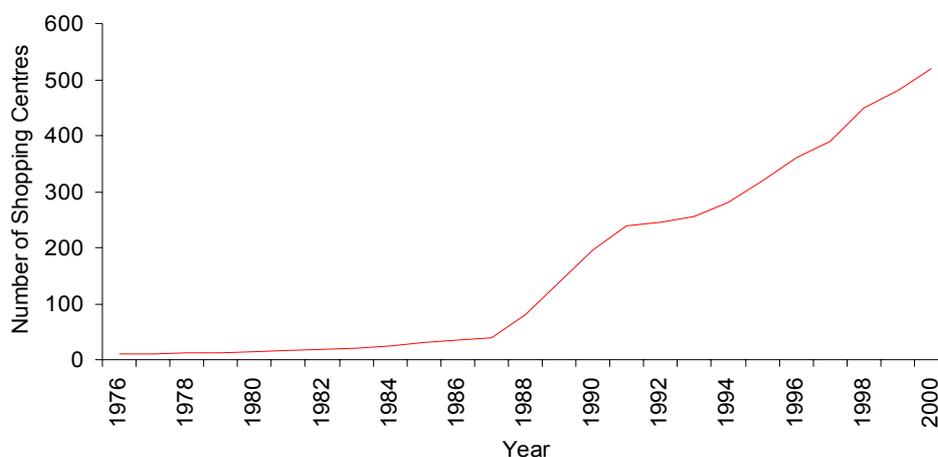
**Figure 2.4**  
**Loss of Local Retail 1995-2000 and Projected to 2010**



*Source: New Economics Foundation, Ghost Town Britain: The Threat from Economic Globalisation to Livelihoods, Liberty and Local Economic Freedom, 2002, p.2.*

This report also highlights the shift away from local purchasing of groceries and other goods towards out-of-town centres, which offer a range of services in one location, particularly convenient for those with access to cars. Figure 2.5 shows trends and projections.

**Figure 2.5**  
**Growth in Out-of-Town Shopping Centres**



Source: *New Economics Foundation, Ghost Town Britain: The Threat from Economic Globalisation to Livelihoods, Liberty and Local Economic Freedom, 2002, p.14.*

These national figures are reinforced by recent work in Dorset, where a survey by the County Council revealed that 3 out of 4 Dorset villages do not have a general store.<sup>53</sup> The use of supermarkets is one cause of this reduction in outlets selling general produce.

When local service provision falls, residents may access services at another convenient location and therefore may also access Post Office services at this alternative location, reducing support for the local Post Office.

These wider forces, coupled with the move to direct payment of benefits, are clear evidence of increasing pressure on the local Post Office branch.

Responses to these threats include short and long-term measures. In the short-term Post Office Ltd. is receiving financial assistance to support the rural network, a subsidy of £450 million.<sup>54</sup> The subsidy covers three elements; to maintain SPMs' income levels, to cover the costs of the services which allow Post Office branches to operate (e.g. IT systems) and a flexible fund to develop innovative methods of delivering services. In the long-term there is scope for alternative methods of provision to replace parts of the existing network. These include mobile Post Offices, satellite, home delivery and the provision of transport links to larger Post Office branches in nearby towns.

<sup>53</sup> Dorset County Council, *Dorset Rural Facilities Survey 2002*, Research and Information, December 2002.

<sup>54</sup> DTI, *Press Release 'Government Delivers £40 million to Rural Post Office Network'* 2<sup>nd</sup> December 2002.

For a local Post Office branch to be successful, Postcomm have identified a number of factors. These include:<sup>55</sup>

- Continuing support and use from local people;
- Visible position near the centre of the village;
- Ideally co-location with an attractive shop, stocked to meet local needs;
- Determined SPM or local organiser with commitment to the community and some relevant experience such as banking or retailing, not easily deterred by bureaucracy or by bleak press reports on future PO business prospects;
- Ability to source soft capital funding and advice from a variety of providers;
- Continuing financial support ('salary') for the Post Office branch, from either Post Office Ltd or the Government;
- Access to advice and support from local Post Office Ltd staff;
- Opening hours that fit community needs;
- For a community action Post Office branch and shop:
  - an active committee to organise fundraising and assistance;
  - numerous (20-30) volunteers to help in the shop (and sometimes the branch);
  - opening hours that suit the community; and
- Extras to attract customers: tea room; fresh local produce etc.

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<sup>55</sup> Postcomm, *Access to Post Office Services: Time to Act*, 2002, p.64.



### **3. THE CHOICE MODELLING APPROACH TO THE VALUATION OF BENEFITS**

#### **3.1. Introduction**

This chapter explains the methodology we have used to estimate the value which those in rural areas gain from having a local Post Office branch. We consider:

- the choice modelling approach that forms the core of the methodology;
- the design of the survey questionnaire;
- selection of the types of household in the sample, so as to ensure appropriate coverage of older households, households with one or more disabled members, households in SEG E, and small businesses;
- selection of interview locations; and
- the conduct of the pilot and the main surveys.

#### **3.2. The Choice Modelling Approach**

We have adopted a choice modelling approach to valuing the benefits of rural Post Office branches. This approach derives individuals' valuations of different services by presenting them with choices between alternatives that involve trade-offs between money and service levels. This methodology, which was first developed in regard to travellers' valuations of travel time and other attributes of different transport modes, is now widely used. In 2002 NERA and RAND Europe applied the technique to business mailers' valuations of different service quality aspects of business mail services in a study for Postwatch,<sup>56</sup> and the technique has also been used by Royal Mail.

In the approach we have used in this study, participants are offered choices between alternatives, in this case levels and types of local Post Office services. The alternatives are described by attributes. In order to assess the value placed by the rural population on the availability of Post Office services, it is necessary to devise situations in which respondents are asked to consider how much they might pay to retain (or obtain) services at a given level. For the purposes of the study, we had initially considered formulating the payment in the form of an addition to Council Tax, a mechanism that we believe is widely understood. However, because of sensitivity in regard to linking provision of Post Office services with this particular tax, we instead linked the hypothetical payment with the household's total tax bill.

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<sup>56</sup> NERA and RAND, *The Costs to Business from Postal Delays*, a Report for Postwatch, September 2002.

The outputs from this analysis provide estimates of:

- the relative importance of each of the attributes;
- the trade-offs that respondents are willing to make between the attributes, providing indirect measurements of willingness-to-pay (in this case the willingness to pay for different local Post Office service levels);
- estimates of consumer surplus provided by the presence of local Post Office branches.

We have also supplemented this approach with contingent valuation questions in order to cross-check results. The contingent valuation approach 'involves directly asking people how much they would be willing to pay for a good or service, or how much they are willing to accept to give it up'.<sup>57</sup> In addition, we have made some estimates of the additional travel costs (including time costs) that people who use their local Post Office branch would incur if the branch were to be closed. Both of these valuation approaches provide a cross-check on the values from the main analysis, and are not estimates of additional benefits of keeping rural Post Office branches open.

### 3.3. The Survey Questionnaire

The questionnaire contains a number of parts:

- an initial section to identify the characteristics of the household and to elicit co-operation;
- a set of questions about the respondent's views and use of local services, access to cash, use of local Post Office services and access to local Post Office branch, and use of other Post Office branch<sup>58</sup> and access to that Post Office branch, and use of Post Office services on behalf of other people. Some of these questions are identical to those asked in MORI's survey of rural residents for Postcomm;
- a set of choice modelling questions, in the form of a set of cards, each showing three options. An example of one of these cards is shown in Figure 3.1. Each respondent was shown eight cards. The options on each card consisted of:
  - a Post Office branch in the local area (with a branch also available in a neighbouring town or village);

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<sup>57</sup> HM Treasury *The Green Book: Appraisal and Evaluation in Central Government* TSO, p.101.

<sup>58</sup> Other refers to the respondent's main alternative Post Office branch to their local Post Office branch. This is usually in a nearby village or town.

- a Post Office branch in the local area at an alternative location – this was either a fixed location in another building such as a counter in a village hall, or a counter in a van visiting the area (essentially a satellite or mobile Post Office branch.). An office is also available in a neighbouring town or village;
- no Post Office branch in the local area, but one in a neighbouring town or village.

**In all cases it was presumed that a Post Office branch would be available in the neighbouring town or village.**

- some contingent valuation questions asking respondents with a local Post Office branch directly how much they would be prepared to pay to avoid losing their local Post Office branch, and in addition to avoid losing the shop attached to the local Post Office branch. Respondents without a local Post Office branch were asked how much they would be prepared to pay to obtain one.
- more general questions relating to the respondent's views on the importance of the Post Office branch in their community, and willingness to travel to an alternative.
- final questions about respondents' age, gender, economic status, household characteristics, car ownership, access to a PC, internet and e-mail, and household income.

Where households conducted a business they were also asked questions about the type of business, the size of the business (in terms of people employed), use of Royal Mail, and use of business banking.

The choice cards show a number of different attributes of Post Office branch service, namely:

- opening hours; and
- type of service provided. These service alternatives consist of:
  - full postal services, or only 1<sup>st</sup> and 2<sup>nd</sup> class stamps;
  - bill payment available, or not available;
  - pensions/benefits/cash withdrawals available, or not available; and
  - business banking available, or not available.

**Figure 3.1**  
**Example SP Choice Card**

1. Local Post Office	2. Local Post Office in alternative location	3. Post Office in neighbouring village or town only
<i>Post Office also available in neighbouring village or town as in Alternative 3</i>	<i>Post Office also available in neighbouring village or town as in Alternative 3</i>	<i>No local Post Office</i>
<p><b>Hours of Opening</b> 3 weekdays - mornings only Saturdays - morning only</p> <p><b>Additional over-the-counter services</b> Bill payment is NOT available 1st &amp; 2nd class stamps are the only postal services available Pensions/benefits/cash withdrawals are available Business banking is available</p>	<p><b>Counter in a van visiting</b></p> <p><b>Hours of Opening</b> 1 weekday - 2 hours only Saturdays - no service</p> <p><b>Additional over-the-counter services</b> Bill payment is NOT available Full postal services are available Pensions/benefits/cash withdrawals are NOT available Business banking is NOT available</p>	<p><b>Hours of Opening</b> 5 weekdays each week - all day Saturdays - morning only</p> <p><b>Additional over-the-counter services</b> Bill payment is available Full postal services are available Pensions/benefits/cash withdrawals are available Business banking is available</p>
<p><b>Total household tax bill is increased by</b> £10 per month (£2.50 per week)</p>	<p><b>Total household tax bill is increased by</b> £7 per month (£1.75 per week)</p>	<p><b>No increase in total household tax bill</b></p>

1	2	3
Local Post Office <input type="checkbox"/>	Local Post Office in alternative location <input type="checkbox"/>	Post Office in neighbouring village or town only <input type="checkbox"/>

### 3.4. Household Selection

The sample was selected so as to include the vulnerable groups, with specific quotas for households containing:

- pensioners;
- disabled; and
- people in Socio-Economic Group (SEG) E.

In addition, we included a quota for those carrying out a business activity at their address.

Table 3.1 shows the quotas used for the main survey. They are not intended to be representative of the rural population as a whole, but to ensure adequate coverage of the different groups so as to generate a sufficiently large sample to estimate valuations for the different groups. In the cost-benefit analysis in Chapter 7 of this report valuations for specific groups are grossed up by multiplying by Post Office Ltd data on the actual numbers of households in vulnerable and non-vulnerable groups, to ensure that final valuation of benefits are not skewed because our survey samples are not representative.

**Table 3.1**  
**Quotas for the Main Survey**

	Area with local PO	Area without local PO	Total
<b>SMEs</b>	<b>50</b>	<b>50</b>	<b>100</b>
<b>Total pensioners</b>	<b>75</b>	<b>75</b>	<b>150</b>
Disabled	20	20	40
SEG E	20	20	40
Other pensioners	35	35	70
<b>Total disabled</b>	<b>75</b>	<b>75</b>	<b>150</b>
Pensioners	20	20	40
SEG E	20	20	40
Other disabled	35	35	70
<b>Total SEG E</b>	<b>75</b>	<b>75</b>	<b>150</b>
Pensioners	20	20	40
Disabled	20	20	40
Unemployed	20	20	40
Other SEG E	15	15	30
<b>Others</b>	<b>75</b>	<b>75</b>	<b>150</b>
<b>Total interviews</b>	<b>290</b>	<b>290</b>	<b>580</b>

Source:: NERA/RAND.

### 3.5. Selection of Interview Locations

The main objectives in selecting main survey locations were to:

- ensure a range of sizes of rural Post Office branches were included;
- ensure all postcode regions in England (and Scotland) were included; and
- ensure that the survey had a strong likelihood of filling the required sample size and quotas for vulnerable groups.

Post Office Ltd provided a comprehensive set of data on the network of open rural Post Office branches. This included:

- name and address of the branch;
- full/part time status of the branch;
- an indication of size, as measured through basic transaction hours (BTHs); and
- size of the population, with a breakdown by age, socio-economic group and car ownership.

Post Office Ltd also provided a list of branches that are now closed.

Reflecting the relative scarcity of closed branches, we selected 5 locations from the closed Post Office branch list. Using the Post Office Ltd website we located nearby branches and the distance to travel to reach the nearest open branch. Nearby open branches were then cross-checked with rural branches in the Post Office Ltd dataset, to determine the size of the closest open office (it is likely that nearby branches will be used by respondents since their local Post Office branch closed). Closed offices were then ranked according to closest open branch size and distance to the closest office. We then selected closure sites across the range of distances, and ensured that different levels of size of nearby branches were selected.

Open branches were ranked on the basis of size (by BTHs). The list was split into 10 size groupings, 1 = very small, 10 = very large. The smallest and largest groups were not used to select from, because they are likely to be different to the remaining Post Office branches. To ensure that a range of Post Office branch sizes was included in the survey and that all postcode regions in England and Scotland were included, we cross checked the size and regions against closure sites. Branches which covered the remaining regions and size groups and which had populations that included the vulnerable groups were selected from the mid ranges within size groups.

All locations were checked with Postcomm and Post Office Ltd.

The main survey locations, and Post Office branch characteristics are shown in Table 3.2.

**Table 3.2**  
**Main Survey Locations**

Name of branch	Closed/open	Postcode	Size of branch*	FT/PT	Distance to nearest branch (miles)	Postcode region
	Open		6	FT	1.6	Anglia
	Open		4	PT	1.6	Midlands
	Open		5	FT	1.2	South East
	Open		2	FT	1.4	South Central
	Open		9	PT	2.8	North West
	Closed		2	NA	1.2	Anglia
	Closed		3	NA	2.5	North East
	Closed		5	NA	1.8	South West
B <sup>1</sup>	Closed		7	NA	1.5	Scotland
	Closed		8	NA	1.8	North East

\* Size of branch is indicated by 1-10, 1 is small, 10 is large. Size of branch for closed areas is the size of the nearest open rural branch.

<sup>1</sup> B Post Office had re-opened when the survey was undertaken.

### **3.6. Conduct of the Surveys**

#### **3.6.1. The pilot survey**

The pilot survey to test the questionnaire and the overall approach was carried out in the week beginning March 3<sup>rd</sup> 2003.

The pilot was undertaken in two areas, Kent<sup>59</sup> in the South East postcode region and Cambridgeshire<sup>60</sup> in the Anglia postcode region. Pilot locations were selected where it was likely (based on data provided by Post Office Ltd) that we would locate sufficient numbers of respondents, distributed between the vulnerable groups of interest.

Accent Marketing and Research completed 49 interviews within the pilot survey week. The pilot identified a number of minor changes that were required to the background questions. These amendments were made to the main questionnaire before the main survey.

#### **3.6.2. The main survey**

Accent conducted 581 face-to-face interviews with rural residents in areas with and without a local Post Office branch during the period 17<sup>th</sup> March - 4 April, 2003. Surveys were conducted throughout the day and over weekends.

Table 3.3 compares quotas with the interviews achieved.

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<sup>59</sup> This village currently has a Post Office branch, and is relatively well served with local services (including a corner shop/general store, community centre/village hall, school, public house and church). The Post Office branch is a full time office, in the 2nd size group. The next nearest Post Office branch is about 2½ miles away.

<sup>60</sup> This village currently has a Post Office branch and is well served with local services (both have corner shops/general stores, pharmacy, GP surgery, community centre/village hall, school, public houses and March also has banks, supermarkets, ATMs and garages). The Post Office branch is a full time office, in the seventh size group. The next nearest Post Office branch is 1.5 miles away.

**Table 3.3**  
**Proposed Quotas and Interviews Achieved**

	Proposed Quotas			Interviews achieved		
	With local PO branch	Without local PO branch	Total	With local PO branch	Without local PO branch	Total
<b>SMEs</b>	<b>50</b>	<b>50</b>	<b>100</b>	<b>56</b>	<b>53</b>	<b>109</b>
<b>Total pensioners</b>	<b>75</b>	<b>75</b>	<b>150</b>	<b>129</b>	<b>55</b>	<b>184</b>
Disabled	20	20	40	57	28	85
SEG E	20	20	40	63	27	90
Other pensioners	35	35	70	36	15	51
<b>Total disabled</b>	<b>75</b>	<b>75</b>	<b>150</b>	<b>111</b>	<b>67</b>	<b>178</b>
Pensioners	20	20	40	57	28	85
SEG E	20	20	40	55	37	92
Other disabled	35	35	70	25	16	41
<b>Total SEG E</b>	<b>75</b>	<b>75</b>	<b>150</b>	<b>103</b>	<b>60</b>	<b>163</b>
Pensioners	20	20	40	63	27	90
Disabled	20	20	40	55	37	92
Unemployed	20	20	40	10	1	11
Other SEG E	15	15	30	9	12	21
<b>Others</b>	<b>75</b>	<b>75</b>	<b>150</b>	<b>101</b>	<b>87</b>	<b>188</b>
<b>Total interviews</b>	<b>290</b>	<b>290</b>	<b>580</b>	<b>344</b>	<b>237</b>	<b>560</b>
				<b>286</b>	<b>295</b>	<b>581</b>
			<b>For B correction</b>			

Source: NERA/RAND.



## 4. USE OF RURAL POST OFFICE SERVICES

### 4.1. Introduction

This Chapter provides a summary of the main results of the survey of households and SMEs in rural areas, apart from the valuation results which we consider in the next chapter. We first consider availability and views of local services in the areas surveyed. Next we consider the results for all households, and then for SMEs.

### 4.2. Availability of Local Services

Table 4.1 shows the availability of local services for those surveyed split between those who currently have a local Post Office branch and those in areas where the local Post Office branch has closed. Those with a local branch are better served across all services. Table 4.1 also shows the proportion of respondents who would like **more** of each type of service in their areas. Those without a local branch are particularly interested in more Post Offices and corner shops (74.8 per cent and 59.7 per cent wanting more of these respectively).

**Table 4.1**  
**Services in Area by Presence of a Local Post Office Branch**

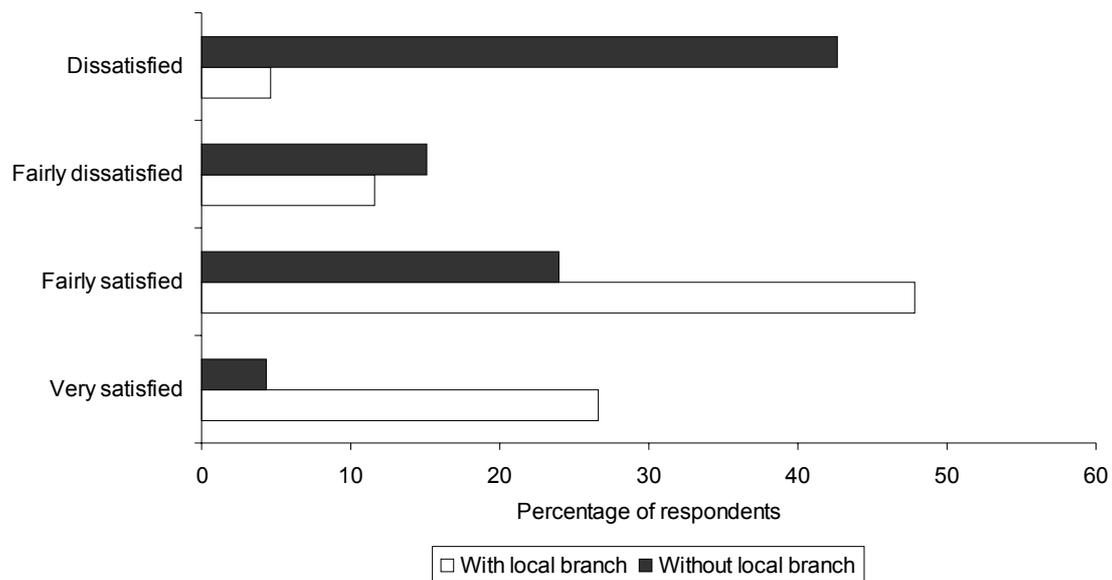
	Those with a local branch		Those without a local branch	
	Percentage with services in area (%)	Percentage wanting more of this type of service in their area (%)	Percentage with services in area (%)	Percentage wanting more of this type of service in their area (%)
Public houses	86.6	3.5	80.2	4.3
Schools	84.9	3.2	41.9	3.9
Corner shops	91.7	11.3	22.1	59.7
Community/village halls	67.5	4.8	57.0	10.5
<b>Post Office</b>	<b>95.4<sup>1</sup></b>	<b>3.2</b>	<b>3.5<sup>1</sup></b>	<b>74.8</b>
Doctors	40.3	8.9	4.7	9.3
Petrol stations	31.7	7.0	15.9	6.6
ATMs/cash machines	33.9	14.2	3.1	11.6
Supermarkets	25.0	10.8	3.1	10.6
Chemists/pharmacies	21.0	13.7	3.5	2.7
Banks	21.0	7.3	2.7	0.8

Source: NERA/RAND. <sup>1</sup> These results are most likely due to different interpretations of 'local area' in the background questions.

Figure 4.1 shows satisfaction with local services in the areas surveyed for those with and without a local Post Office branch. This shows that:

- those with a local Post Office branch are more likely to be satisfied or very satisfied with local services; and
- those without a local Post Office branch are more likely to be dissatisfied or very dissatisfied with local services.

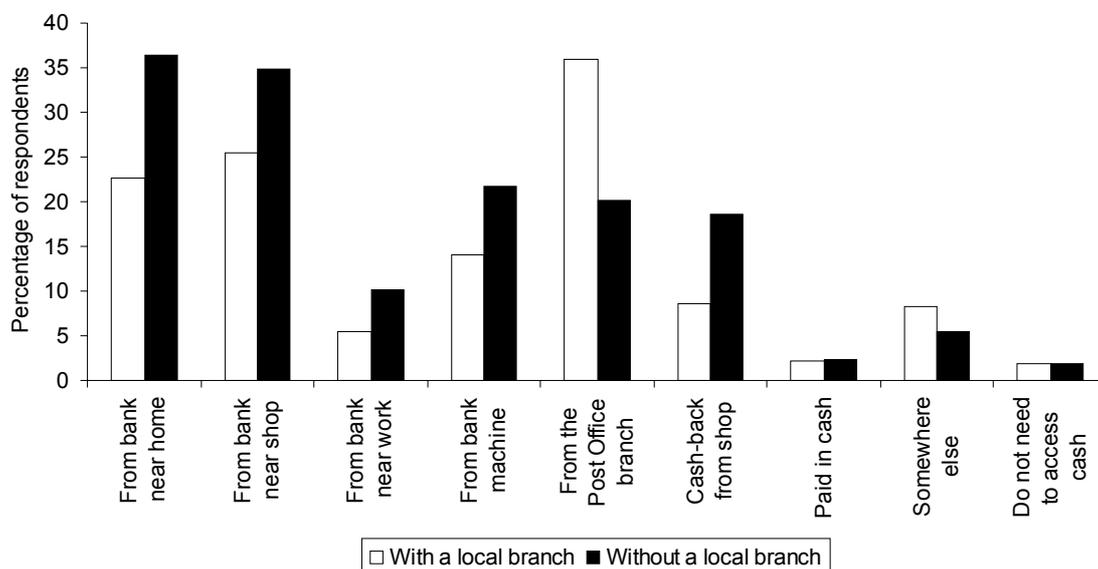
**Figure 4.1**  
**Satisfaction with Current Local Services by Those With and Without a Local Post Office Branch**



Source: NERA/RAND.

Figure 4.2 shows sources of accessing cash, as before split between those who currently have a local Post Office branch and those who do not. Respondents could select as many responses as appropriate. Those without a local branch make more use of a bank (whether near home, work or shop) and make less use of the Post Office (although some 20 per cent still use the Post Office to access cash) than those with a local branch (where 36 per cent use the Post Office).

**Figure 4.2**  
**Sources of Accessing Cash by Those With and Without a Local Post Office Branch**



Source: NERA/RAND.

Note: These percentages relate to all respondents, and respondents could choose more than one response.

We also asked about alternative means of communication in the present electronic age. In regard to electronic communications and technology for all households in the survey:

- 48.3 per cent had a PC at home;
- 14.0 per cent had a PC at work or place of study;
- 37.9 per cent had internet at home;
- 31.9 per cent had e-mail at home; and
- 48.4 per cent did not have any of the above.

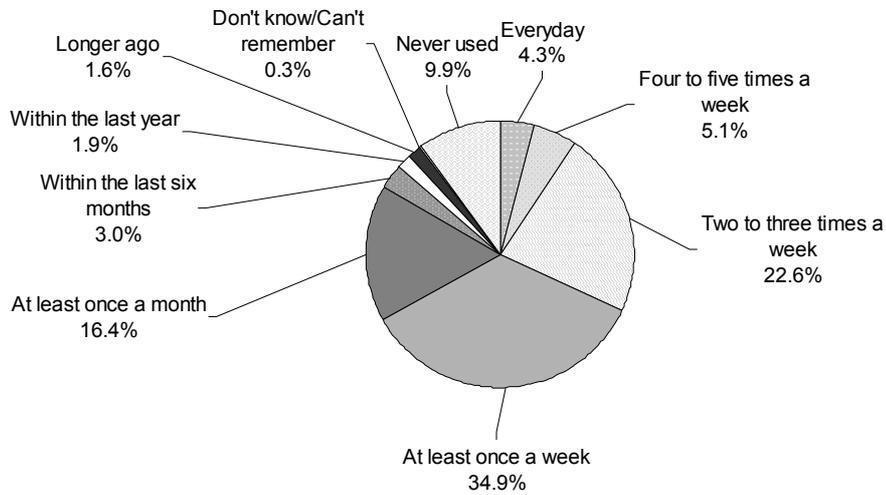
### 4.3. The Local Post Office Branch

#### 4.3.1. Frequency of use

Figure 4.3 shows frequency of use of the local Post Office branch by those with a local branch. The majority of respondents use the local Post Office branch at least once a week. This result is in line with previous survey work by MORI.<sup>61</sup>

<sup>61</sup> See Section 2.4 above.

**Figure 4.3**  
**Frequency of Use of Local Post Office Branch**

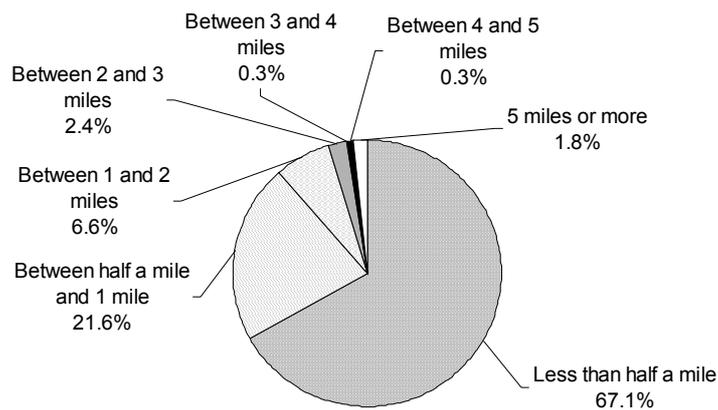


Source: NERA/RAND.

Note: These percentages relate only to those households which have a local Post Office branch.

Figure 4.4 shows the distance to the local Post Office branch, while Figure 4.5 shows the normal mode of travel.

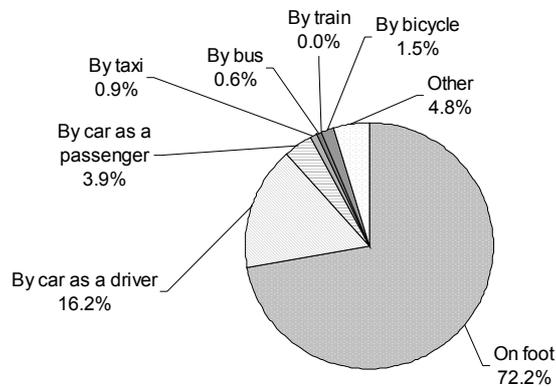
**Figure 4.4**  
**Distance to Local Post Office Branch**



Source: NERA/RAND.

Note: These percentages relate only to those households which have a local Post Office branch.

**Figure 4.5**  
**Mode of Travel to Local Post Office Branch**



Source: NERA/RAND.

Note: These percentages relate only to those households which have a local Post Office branch.

Around two thirds were less than half a mile from their local Post Office branch, and another 22 per cent were between a half mile and a mile away, which means that only 10 per cent were more than a mile away. Seventy-two per cent accessed the Post Office branch on foot, and another 20 per cent by car as driver or passenger. In terms of travel time 38 per cent said it took them 5 minutes, 21 per cent said it took 10 minutes. Only 14 per cent said it took over 10 minutes to access their local Post Office branch.

When asked about the distance they would be prepared to travel if their local and the Post Office branch in their alternative location was no longer available, of those with a local Post Office branch 15.9 per cent were prepared to travel between half a mile up to 2 miles, the majority (49.5 per cent) between 2 to 10 miles. A further 10.8 per cent were prepared to travel 10 miles or more, and 23.9 per cent did not know.<sup>62</sup>

<sup>62</sup> Those who are willing to go more than 10 miles are primarily those who use the office 2 or 3 times a week, once a week or once a month.

### 4.3.2. Use of Post Office services

Table 4.2 shows the services they use at the local Post Office branch, split between different types of household.

**Table 4.2**  
**Use of Post Office Services (%)**

	Disabled	Pensioner	SEG E	Others
Stamps, mailing	92.4	90.9	88.9	88.3
Parcel post	50.0	53.0	46.3	68.3
Bill payment	55.9	48.2	59.3	35.8
Pension	47.5	61.0	62.0	1.7
Licensing service	20.3	21.3	25.9	15.0
Picking up forms	22.0	17.1	13.0	20.8
Getting information	22.0	22.0	19.4	10.0
Special delivery	13.6	7.9	4.6	20.0
Paying car tax	6.8	5.5	3.7	20.8
Child benefit	5.1	0.6	1.9	20.0
Disability benefit	17.8	3.0	13.0	0.8
Banking services	5.9	6.1	2.8	7.5
Cash deposits	5.9	5.5	3.7	3.3
Applying for passport	4.2	3.0	0.9	5.0
Cash withdrawal	4.2	4.9	4.6	1.7
Foreign exchange	3.4	3.0	0.9	2.5
Unemployment benefit	1.7	0.6	6.5	4.5
Business banking	0	0	0	0.8
Other	0	0	0	1.7
	*	*	*	*

Source: NERA/RAND.

Note: \* total exceeds 100% because respondents use more than one service.

Base: Disabled is all those who considered themselves or another member of their household disabled who have and use a local Post Office branch.

Pensioner is all those who are pensioner age or another member of their household is pensioner age who have and use a local Post Office branch.

SEG E is all those households in SEG E who have and use a local Post Office branch.

Others is all those households who are not in one of the vulnerable groups who have and use a local Post Office branch.

There is a wide range of services used:

- some 90 per cent of all types of household use the Post Office branch for stamps and mailing, while around 50-70 per cent use it for parcel post;
- around a half use the Post Office branch for bill payment though use is greater by those from vulnerable groups than by others;

- those (but not all of those) in the vulnerable groups use it to pick up their pension or disability benefit;
- around 20 per cent of all groups use it for licensing service and for picking up forms;
- around 6 per cent (except for those in SEG E) use the local Post Office branch for banking services, and around 4 per cent in vulnerable groups use it for cash withdrawal.

These results are in line with previous survey work by MORI.<sup>63</sup>

Table 4.3 shows the same categories of Post Office services and households as Table 4.2, but now with the most important Post Office services identified by respondents from the different household groups. Not surprisingly picking up pensions are the most important service for pensioners, followed by traditional postal services.

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<sup>63</sup> See Section 2.3.1 above.

**Table 4.3**  
**Most Important Post Office Service (%)**

	Disabled	Pensioner	SEG E	Others
Stamps, mailing	16.9	20.7	13.0	40.0
Parcel post	4.2	4.3	2.8	20.8
Bill payment	11.9	6.7	8.3	16.7
Pension	44.9	59.1	60.2	0
Licensing service	0	0	0	0
Picking up forms	0	0	0	0.8
Getting information	0.8	0	0	0
Special delivery	1.7	0.6	0	4.2
Paying car tax	0	0	0	2.5
Child benefit	0.8	0.6	0	11.7
Disability benefit	11.9	0.6	9.3	0
Banking services	2.5	3.7	0.9	2.5
Cash deposits	0	0	0	0.8
Applying for passport	0	0	0	0
Cash withdrawal	0	0.6	0.9	0
Foreign exchange	0	0	0	0
Unemployment benefit	1.7	0.6	3.7	0
Business banking	0	0	0	0
Other	2.5	2.4	0.9	0
	100.0	100.0	100.0	100.0

Source: NERA/RAND.

Base: Disabled is all those who considered themselves or another member of their household disabled who have and use a local Post Office branch.

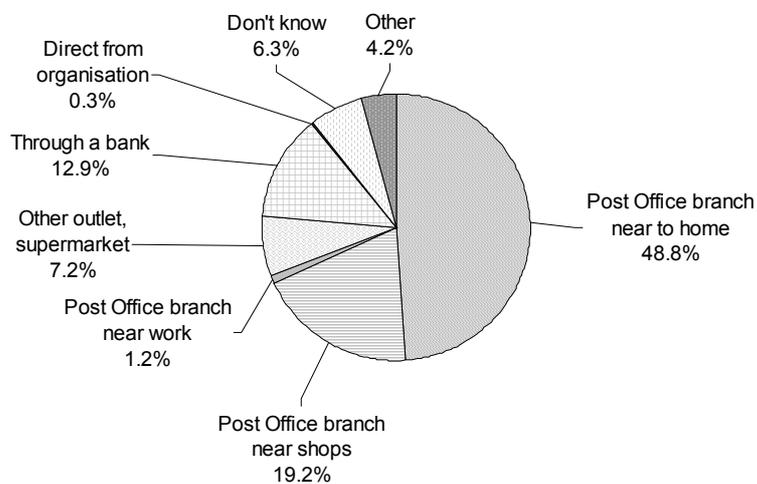
Pensioner is all those who are pensioner age or another member of their household is pensioner age who have and use a local Post Office branch.

SEG E is all those households in SEG E who have and use a local Post Office branch.

Others is all those households who are not in one of the vulnerable groups who have and use a local Post Office branch.

We also asked the respondents for their alternative means of accessing these services if they were not available at their local Post Office branch. Figure 4.6 shows the results. Nearly a half would use a Post Office branch near to home, and another twenty per cent another Post Office branch. The remaining 30 per cent would use non-Post Office branch means, or did not know.

**Figure 4.6**  
**Alternative Means of Accessing Most Important Services**



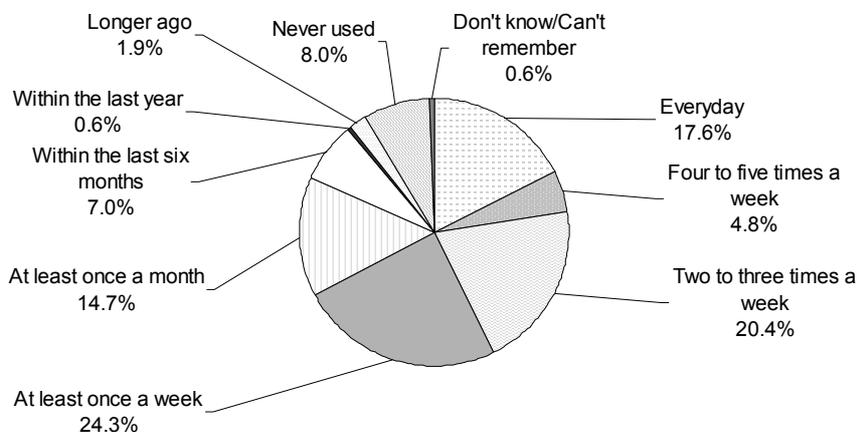
Source: NERA/RAND.

Note: This question was asked of all those who have and use a local Post Office branch.

### 4.3.3. The local Post Office branch and the local shop

Of those using a local Post Office branch, 93.7 per cent said it was part of a shop, 0.6 per cent part of another business, and 5.7 per cent on its own.

**Figure 4.7**  
**Frequency of Use of the Shop**



Source: NERA/RAND.

Note : These percentages relate only to those households with a local Post Office branch and an attached shop.

Of those using the attached shop, 62 per cent bought newspapers, 55 per cent bought groceries, 52 per cent bought cards and stationery, 44 per cent bought sweets and confectionery, 30 per cent bought magazines.

In terms of weekly spend in the shop, 25 per cent spent less than £2, almost another quarter spent between £2 and £5, a further quarter between £5 and £10, and about a quarter over £10. **Average weekly spend in the shop was about £8.80.**

#### 4.3.4. Use of local Post Office branch on behalf of others

Respondents who used the local Post Office branch were asked if they made trips to the office on behalf of another member of their family. Just over a quarter (26.6 per cent) did. Nearly 80 per cent of these were for partner or spouse, just over 10 per cent for a younger relative, and just under 10 per cent for an older relative. Reasons were not related simply to mobility problems: around 55 per cent said they made the trip anyway, 30 per cent because the family member could not access the Post Office branch in opening hours, and only the remaining 15 per cent because of mobility problems. Services accessed on behalf of others are shown in Table 4.4.

**Table 4.4**  
**Using the Service on Behalf of Others (%)**

	Disabled	Pensioner	SEG E	Others
Stamps, mailing	55.6	66.7	46.2	76.1
Parcel post	25.9	36.7	7.7	37.0
Bill payment	29.6	20.0	23.1	26.1
Pension	33.3	40.0	53.8	4.3
Licensing service	0	3.3	0	4.3
Picking up forms	7.4	10.0	0	6.5
Getting information	3.7	6.7	0	2.2
Special delivery	7.4	10.0	0	13.0
Paying car tax	3.7	3.3	0	0
Child benefit	3.7	6.7	0	2.2
Disability benefit	7.4	0	0	2.2
Banking services	3.7	3.3	0	2.2
Cash deposits	0	0	0	0
Applying for passport	0	0	0	0
Cash withdrawal	0	0	0	0
Foreign exchange	0	0	0	0
Unemployment benefit	3.7	0	0	2.2
Business banking	0	0	0	0
Other	0	0	0	0
	+	+	+	+

Source: NERA/RAND.

Base: Disabled is all those who considered themselves or another member of their household disabled who have and use a local Post Office branch.

Pensioner is all those who are pensioner age or another member of their household is pensioner age who have and use a local Post Office branch.

SEG E is all those households in SEG E who have and use a local Post Office branch.

Others is all those households who are not in one of the vulnerable groups who have and use a local Post Office branch.

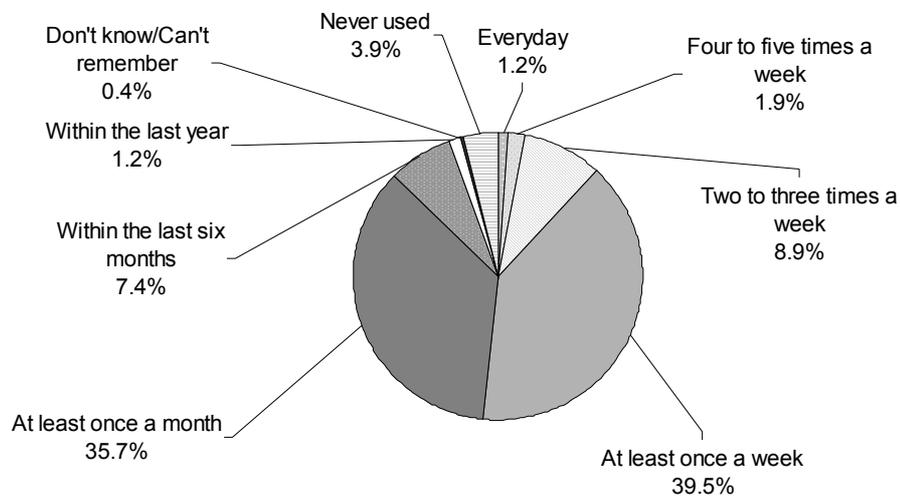
## 4.4. Households Without a Local Post Office Branch

### 4.4.1. Frequency of use

Respondents without a local Post Office branch were asked about their use of the 'other' Post Office branch (this is the branch they use as a result of their local branch closing).

Figure 4.8 presents use of the other Post Office branch. The majority of respondents use the other Post Office branch at least once a week (39.5 per cent). These results are very similar to results for those with a local Post Office branch (34.9 per cent for those with a local Post Office branch, versus 39.5 per cent for the other Post Office branch).

**Figure 4.8**  
**Frequency of Use of Other Post Office Branch**

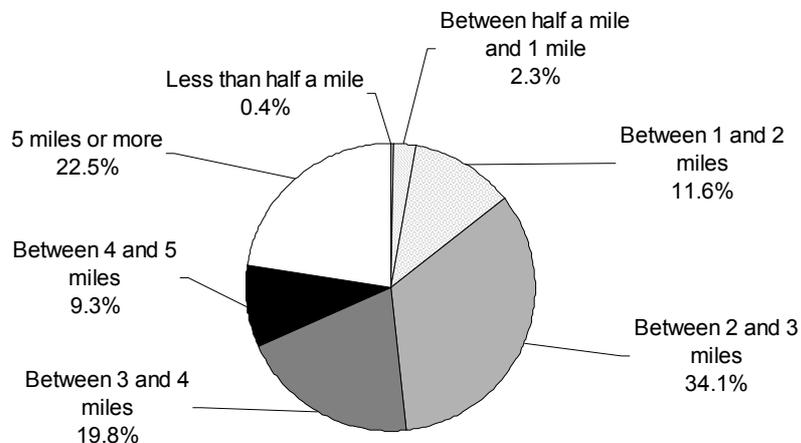


Source: NERA/RAND

Note: These percentages relate only to households which do not have a local Post Office branch.

Distance and mode of travel for those without a local Post Office branch are presented in Figure 4.9 and Figure 4.10.

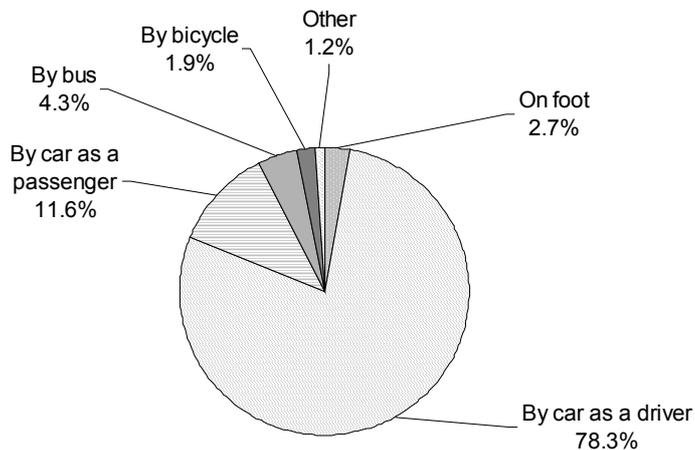
**Figure 4.9**  
**Distance to Other Post Office Branch**



Source: NERA/RAND

Note: These percentages relate only to the households which do not have a local Post Office branch.

**Figure 4.10**  
**Mode of Travel to Other Post Office Branch**



Source: NERA/RAND

Note: These percentages relate only to households which do not have a local Post Office branch.

Unsurprisingly respondents without a local branch have to travel further to the other Post Office branch, the largest single group of respondents between 2 and 3 miles (34.1 per cent) - compared to the majority living less than ½ mile for those with a local Post Office branch. The majority of those without a local branch travel by car (78.3 per cent drive themselves and 11.6 per cent travel as a passenger in a car).

Fourteen per cent said it took them 5 minutes to travel to the other branch, 32 per cent that it took 10 minutes (compared to 38 per cent for those with a local branch) and 43 per cent said it took them over 10 minutes (compared to 14 per cent for those with a local branch).

Those without a local Post Office branch were asked about the distance they would be prepared to travel if their other Post Office branch were no longer available. The majority (29.8 per cent) were prepared to travel up to 10 miles, and 15.5 per cent 10 miles or more. 7.4 per cent didn't know.

#### **4.4.2. Use of Post Office services for those without a local Post Office branch**

Table 4.5 presents services used by those without a local Post Office branch when they visit the other Post Office branch.

**Table 4.5**  
**Use of Post Branch Services in Other Post Office Branch (%)**

	Disabled	Pensioner	SEG E	Others
Stamps, mailing	86.8	89.3	87.5	86.7
Parcel post	51.5	65.0	56.3	69.2
Bill payment	55.9	47.6	59.4	23.3
Pension	51.5	52.4	56.3	1.7
Licensing service	30.9	30.1	42.2	24.2
Picking up forms	25.0	24.3	25.0	20.0
Getting information	10.3	17.5	15.6	6.7
Special delivery	11.8	9.7	12.5	15.8
Paying car tax	51.5	50.5	43.8	59.2
Child benefit	8.8	1.0	4.7	21.7
Disability benefit	19.1	2.9	14.4	1.7
Banking services	2.9	4.9	1.6	3.3
Cash deposits	2.9	3.9	6.3	4.2
Applying for passport	8.8	7.8	3.1	16.7
Cash withdrawal	0	1.0	1.6	3.3
Foreign exchange	2.9	4.9		7.5
Unemployment benefit	2.9	0	7.8	0.8
Business banking	1.5	1.0	0	0
Other	1.5	5.8	4.7	2.5
	*	*	*	

Source: NERA/RAND.

Note: \* total exceeds 100% because respondents use more than one service.

Base: Disabled is all those who considered themselves or another member of their household disabled and do not have a local Post Office branch.

Pensioner is all those who were pensioner age or another member of their household was over pensioner age and do not have a local Post Office branch.

SEG E is all those households in SEG E and do not have a local Post Office branch.

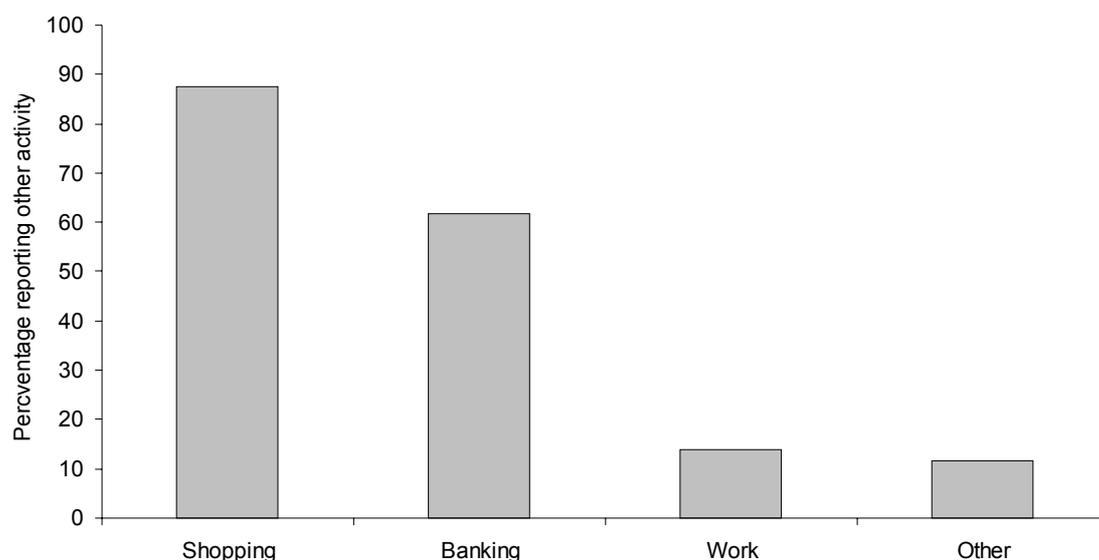
Others is for all those households that do not have a local Post Office branch and who are not in one of the vulnerable groups.

There is a wide range of services used: as before, the most used services are stamps and mailing (around 80 per cent) and parcel post (50-70 per cent).<sup>64</sup> High rates are seen for car tax and applying for a passport (59.2 per cent and 16.7 per cent for the others group respectively compared to 20.8 per cent and 5.0 per cent for those with a local branch). This could indicate people visiting larger branches where these services are more frequently available.

<sup>64</sup> Those without a local Post Office branch were not asked about the most important service or how they would access these services if their other Post Office branch were not available. They were not asked about the use of an attached business to their other Post Office branch.

84 per cent of those who do not have a local Post Office branch combine their trip to the Post Office in the other location with another activity. Figure 4.11 illustrates the types of activities that are combined with a trip to the other Post Office branch.

**Figure 4.11**  
**Other Activities Combined with Trip to Other Post Office Branch**



Source: NERA/RAND

Note: Percentages relate to all those who do not have a local Post Office branch. Respondents could select more than one response.

The majority of respondents combine their trip with shopping (87.6 per cent).

Table 4.6 presents an analysis of the distance to the other Post Office branch for each of the activities with which it is combined. Thus, for example, of those combining the trip to another Post Office with a trip to the shops, 11.1 per cent would travel between 1 and 2 miles, 33.7 per cent would travel 2 to 3 miles, 20.0 per cent between 3 and 4 miles, etc. The largest majority of those who combined their trip to the other Post Office with work are more likely to travel over 5 miles. When combining their trip with shopping, banking or another activity, the majority travel 2 to 3 miles.

**Table 4.6**  
**Distance and Activities Combined With Visiting the Other Post Office Branch**

	<0.5	0.5-1	1-2	2-3	3-4	4-5	5+	Total
Shopping (%)	0.05	2.1	11.1	33.7	20.0	8.4	24.2	100
Banking (%)	0.0	1.5	6.7	32.1	20.1	11.9	27.6	100
Work (%)	0.0	0.0	16.7	10.0	20.0	10.0	43.3	100
Other (%)	0.0	4.0	0.0	64.0	20.0	8.0	4.0	100

*Source: NERA/RAND. Note percentages relate only to those who combine their trip.*

#### **4.4.3. Use of other Post Office branch on behalf of others**

Respondents who used the other Post Office branch were asked if they made trips to the office on behalf of another member of their family. Just under a half did (49.6 per cent compared to 26.6 per cent for those with a local branch). Around 70 per cent of these were for partner or spouse, just over 13 per cent for a younger relative and for an older relative.<sup>65</sup> Table 4.7 illustrates the services used on behalf of others for each type of vulnerable household and for others. It shows that the most used service on behalf of others is stamps and mailing. Those in the vulnerable groups used the other Post Office to collect benefits at a higher rate than others (for example between 33 to 37 per cent in the vulnerable group use it to collect pensions compared to 5 per cent of the other group).

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<sup>65</sup> Those without a local branch were not asked why they made these trips on behalf of others.

**Table 4.7**  
**Using the Service at the Other Post Office Branch on Behalf of Others (%)**

	Disabled	Pensioner	SEG E	Others
Stamps, mailing	66.7	67.5	57.1	80.6
Parcel post	36.4	47.5	33.3	55.6
Bill payment	9.1	7.5	9.5	8.3
Pension	36.4	37.5	33.3	5.6
Licensing service	9.1	7.5	4.8	4.2
Picking up forms	9.1	10.0	4.8	11.1
Getting information	3.0	5.0	4.8	4.2
Special delivery	3.0	7.5	0	11.1
Paying car tax	15.2	10.0	0	25.0
Child benefit	0	0	0	4.2
Disability benefit	9.1	5.0	9.5	0
Banking services	0	2.5	4.8	1.4
Cash deposits	0	0	0	0
Applying for passport	3.0	5.0	0	4.2
Cash withdrawal	0	0	0	0
Foreign exchange	3.0	5.0	0	1.4
Unemployment benefit	3.0	0	4.8	0
Business banking	3.0	2.5	0	0
Other	0	2.5	0	2.8
	+	+	+	+

Source: NERA/RAND.

Base: Disabled is all those who considered themselves or another member of their household disabled who do not have a local Post Office branch.

Pensioner is all those who are pensioner age or another member of their household is pensioner age who do not have a local Post Office branch.

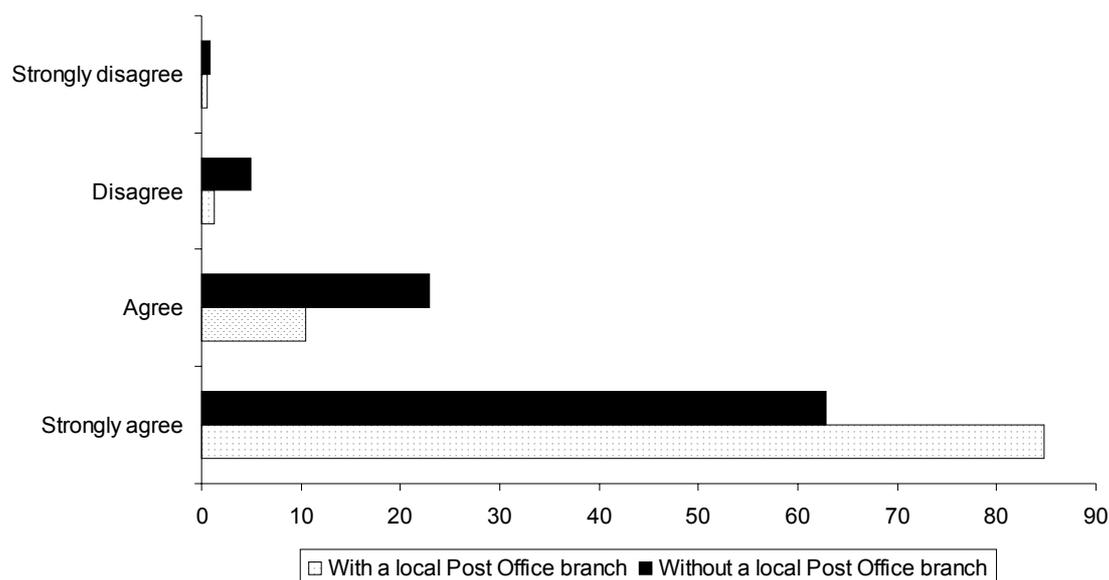
SEG E is all those households in SEG E who do not have a local Post Office branch.

Others is all those households who are not in one of the vulnerable groups who do not have a local Post Office branch.

#### 4.5. Overall Views on the Importance of the Post Office Branch

All respondents, whether they had a local Post Office branch or not, were asked how strongly they agreed or disagreed with the statement that the Post Office branch has an important role in their community. Figure 4.12 compares responses for both groups.

**Figure 4.12**  
**Perceptions of Importance of the Post Office to the Community for those With and Without a Local Post Office Branch**



Source: NERA/RAND.

Note: Percentage responses relate to all those with and without a local Post Office branch.

Those with a local branch were more likely to strongly agree, but those without a branch were still unlikely to disagree with the statement suggesting that the Post Office still retains an important role even when their local branch closes down.

Previous MORI work also found that the majority of rural residents agreed with the statement.<sup>66</sup>

#### 4.6. Results for SMEs

Of the 118 SMEs interviewed:

- 24 provided building or engineering services;
- 17 were freelance consultants;
- 16 were farms or provided rural products;
- 14 were B&Bs, hotels, or pubs;
- 13 were other retail businesses; and

<sup>66</sup> Postcomm, *Post Offices, Customers and Communities*, 2001, p.49.

- the remaining 34 were in other categories.

Only 15 had 5 or more employees.

The SMEs were asked whether they needed a Post Office branch (rather than just a letter box or Royal Mail business collection service) for sending postal items. Exactly a half said that they did. Of all the SMEs, about a quarter sent no or only one letter or parcel a month connected with their business. Another 30 per cent sent between 2 and 10. About 20 per cent between 11 and 24, and the final quarter 25 or more items.

In regard to business banking, only 4 of the SMEs (3.4 per cent) conducted it through the Post Office branch.

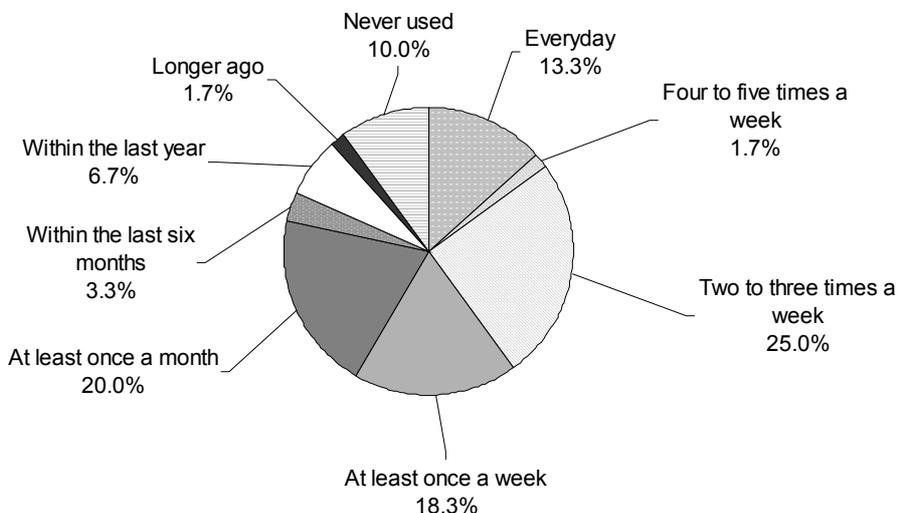
60 SMEs were located in areas with a local Post Office branch. The remainder (58) were in areas which had recently had their local branch close.

#### **4.6.1. The local Post Office branch**

##### *4.6.1.1. Frequency of use*

Figure 4.13 presents frequency of use by SMEs which have a local Post Office branch.

**Figure 4.13**  
**Frequency of Use by SMEs of Local Post Office Branch**



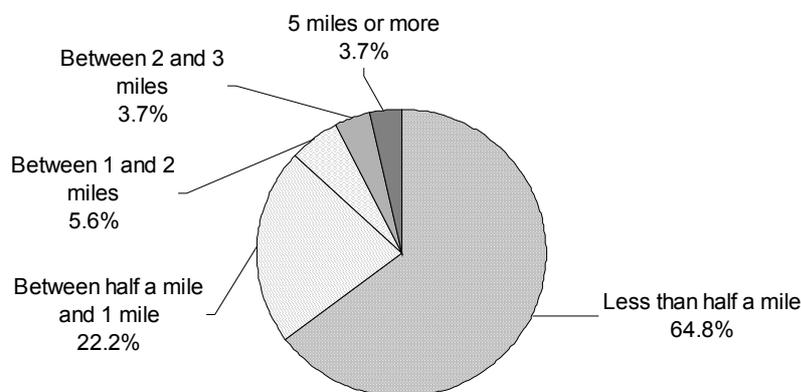
Source: NERA/RAND.

Note: These percentages relate only to those SMEs with a local Post Office branch.

The majority of SMEs used the local Post Office branch two to three times a week (25 per cent). Only 10 per cent said they never used the local Post Office branch.

Figure 4.14 and Figure 4.15 present distance and mode of travel for SMEs to reach the local Post Office branch.

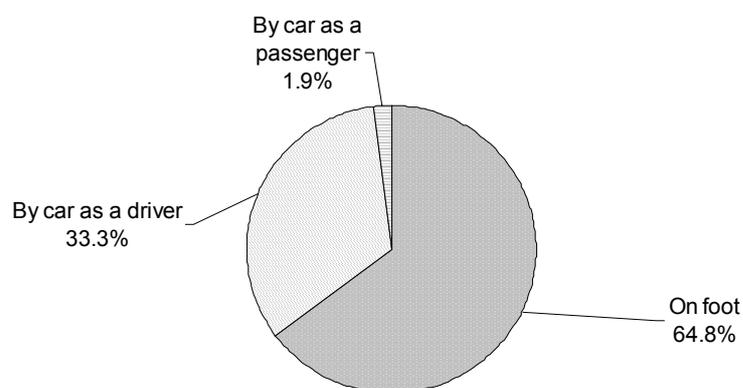
**Figure 4.14**  
**Distance for SMEs to Travel to Local Post Office Branch**



Source: NERA/RAND.

Note: These percentages relate only to those SMEs with a local Post Office branch.

**Figure 4.15**  
**Mode of Travel to Local Post Office Branch by SMEs**



Source: NERA/RAND.

Note: These percentages relate only to those SMEs with a local Post Office branch.

The majority of SMEs are relatively close to the local branch (64.8 per cent within ½ mile) and the majority travel by foot (64.8 per cent).

#### 4.6.1.2. Use of Post Office services

Table 4.8 illustrates the use of services at the branch by SMEs.

**Table 4.8**  
**Use of Post Branch Services by SMEs (%)**

	<b>All</b>
Stamps, mailing	87.0
Parcel post	63.0
Bill payment	31.5
Pension	5.6
Licensing service	18.5
Picking up forms	14.8
Getting information	11.1
Special delivery	29.6
Paying car tax	20.4
Child benefit	9.3
Disability benefit	1.9
Banking services	9.3
Cash deposits	1.9
Applying for passport	7.4
Cash withdrawal	1.9
Foreign exchange	1.9
Unemployment benefit	0
Business banking <sup>67</sup>	0
Other	0
	*

*Source: NERA/RAND.*

*Note: \* total exceeds 100% because respondents use more than one service.*

*Base: All is for all SMEs that have a local Post Office branch.*

These results are similar to previous results showing that stamps, mailing is the most used service (87.0 per cent), followed by parcel post (63.0 per cent) and by bill payment (31.5 per cent).

SMEs with a local branch were also asked which was the most important service. Table 4.9 shows that stamps and mailing, and parcel post are the most important (with 44.4 per cent and 20.4 per cent respectively).

<sup>67</sup> Note this response is not consistent with the specific question regarding where SMEs conduct business banking, since four said they did so through the Post Office.

**Table 4.9**  
**Most Important Post Office Services for SMEs (%)**

	<b>All</b>
Stamps, mailing	44.4
Parcel post	20.4
Bill payment	9.3
Pension	3.7
Licensing service	0
Picking up forms	0
Getting information	1.9
Special delivery	3.7
Paying car tax	3.7
Child benefit	7.4
Disability benefit	0
Banking services	5.6
Cash deposits	0
Applying for passport	0
Cash withdrawal	0
Foreign exchange	0
Unemployment benefit	0
Business banking	0
Other	0
	100.0

*Source: NERA/RAND.*

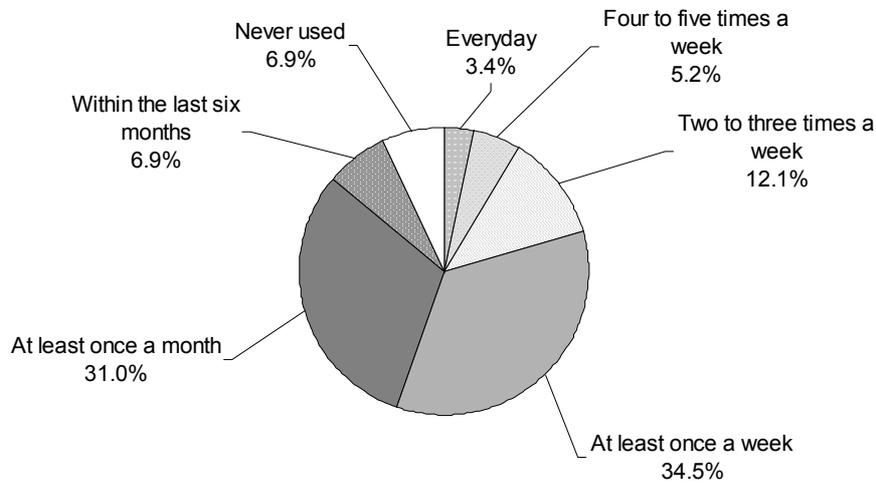
*Base: All is for all SMEs that have a local Post Office branch.*

#### **4.6.2. SMEs with a closed Post Office branch**

##### *4.6.2.1. Frequency of use*

Figure 4.16 presents the frequency of use by SMEs of the other Post Office branch (the branch they use since their local branch closed).

**Figure 4.16**  
**Frequency of Use by SMEs of Other Post Office Branch**



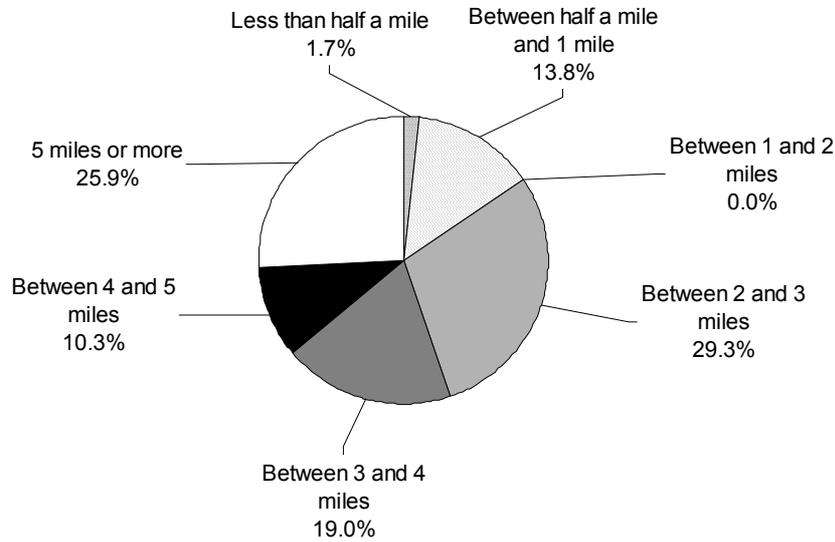
Source: NERA/RAND.

Note: These percentages relate only to those SMEs without a local Post Office branch.

The majority of SMEs used the other Post Office branch at least once a week (34.5 per cent). This is slightly less than those with a local branch, where the majority of SMEs used their local branch two to three times a week.

Figure 4.17 and Figure 4.18 present distance and mode of travel for SMEs to reach the other Post Office branch.

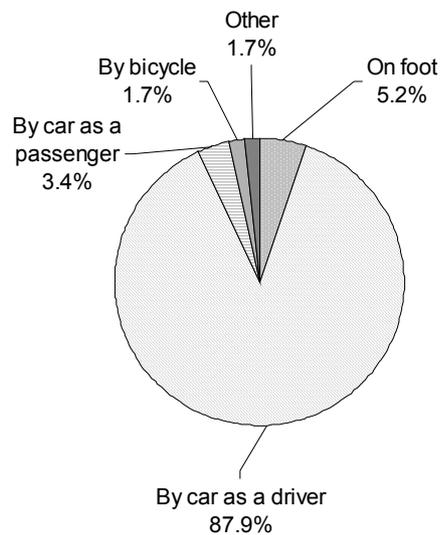
**Figure 4.17**  
**Distance for SMEs to Travel to Other Post Office Branch**



Source: NERA/RAND.

Note: These percentages relate only to those SMEs without a local Post Office branch.

**Figure 4.18**  
**Mode of Travel for SMEs to Other Post Office Branch**



Source: NERA/RAND.

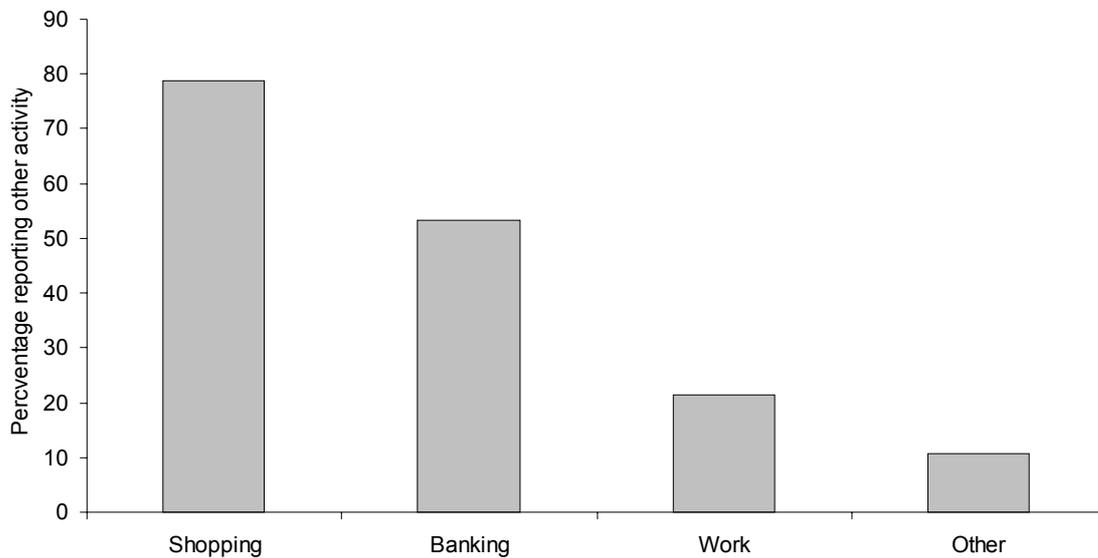
Note: These percentages relate only to those SMEs without a local Post Office branch.

The majority of SMEs are relatively close to the local branch (29.3 per cent within 2 to 3 miles) and the majority travel by car as a driver (87.9 per cent). This is a marked shift from those SMEs with a local branch, who predominantly lived within ½ mile of their local branch and who travel on foot.

Nineteen per cent said it took them 5 minutes to reach the other Post Office branch, 32.8 per cent 10 minutes and 37.9 per cent over 10 minutes to reach the other Post Office branch.

Eighty one per cent of those without a local branch said that they would combine their trip to the other Post Office branch with another activity. Figure 4.19 presents the other activities.

**Figure 4.19**  
**Activities Combined with a Trip to Other Post Office Branch by SMEs**



Source: NERA/RAND.

Base: SMEs without a local branch who combine their trip to the other Post Office branch.

The main activity is shopping (78.7 per cent) followed by banking (53.2 per cent).

We compared distance to travel to the other Post Office branch with the other activities combined with the trip. Table 4.10 shows that the majority of those combining their trip with work travelled over 5 miles. The majority for banking and shopping was from 2 to 3 miles, and for other over 5 miles.

**Table 4.10**  
**Distance and Activities Combined With Visiting the Other Post Office Branch by SMEs**

	<0.5	0.5-1	1-2	2-3	3-4	4-5	5+	Total
Shopping (%)	2.3	7.0	23.3	32.6	4.7	4.7	25.6	100.0
Banking (%)	3.4	13.8	20.7	31.0	3.4	0.0	27.6	100.0
Work (%)	0.0	0.0	12.5	25.0	12.5	0.0	50.0	100.0
Other (%)	0.0	0.0	50.0	0.0	0.0	0.0	50.0	100.0

Source: NERA/RAND. Note percentages relate only to those who combine their trip.

#### 4.6.2.2. Use of Post Office services

Table 4.11 illustrates the use of services at the other branch by SMEs.

**Table 4.11**  
**Use of Post Branch Services by SMEs (%)**

	All
Stamps, mailing	88.9
Parcel post	66.7
Bill payment	24.1
Pension	7.4
Licensing service	18.5
Picking up forms	20.4
Getting information	5.6
Special delivery	16.7
Paying car tax	51.9
Child benefit	22.2
Disability benefit	3.7
Banking services	1.9
Cash deposits	1.9
Applying for passport	18.5
Cash withdrawal	1.9
Foreign exchange	7.4
Unemployment benefit	0
Business banking	1.9
Other	0

\*

Source: NERA/RAND.

Note:

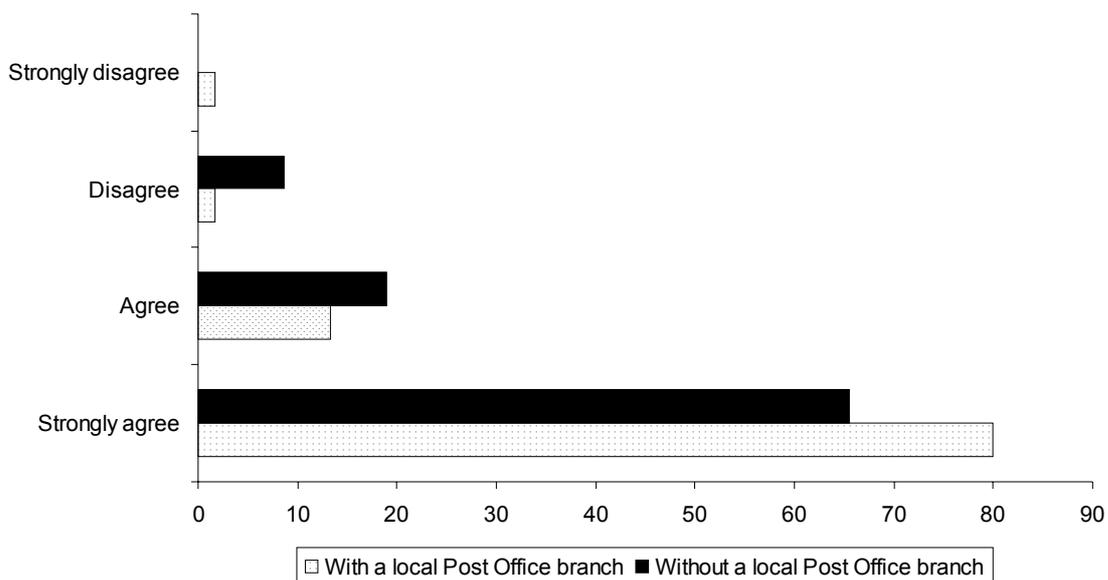
- \* Total exceeds 100% because respondents use more than one service.  
 These percentages relate to all SMEs that have a local Post Office branch.

These results are similar to previous results showing that stamps and mailing (88.9 per cent) and parcel post (66.7 per cent) are the most used services.

**4.6.3. Overall value of the Post Office**

All SMEs were asked about the importance of the Post Office to their community. Figure 4.20 compares responses for SMEs with and without a local branch.

**Figure 4.20**  
**Perceptions of Importance of the Post Office by SMEs With and Without a Local Post Office Branch**



Source: NERA/RAND.

Note: These percentages relate to all SMEs.

Those with a local branch reported very high levels of agreement with the statement that the Post Office had an important role in their community (80.0 per cent strongly agreed, 13.3 per cent agreed). High levels were also reported for SMEs without a local branch (65.5 per cent strongly agreed, 19.0 per cent agreed). Both groups had low levels of disagreement, and none without a local branch strongly disagreed with the statement.



## **5. VALUATIONS OF LOCAL POST OFFICE SERVICES**

### **5.1. Introduction**

This chapter considers the valuation results from the choice modelling exercise. The chapter is structured as follows:

- in Section 5.2 we explain how the data from the choice modelling exercise are used to estimate equations which identify variables which have a significant impact on choice, which identify whether these factors differ between different groups in the population, and which measure the relative importance of different factors in relation to costs;
- Section 5.3 provides estimates of consumer surplus values from having a local Post Office branch rather than one in a neighbouring town or village, and estimates of consumer surplus values from having a local branch in an alternative location compared with a branch in a neighbouring town or village. We also show how these values vary between different types of household, and between households which operate a business and those that do not;
- Section 5.4 presents the valuation results from the contingent valuation questions, as a comparison with the valuation results from the choice modelling;
- Section 5.5 provides estimates of additional travel costs (including time costs) that would be incurred as a result of branch closure; and
- Section 5.6 explains the values that we use in the cost-benefit analysis in the following chapter.

Because the methods used to estimate choice models and resulting valuations are complex, a detailed explanation is provided in Appendix C.

### **5.2. Estimating Choice Modelling Equations**

In order to identify statistically significant determinants of the choices made in the experiments it is necessary to estimate equations in which the utility of making a particular choice (in this case, between a local Post Office branch, a Post Office branch in an alternative local location, and a Post Office branch in a neighbouring town or village) is expressed as a function of variables, such as the hours of opening, the availability of different services, and the cost that the household would incur in extra tax payments. The estimation technique used is multi-nomial logit analysis.

The first step was to undertake a preliminary analysis to identify key variables that appear to explain household preferences for Post Office services. The key variables appear to be cost, availability of benefit payments, availability of bill payment services, and the availability of a local branch. The other service characteristics included, such as times of opening, did not have a statistically significant impact. These characteristics may indeed be important when evaluating different service levels for a specific Post Office branch, but they are not observed to be significant in the choice of having a local Post Office branch or not, given the data collected for this study.

Tests showed that separate models for residents with and without local Post Office services provide a significantly better model fit than the aggregate model, suggesting that there are significant differences in some of the valuations between these two segments. The relative mix of the types of households within each of these segments are about the same, given the quota specification. Therefore, separate models were developed for residents with and without a local Post Office branch.

Further tests were then undertaken to examine whether there were significant differences in model structure between different segments of those with and those without a local Post Office branch, specifically to determine whether there were observable differences between households with vulnerable residents (elderly, disabled or SEG E), SME households and other residents.

Results from these tests indicated that there were three segments which exhibited broad differences in preferences, most easily represented by analysing them in separate models for:

- residents with a local Post Office branch, with separate coefficients for households with pensioners and/or disabled persons, SEG E households and other households;
- residents without a local Post Office branch, with separate coefficients for households with pensioners, disabled persons or SEG E households and other households;
- SMEs, where observations for residents with and without a Post Office branch were aggregated, but separate coefficients are presented for respondents from these areas where required.

Further tests were then run to detect whether additional variables such as age, gender, car ownership influenced the predictions of the models about choices.

These runs for the models for households with a local Post Office branch showed significant cost sensitivity variation depending on whether the household reported that they paid any household taxes, whereby respondents who stated that they did not pay household taxes were insensitive to the cost mechanism in the choice modelling exercise. Just over 10 per cent of households in areas with local Post Office branches reported that they did not pay taxes. As a result, in subsequent models only those households which reported that they paid household taxes were included in the estimation of the cost coefficient, although the other households were still included for their information on the valuation of other variables. In the calculation of consumer surplus (see Section 5.3 below), households that reported that they did not pay household tax were assumed to have the same cost sensitivity as households who paid taxes. The assumption here is that, although the interviewer stressed that the additional tax to preserve the local Post Office branch would have to be paid, whatever the present tax status of the household, most non-tax-paying households did not believe that they really would have to pay to keep their Post Office branch open.

Income-specific sensitivities were not found to be significant, even with respect to cost variables, which may be considered to be slightly surprising. However, income sensitivity can only be tested on the basis of the data that was collected and this may not be sufficiently accurate or reliable to yield a significant response. Some indirect influence of income may be present in the model through the SEG E and home ownership variables, but the tests showed clearly that the absence of a significant income effect was not due to correlation with these variables. In any case, we do not consider that the inclusion of an income related term would substantially affect the consumer surplus calculated from these models.

### **5.3. Estimating Consumer Surplus Values from the Choice Modelling Exercise**

Consumer surplus measures the value that a household places on a good or service over and above what that household actually pays. The consumer surplus that has been calculated in this study is not an absolute measure of benefit, but the benefit of a local Post Office branch compared with that of the alternative more-or-less universally available branch in a neighbouring town or village. These benefits should reflect **all** the benefits that households derive from the local Post Office, including the benefits from the role of the office in the local community as well as the benefits of the different services provided.

These consumer surplus measures are calculated for each household in the sample, and are then averaged over households of different types.

We present results for the three models estimated, namely:

- households with a local Post Office branch available;

- households without a local Post Office branch available; and
- SMEs.

These values are presented both for a local Post Office branch relative to an alternative of having a neighbouring Post Office branch only, and for a local Post Office branch in an alternative location relative to a neighbouring Post Office branch only.

For residential households we also show results for different types of household, namely:

- those with a disabled person;
- those with a pensioner;
- those in SEG E;
- an average for those in these three 'vulnerable groups; and
- households without anyone in a 'vulnerable' group.

Table 5.1 shows results for those households **with** a local Post Office branch available.

This shows that the valuations for those in vulnerable households are greater than those in other households. Average valuation per month for a local branch compared with one in a neighbouring town or village for those in vulnerable households was £9.66, while for others it was £6.15. There was smaller variation between those in the different types of vulnerable household, £10.29 for disabled households, £11.58 for pensioner households, and £8.27 for households in SEG E.

Valuations for a local branch in an alternative location compared with one in a neighbouring town or village are lower in all cases, but again valuations are higher for all types of vulnerable household compared with all others, an average of £2.59 a month for those in vulnerable households and £1.49 a month for all others.

Table 5.2 shows results for those households **without** a local Post Office branch available.

This shows that those without a branch have a lower valuation than those with a branch, although in this case the valuation of a local Post Office branch compared with that of one in

a neighbouring town or village is lower for vulnerable households rather than others.<sup>68</sup> Again, the valuation of a local branch in an alternative location compared with one in a neighbouring town or village is lower than the valuation of a local branch compared with one in a neighbouring town or village.

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<sup>68</sup> The lower valuation from those without a local Post Office branch is in line with earlier MORI results which found that fewer respondents in closure areas agreed to statements about the importance of Post Office services. See Section 2.5.3 above.

**Table 5.1**  
**Consumer Surplus Values for Households with a Local Post Office Branch**

	<b>Disabled</b>	<b>Pensioner</b>	<b>SEG E</b>	<b>Vulnerable</b>	<b>Others</b>
Local PO branch compared with one in neighbouring town or village	£10.29 a month (£2.36 a week)	£11.58 a month (£2.66 a week)	£8.27 a month (£1.90 a week)	£9.66 a month (£2.22 a week)	£6.15 a month (£1.42 a week)
Local PO branch in alternative location compared with one in neighbouring town or village	£2.80 a month (£0.64 a week)	£2.62 a month (£0.60 a week)	£2.53 a month (£0.58 a week)	£2.59 a month (£0.59 a week)	£1.49 a month (£0.34 a week)

Source: NERA/RAND.

**Table 5.2**  
**Consumer Surplus Values for Households without a Local Post Office Branch**

	<b>Disabled</b>	<b>Pensioner</b>	<b>SEG E</b>	<b>Vulnerable</b>	<b>Others</b>
Local PO branch compared with one in neighbouring town or village	£3.64 a month (£0.83 a week)	£3.69 a month (£0.85 a week)	£3.77 a month (£0.86 a week)	£3.73 a month (£0.86 a week)	£4.08 a month (£0.94 a week)
Local PO branch in alternative location compared with one in neighbouring town or village	£1.88 a month (£0.43 a week)	£1.92 a month (£0.44 a week)	£1.97 a month (£0.45 a week)	£1.95 a month (£0.45 a week)	£2.17 a month (£0.49 a week)

Source: NERA/RAND.

Table 5.3 shows results for SMEs.

**Table 5.3**  
**Consumer Surplus Values for SMEs**

	<b>SMEs</b>
Local PO branch compared with one in neighbouring town or village	£5.58 a month (£1.29 a week)
Local PO branch in alternative location compared with one in neighbouring town or village	£1.70 a month (£0.39 a week)

Source: NERA/RAND.

The valuation for the local branch compared with a branch in a neighbouring town or village is £5.58 a month. The valuation for the local branch in an alternative location compared with a branch in a neighbouring town or village is £1.70 a month.

We have also estimated standard errors and confidence intervals for the key consumer surplus valuations. Calculation of these values is complex, so estimates have only been made for mean consumer surplus values. Results for these values are shown in Table 5.4.

**Table 5.4**  
**Standard Errors of Consumer Surplus Estimates (£/month)**

<b>Segment</b>	<b>Alternative</b>	<b>Mean Consumer Surplus (£/month)</b>	<b>Standard Error (£/month)</b>	<b>95 % Confidence Interval<sup>1</sup></b>	
With local PO	Local PO branch	£8.59	£1.34	£5.96	to £11.22
	Alternative location	£2.25	£0.39	£1.49	to £3.01
Without local PO	Local PO branch	£3.87	£0.72	£2.46	to £5.28
	Alternative location	£2.03	£0.39	£1.27	to £2.79
SMEs	Local PO	£5.58	£1.95	£1.76	to £9.40
	Alternative location	£1.70	£0.68	£0.37	to £3.03

Source: NERA/RAND

<sup>1</sup> 95 per cent of the time the 'true' value will lie between these two figures.

### 5.3.1. Valuation of specific Post Office services

[Commercial – in – Confidence]

## 5.4. Estimating Valuations from the Contingent Valuation Questions

### 5.4.1. The contingent valuation approach

Respondents were also asked to assess the benefit they derived from their local Post Office branch through a direct question on how much additional tax they would pay in order to keep the office. Those that did not have a local Post Office branch were asked how much additional tax they would pay in order to get one. These direct elicitations of value are

called contingent valuations (CV). In principle they give an alternative assessment of consumer surplus and the values so derived can be compared with the values derived from the choice models.

While contingent valuation is a relatively easy item of data to collect, the consensus among market analysts is that the problems associated with it make it a much less satisfactory measure of benefit than can be derived from a choice model. In particular numerous issues of bias arise which are considerably less serious in the choice model context.<sup>69</sup> Further, extreme values and zero values are often recorded, which are often not credible, but the elimination of these values often requires arbitrary decisions by the analyst. Accordingly, the contingent valuation values presented are intended as general support for the consumer surplus values derived from the choice models but are considered to be less reliable measures of households' true benefit.

#### **5.4.2. Valuation of the local Post Office branch**

##### *5.4.2.1. Households with a local branch*

Respondents who lived in an area with a local Post Office branch were presented with the following open-ended contingent valuation question:

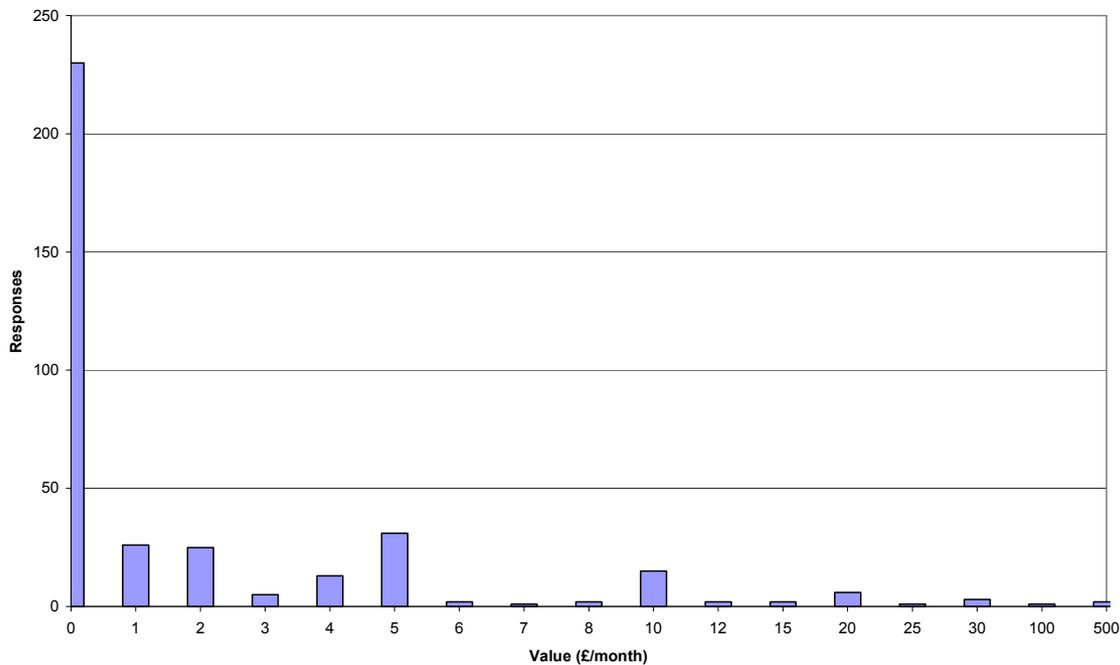
*How much would you be prepared to pay in extra household tax **per month** to avoid losing your local Post Office?*

Three hundred and seventy-two respondents were interviewed in a location with a local Post Office branch. Five of these respondents indicated that they did not know the answer to the question; otherwise responses varied from £0 to £500 per month. The distribution of responses is shown in Figure 5.1. Over 60 per cent (230) of the responses are zero, nearly 90 per cent of the responses lie between 0 and £5/month (The grouping of responses at 'round' numbers, e.g. £5, £10 per month etc. is a common feature of CV responses and illustrates a weakness of this method of elicitation of preferences.)

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<sup>69</sup> One aspect of bias that can arise in CV questions is that it is easier for the respondent to make politically aware 'strategic' answers. In choice experiments, the opportunity for this type of response is reduced, partly because a number of dimensions other than cost and the choice of Post Office branch are included. However, this advantage of choice experiments is reduced in the current context to some extent because few of the additional dimensions were found to be significant. However, a number of other biases in CV questions remain to make this approach less satisfactory than choice experiments.

**Figure 5.1**  
**Distribution of CV Responses to Avoid Losing a Local Post Office (£/month)**



Source: NERA/RAND.

The highest valuations are made by persons who use the Post Office branch at least once a week. The zero responses are distributed across the different usage categories. However only 14 per cent of zero values are assigned by people who have never used the local Post Office branch.

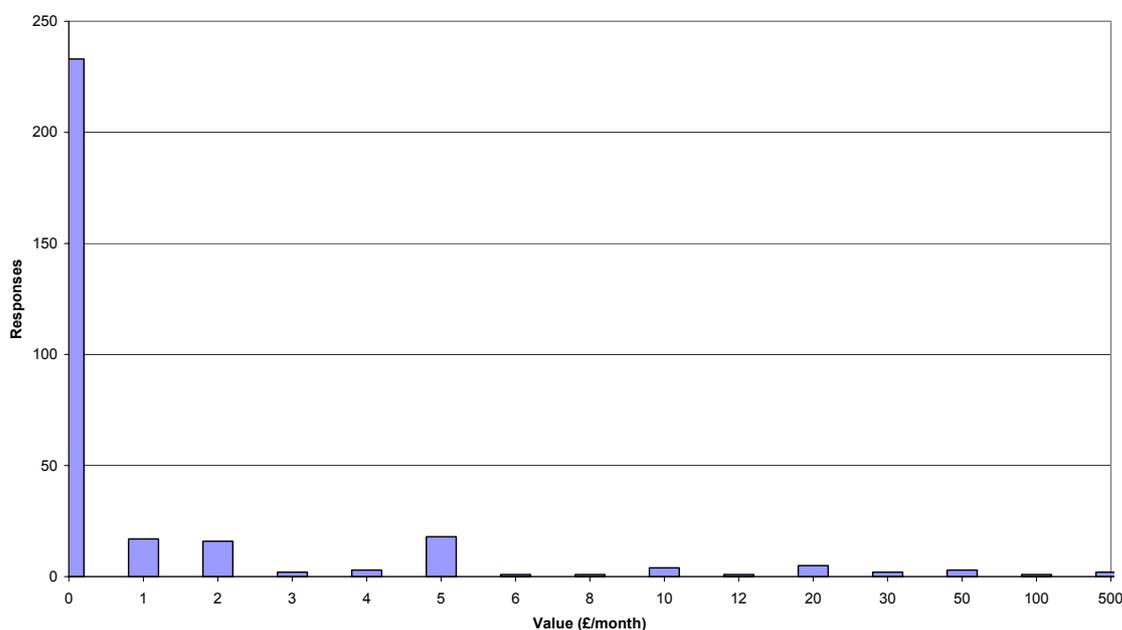
Excluding the five ‘don’t know’ responses leads to a mean response of £5.10 per month. Excluding the extremely high responses (two £500 responses and one £100 response) leads to a mean response of £2.12. Analysis of the mean responses by household types shows that there is little variation between household types when the high values are excluded.

Respondents whose local Post Office branch had a shop were then asked to estimate:

*How much would you be prepared to pay in extra household tax **per month** to also avoid losing the shop attached to your local Post Office? (in addition to that paid for Post Office)?*

Three-hundred and thirteen respondents’ local Post Office branch had a shop. Four respondents indicated that they did not know the answer to the question; otherwise responses varied from £0 to £500 per month. The distribution of responses is shown in Figure 5.2. Nearly 75 per cent (233) of the responses are zero, over 90 per cent of the responses lie between 0 and £5/month.

**Figure 5.2**  
**Distribution of CV Responses to Avoid Losing a Local Post Office Shop (£/month)**



Source: NERA/RAND.

Excluding the four ‘don’t know’ responses leads to a mean response of £5.28 per month. Excluding the extremely high responses (two £500 responses and one £100 response) leads to a mean response £1.74. Analysis of the mean responses by household type shows that there is little variation between household types when these high values are excluded.

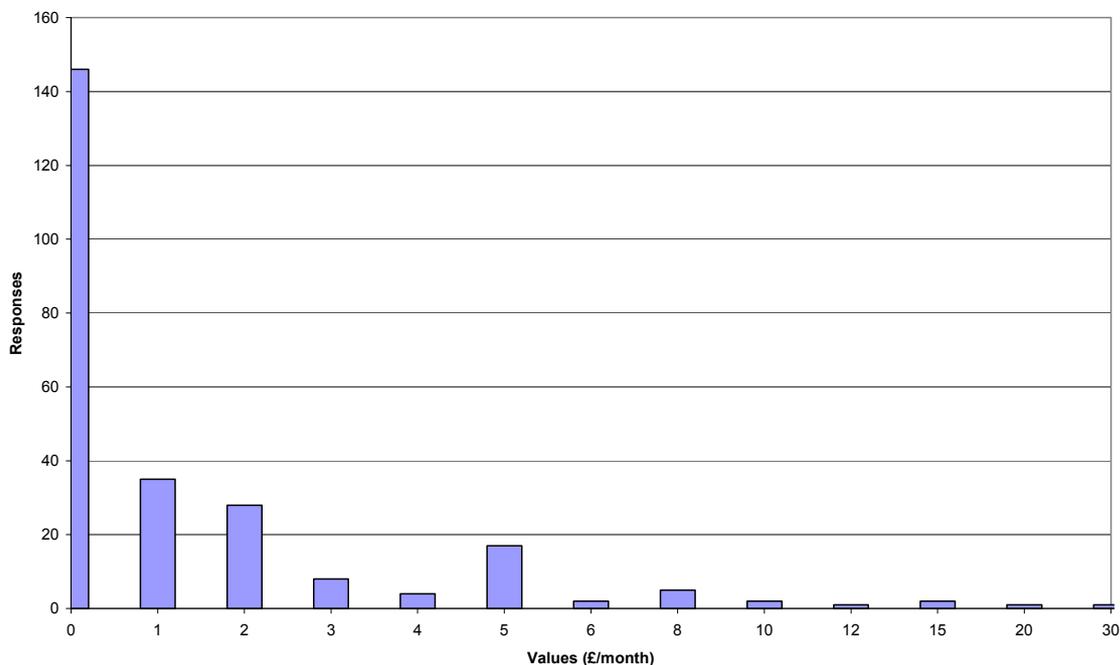
5.4.2.2. *Households without a local Post Office branch*

Respondents who lived in an area without a local Post Office branch were presented with the following open-ended contingent valuation questions in the survey:

*How much would you be prepared to pay in extra household tax **per month** to get a local Post Office?*

Two hundred and fifty-eight respondents were interviewed in a location without a local Post Office branch. Five respondents indicated that they did not know the answer to the first question; otherwise responses varied from £0 to £36 per month. The distribution of responses is shown in Figure 5.4. Nearly 60 per cent (146) of the responses are zero, over 90 per cent of the responses lie between 0 and £5/month.

**Figure 5.3**  
**Distribution of CV Responses to Obtain a Local Post Office (£/month)**



Source: NERA/RAND.

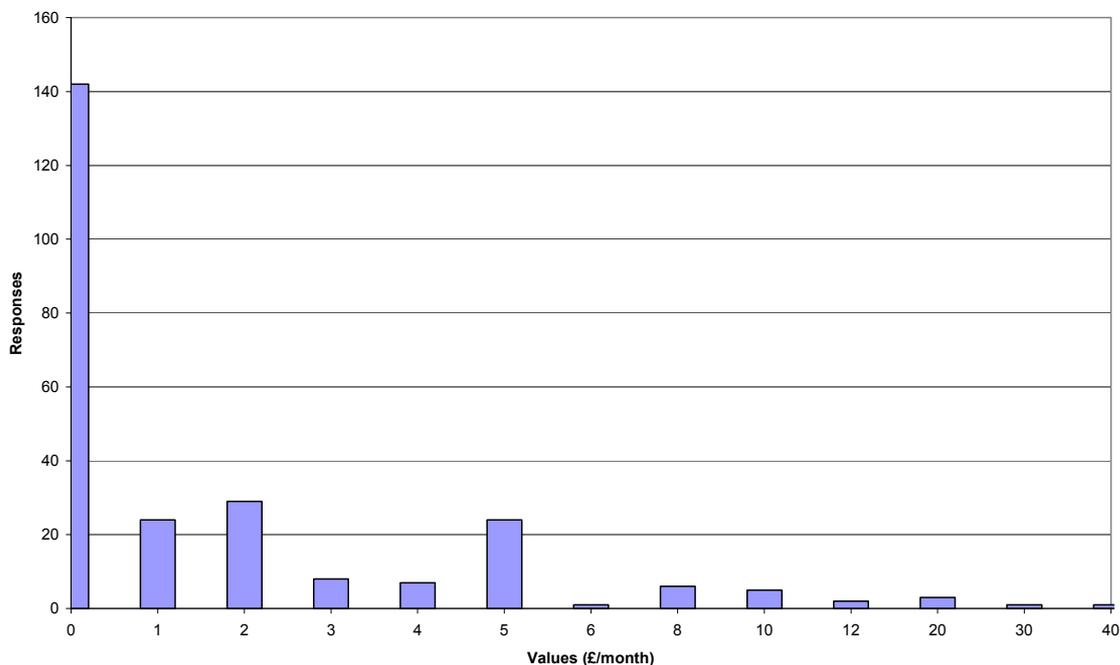
Excluding the five ‘don’t know’ responses, leads to a mean response of £1.64 per month.

These respondents were also asked:

*How much would you be prepared to pay in extra household tax **per month** to get a local Post Office and a shop attached to the local Post Office?*

Of the 258 respondents presented with this question, four were unable to answer the question. The other responses varied from £0 to £50. The distribution of responses is shown in Figure 5.4. Fifty-five per cent (142) of the responses are zero, over 90 per cent of the responses lie between 0 and £5/month.

**Figure 5.4**  
**Distribution of CV Responses to Obtain a Local Post Office and Shop (£/month)**



Source: NERA/RAND.

Excluding the four ‘don’t know’ responses, leads to a mean response of £2.21 £/month. The willingness to pay for a shop is small (£0.57 on average).

The CV responses also confirm the findings from the choice modelling, specifically that respondents who currently do not have a local Post Office branch, have significantly lower valuations for obtaining local Post Office services than do respondents who are providing willingness-to-pay figures to retain an existing local branch.

Table 5.5 summarises the CV responses, taking the figures that result from removing ‘don’t knows’ and extremely high responses from those that actually use the local Post Office branch. Note that the questions on availability of a shop varied between those with and those without a local Post Office branch. The figure of £1.74 for those with a Post Office branch represents the value of having a shop **in addition** to having a Post Office branch. For those currently without a Post Office branch, the figure of £1.64 represents the value of having a Post Office branch only, while the figure of £2.21 represents the valuation of having a Post Office branch and shop combined, so that the implied **additional** value of a shop in addition to a Post Office branch in this case is £0.57.

**Table 5.5**  
**Summary of CV Responses**

Area	Item measured	Mean (£/month)	N	S.D.* (£/month)
Areas with local PO	PO only	2.12	364	4.61
Areas with local PO	Attached shop only	1.74	306	6.17
Areas without local PO	PO only	1.64	253	3.89
Areas without local PO	PO and attached shop	2.21	254	5.29

*Source: NERA/RAND.*

People who provide a zero response may genuinely derive no extra value from a local Post Office branch and/or shop, or their response may be an attempt to avoid having to pay for a service that they do genuinely value. If we remove zero responses for those areas with a local Post Office branch, the mean value for a Post Office branch increases from £2.12 to £4.71, while the mean value of a shop in addition to a Post Office branch increases from £1.74 to £7.30. This means that the decision as to whether to include zero responses has a major impact on the valuations derived. The strong dependence of CV results on these types of inclusion assumption is a weakness of this method of eliciting preferences.

## 5.5. Estimates of Additional Travel Costs

We have also made some estimates of additional travel costs that would be incurred by those using their local Post Office branch if the branch were to be closed. These estimates were calculated for those with a local Post Office branch who currently use it. In addition, we then selected those who said that they would use an alternative office in a neighbouring town or village but would not combine their trip to that office with some other purpose, such as visiting a bank or shops in the neighbouring town or village (if they did so, it would not be possible to separate out the additional costs that should be allocated to the Post Office branch visit).

For the households considered we compared the method of travel they use to their existing local Post Office branch with the method of travel they would use to the alternative. For each, we used the information they provided on mode, distance to branch, and time of travel to branch to calculate the difference in travel costs.

For car costs we used an estimate of marginal car operating costs of 20p per mile based on DfT operating cost formulae and current prices for petrol and diesel. Bus and taxi fares were based on reported actual and expected payments.

The major item of travel costs were time costs, which we valued at DfT equity values<sup>70</sup>, with a value of £3.78 per hour for in-vehicle time, and twice that value for walking and cycling time.

Average extra costs for this part of the sample, namely those who would not combine the trip to the neighbouring Post Office branch with trips for other purposes, were £15 a month. We believe that this represents a maximum valuation of extra travel costs per household because:

- faced with these extra costs of accessing Post Office services individuals would be expected to make fewer trips; and
- others in the household sample said they would combine the trips with those for other purposes, which means that the additional costs to them would be lower.

## 5.6. Conclusions on Valuations for the Cost-Benefit Analysis

We believe that it is appropriate to use the valuations from the choice modelling exercise in the cost-benefit analysis in the following chapter. This is because they have been developed from a reasonably robust procedure that involves statistical analysis with measures of goodness-of-fit. This does not mean that respondents might not ‘game’ in their responses, but this will be much more difficult to do than when faced with contingent variation questions.

Since we will be considering benefits for existing Post Office branches it is appropriate to use valuations for those households who do have a local Post Office branch.

Our data on Post Office branch catchment areas include demographic data on households with different characteristics, and so we can disaggregate our valuations by different types of household. Since the values for the three different types of vulnerable household do not differ greatly, we use the average value for vulnerable households (£9.66 a month from Table 5.1), together with the valuation for other households in those areas that do have a local Post Office branch (£6.15 a month from Table 5.1). As indicated at the beginning of Section 5.3, these benefits should reflect **all** the benefits that households derive from the local Post Office, including the benefits from the role of the office in the local community as well as the benefits of the different services provided.

Although we have derived benefit estimates for SMEs, we do not have adequate data on the numbers of SMEs in rural areas and in the catchment areas of individual rural Post Office branches. Consequently we do not include specific SME valuations in our cost-benefit

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<sup>70</sup> These are the values used in appraisals of transport projects. They are values for travel that does not take place in working time, and the values do not vary with the income level of the traveller.

analysis. However, this will not lead to an underestimation of benefits because the average value for households (of £8.59 a month – see Table 5.4) exceeds the average value for SMEs of £5.58 a month, and we will be including total household numbers (including households that are responsible for SMEs) within our evaluation framework.



## 6. THE COSTS OF RURAL POST OFFICE BRANCHES

### 6.1. Terms of Reference

The Terms of Reference indicated that the work on costs would be undertaken by Postcomm and Post Office Ltd:

*Postcomm will work with Post Office Ltd to segment the rural network into categories, by size of settlement, customer numbers, etc. Once the rural network is segmented, Postcomm will work with Post Office Ltd to attribute to each category of Post Office branch:*

- *number of customers;*
- *amounts paid in postmaster salary (divided into fixed and variable payments); and*
- *non-marginal support costs.*

*The ToR also note: 'we suspect that it will not be possible to allocate rate relief, grants and community/subpostmaster contributions accurately. Postcomm and Post Office Ltd will try to reach a view on this'.*

### 6.2. Post Office Ltd Cost Data

The costs incurred by Post Office Ltd in providing rural Post Office services consist of payments to sub-postmasters, plus their own direct support costs.

The payments to sub-postmasters consist of two components:

- **Assigned Office Payments (AOP).** These are fixed payments to individual branches made to sub-postmasters. The payments vary from branch to branch, but do not vary with the business conducted by the branch.
- **Traffic Related Pay (TRP).** These payments vary with the amount of business conducted by the branch.

Generally, the smaller the size of the branch, the greater will be the proportion of a sub-postmaster's payment that consists of AOP rather than TRP.

Post Office Ltd supplied NERA with data for average annual costs under the three categories AOP payments, TRP payments and support costs – for each decile of branch size where branch size is measured by the level of business conducted in terms of basic transaction hours (BTHs). We note that NERA has not been in a position to audit these figures.

On this basis we were able to interpolate estimates of expected costs for branches of different sizes.

Post Office Ltd also supplied data on average number of customers per week for each decile of branch size.

## 7. COST-BENEFIT ANALYSIS OF RURAL POST OFFICE BRANCHES

### 7.1. The Cost-Benefit Analysis Framework

This chapter presents the cost-benefit results, in which we compare the costs of rural Post Office branch provision with the benefits.

Cost-benefit analysis is a widely-used technique to assess the case for public expenditure where some of the benefits and/or costs are not captured in revenues and/or costs to the agency responsible for the expenditure.

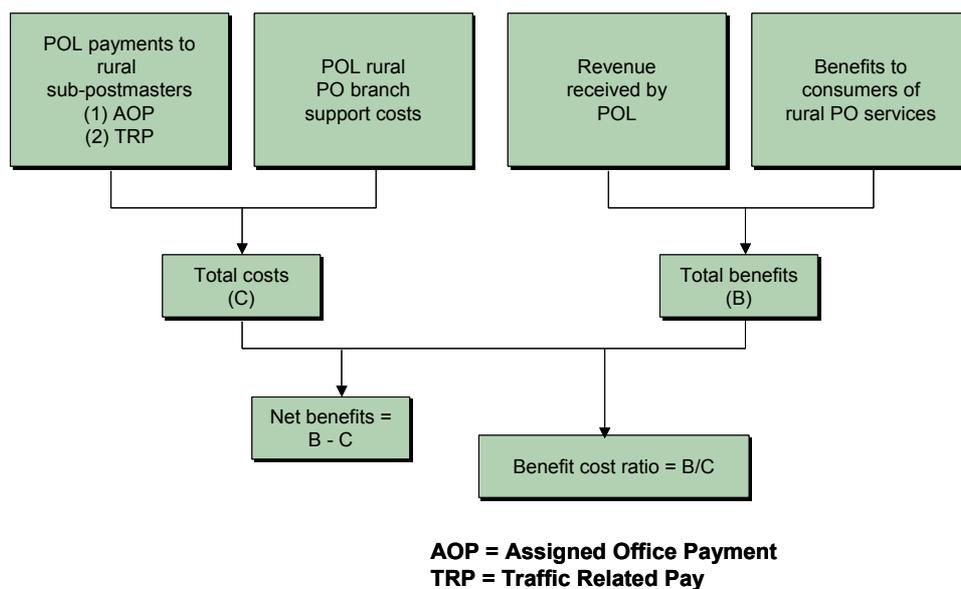
The recently-revised Treasury Green Book has the following definition:

*Analysis which quantifies in monetary terms as many of the costs and benefits of a proposal as feasible, including items for which the market does not provide a satisfactory measure of economic value.<sup>71</sup>*

This technique is appropriate here because of the need to place a value on the wider benefits of rural Post Office branches, especially the value to more vulnerable groups.

Figure 7.1 illustrates the cost-benefit analysis framework we have used.

**Figure 7.1**  
**Cost-Benefit Analysis Framework**



<sup>71</sup> HM Treasury, op. cit., p.101.

The costs are the costs of Post Office Ltd as discussed in Chapter 6, and consist of:

- Assigned Office Payments (AOP) to sub-postmasters;
- Traffic Related Pay (TRP) to sub-postmasters; and
- Post Office Ltd support costs for their rural network.

These costs will for the next few years be partly funded by DTI.<sup>72</sup>

The benefits consist of two items:

- revenue to Post Office Ltd from provision of rural Post Office services;<sup>73</sup> and
- the additional benefits that households and SMEs place on provision of local rural branch services.

It is appropriate to add these two items together because the Post Office Ltd revenue reflects the benefits of the services they provide to others (including benefit agencies, and Royal Mail), as reflected by these organisations' willingness-to-pay for provision of services. Household and SME benefits then reflect additional benefits – widely-defined – that households derive from provision of a local Post Office branch in their community.

All of these costs and benefits are estimated on an annual basis.

The benefit measures depend on aggregating up benefits for individual vulnerable and other households by numbers of these households in the catchment areas of individual Post Office branches. These estimates of demographic features of each branch have been derived by Post Office Ltd for their marketing purposes, and supplied to NERA for our study. There is some overlap between the catchment areas of adjacent offices, and a consequent danger that without an adjustment to allow for this some households would be incorrectly counted twice in the valuation of benefits. However, Post Office Ltd have also supplied overlap proportions for each office and we have used these to scale down numbers of households so that each household is only counted once in the benefit calculation.

We have not added any additional items for sub-postmasters into the cost-benefit analysis framework. Sub-postmasters receive revenue from Post Office Ltd, plus revenue from any other activities in which they engage, such as provision of an attached shop. The revenue from Post Office Ltd is already included within the cost-benefit analysis framework. Sub-postmasters will also incur costs both of providing Post Office services and of providing

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<sup>72</sup> See section 1.2 above.

<sup>73</sup> Note that this is the revenue generated for Post Office Ltd from the services provided, and not the total value of "transactions" in the branch.

other activities. If the revenue from these various activities, including Post Office branch activities they jointly engage in, covers the costs of providing them and that cost includes a normal profit,<sup>74</sup> then the revenue and the cost items cancel out.

This means that we do not need to include any additional items in the cost-benefit analysis for sub-postmasters. We would only need to do so if **either**:

- the activity of operating rural Post Office branches was excessively profitable, in which case profits above the normal level would need to be counted as an additional benefit of rural Post Office services; **or**
- the activity of operating rural Post Office branches did not yield a normal return, in which case sub-postmaster losses would need to be counted as an additional cost of rural Post Office services.

We doubt that anyone would claim the first. The second might seem more contentious, though if sub-postmasters appear to be willing to continue to provide services we could infer that the joint provision of Post Office branch and other services was generating a sufficient return in order to 'induce the firm to remain in operation'. The prime source of evidence that it was not, would be difficulty in continuing to provide a rural network because of exit of sub-postmasters from the business.

No cost-benefit analysis can quantify all the effects of a policy in monetary terms but we do not believe that significant items have been omitted – environmental consequences of increased road travel to access branches that are further away from people's houses would be one.

## **7.2. Cost-Benefit Results by Branch Size**

We have estimated benefits and costs of rural Post Office branches by branch size. These benefits and costs show benefits and costs of retaining branches within each size category. Benefits per household are based on the averages across all the branch sizes covered in the survey.

We present the results in this report in terms of average annual benefits and costs for each decile of Post Office branch size. The Excel model we have developed to do this can also generate results for each of the 7,710 individual branches for which we have demographic data on the number and composition of households in the catchment area of the branch. This enables us to identify the number of households and to distinguish between vulnerable and other households. Costs for each branch are estimates based on interpolation, rather

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<sup>74</sup> 'Normal profit' is defined as 'that minimum amount of profit which a firm must acquire in order to induce the firm to remain in operation. This is where all opportunity costs are just covered by total revenue'. *Macmillan Dictionary of Modern Economics*, 4<sup>th</sup> ed, p.310.

than actual AOP and TRP payments to sub-postmasters and Post Office Ltd support costs. Of course, Post Office Ltd will have information of actual AOP and TRP payments for individual branches, and it is these that should be used in any appraisal of particular branches.

Table 7.1 shows results for an average branch for each branch size category. For each of the ten size bands the columns in the table show:

- [1]: average annual Post Office Ltd payment to sub-postmasters (ie AOP plus TRP) per branch.
- [2]: average annual Post Office Ltd support costs per branch.
- [3]: average annual Post Office Ltd cost ([1] + [2]) per branch.
- [4]: average annual Post Office Ltd revenue per branch. This is based on a fixed rate per BTH supplied by Post Office Ltd.
- [5]: average annual household benefits per branch. This is effectively equal to the number of households in the branch catchment area<sup>75</sup> multiplied by a weighted average of the household benefit to vulnerable households (£9.66 a month) and the household benefit to other households (£6.15 a month) where the relative proportions of these two groups are derived from the proportions of these groups in all branches in the size band for which we have detailed demographic data.
- [6]: total annual benefits per branch ([4] + [5]).
- [7]: annual loss (-) or profit (+) per branch ([4] - [3]).
- [8]: revenue/cost ratio per branch ([4] / [3]).
- [9]: annual net cost (-) or net benefit (+) per branch ([6] - [3]).
- [10]: benefit/cost ratio per branch ([6] / [3]).

Results show that in each range of branch size, except the largest, the average financial return to Post Office Ltd was negative, with revenue/cost ratios increasing as branch size increases, but only rising above the break even value of 1 for the largest size band. Household benefits exceed the revenue that Post Office Ltd earns, and so comprises the greater part of total benefits, especially for the smaller branch sizes. Average benefit/cost ratios rise as branch size increases, but are less than one for the two smallest categories of

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<sup>75</sup> Adjusted to allow for overlap between catchment areas, see Section 7.1 above.

branch. The implication of a value of a benefit/cost ratio which is less than one is that continued operation of such branches is not justified.

**Table 7.1**  
**Cost-Benefit Analysis Results by Branch Size**

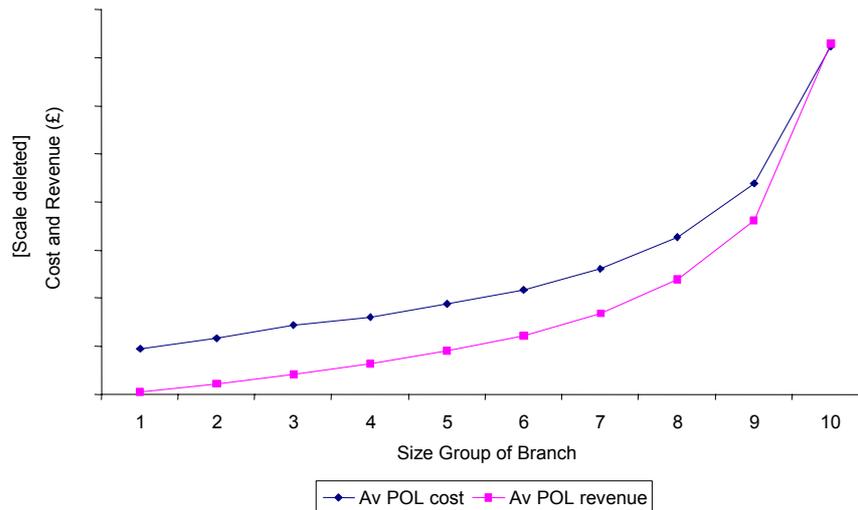
Size group	Average annual POL payment to sub-postmasters per branch	Average annual POL support costs per branch	Average annual POL costs per branch	Average annual POL revenue per branch	Average annual household benefits per branch	Average total annual benefits per branch	Average annual profit or loss per branch	Average rev/cost ratio per branch	Average annual net benefits per branch	Average benefit/cost ratio per branch
	£	£	£	£	£	£	£		£	
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
1	4,340							0.06		0.77
2	7,200							0.18		0.88
3	10,565							0.29		1.03
4	11,932							0.39		1.22
5	14,685							0.48		1.45
6	17,350							0.57		1.60
7	22,007							0.65		1.77
8	28,410							0.73		1.87
9	39,598							0.82		1.93
10	61,954							1.01		2.03

Source: NERA and Post Office Ltd.

Note: Size group 1 is the smallest 10 per cent of rural branches in terms of business, size group 2 the next 10 per cent, and so on.

Figure 7.2 and 7.3 show the results of the analysis in Table 7.1 in graphical form. Figure 7.2 shows financial results to Post Office Ltd in terms of average costs and average revenue by branch size groups. Figure 7.3 shows cost-benefit results in terms of average costs and average benefits by branch size group.

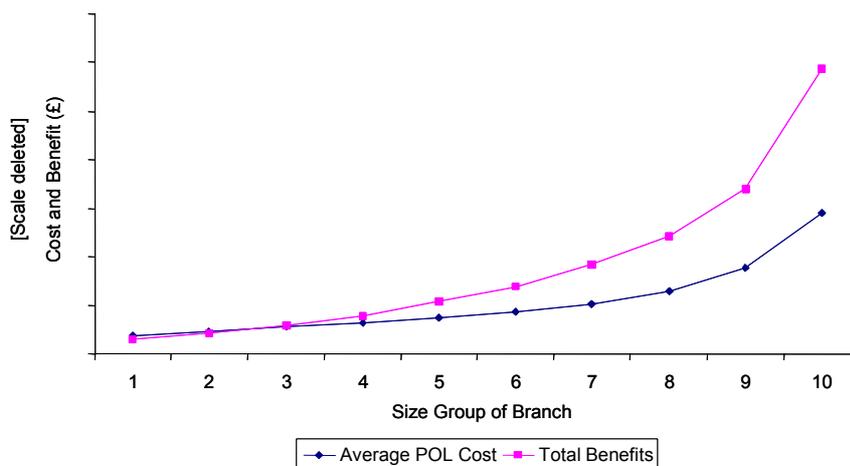
**Figure 7.2**  
**Rural Average Costs and Revenue per Branch by Branch Size**



Source: NERA.

Note: Size group 1 is the smallest 10 per cent of rural branches in terms of business, size group 2 the next 10 per cent, and so on.

**Figure 7.3**  
**Rural Average Costs and Benefits per Branch by Branch Size**

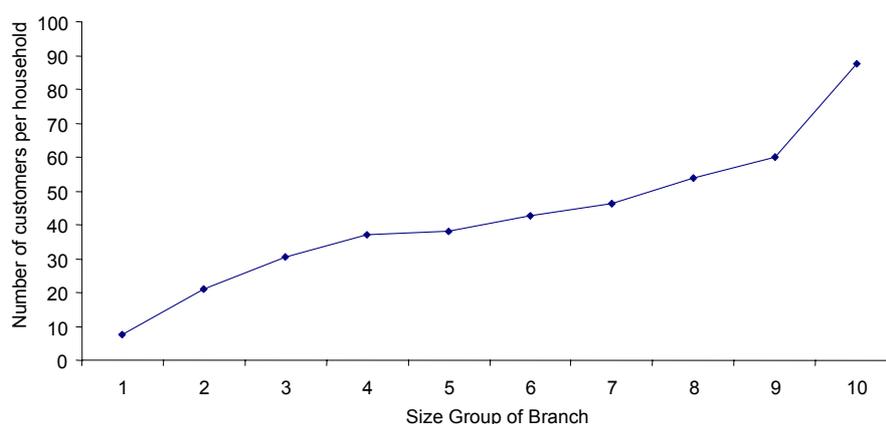


Source: NERA.

Note: Size group 1 is the smallest 10 per cent of rural branches in terms of business, size group 2 the next 10 per cent, and so on.

Our analysis of the underlying data indicates that there is considerable variation in the ratio between Post Office Ltd data on the numbers of customers per branch and the numbers of households in the estimated catchment areas of each branch, even after adjusting for the overlap between catchment areas. Thus the ratio of customers per household is much lower for the smaller branches than for the larger ones. This is illustrated in Figure 7.4, which shows annual customers per household per year in each branch size groups.

**Figure 7.4**  
**Annual Customers per Household by Branch Size**



Source: NERA.

Note: Size group 1 is the smallest 10 per cent of rural branches in terms of business, size group 2 the next 10 per cent, and so on.

We would certainly expect that usage per household of the smaller branches providing a more limited range of services and with more limited opening hours will be lower than usage per household of larger branches with a full range of services and standard opening hours. However, this variation in the ratio could partly be a symptom of an over-estimation of the numbers of households who are in catchment areas of smaller branches compared with the numbers of households in the catchment areas of larger branches. In turn this would mean that our methods over-estimate average household benefits for the smaller branches and under-estimate them for the larger ones. This would mean that the range of benefit-cost ratios in column [10] would be wider than shown. We have carried out some sensitivity analysis in which we adjust the benefit figures to see what would happen to the benefit-cost ratios if the average number of customers per household was the same across all rural areas - this reduces benefit-cost ratios for smaller branches and increases them for larger ones, and would imply that benefit-cost ratios were below unit for branches in the third smallest size category of branch, as well as in the smallest two size categories.

Table 7.2 shows results for the different branch sizes in terms of revenue and costs per customer. As is to be expected revenue per customer is approximately constant (the small variation between branch size groups largely reflects differences in the mix of business

conducted in different bands), while cost per customer falls sharply as one moves away from the smallest branches where annual traffic levels are low.<sup>76</sup>

**Table 7.2**  
**Annual POL Cost and Revenue per Customer by Branch Size**  
**[Commercial - in - Confidence Columns Deleted]**

Size group	Average annual customers	Average POL cost	Average POL cost per customer	Average POL revenue	Average POL revenue per customer	Average POL loss per customer
		£	£	£	£	£
1	988					18.33
2	3432					5.64
3	6812					3.02
4	10452					1.87
5	14716					1.33
6	20176					0.93
7	27976					0.66
8	39104					0.45
9	59800					0.26
10	121940					0.01 (profit)

Source: NERA and Post Office Ltd.

Note: Size group 1 is the smallest 10 per cent of rural branches in terms of business, size group 2 the next 10 per cent, and so on.

### 7.3. Network Benefits

This report does not provide an estimate of the total value of the whole of the rural Post Office branch network. There are two (related) reasons for this:

- we would expect that the policy option under consideration is not that of whether there should be a rural Post Office branch network at all, but the question of the overall size and the justification of financial support for different sizes; and
- the valuation of benefits in this report shows valuation of a local rural Post Office branch compared with that of one in a neighbouring town or village – if no rural alternatives at all were available then individuals would have to travel further to access Post Office services and so their valuation of their local rural branch would be higher.

<sup>76</sup> We have not calculated average household benefit per customer from the figures in Table 7.1 and Table 7.2 as some of the household benefits may reflect option values that are not directly related to actual use.



## 8. ALTERNATIVE WAYS OF DELIVERING RURAL POST OFFICE SERVICES

### 8.1. International Experience

Unpublished Postcomm work has surveyed approaches to providing rural post office services in other countries.<sup>77</sup> Table 8.1 provides a summary of these results.

**Table 8.1**  
**Alternative Ways of Providing Rural Post Office Services Abroad**

Country	Community run offices	Mobile post offices	Rural postmen delivering postal services	Rural postmen delivering financial services
Australia	Experimenting with Rural Transaction Centres funded jointly by Australia Post and the Government	-	492 postmen provide postal services	-
Austria	-	-	Postmen can collect letters, parcels and registered mail	Postmen handle remittances and deposits into post office savings accounts
Belgium	-	-	-	Postmen pay 750,000 benefits (mainly pensions) at home to people who find it hard to get to a post office
Canada	-	-	-	-
Denmark	-	Mobile offices	Postmen provide postal services	Postmen provide financial services
Finland	-	<i>Mobile offices were abandoned in the 1980s</i>	Postmen collect mail and sell stamps	-
France	Post offices may be included in local authority one stop shops and may be "twinned" (one person alternates between two offices which are both open part time)	<i>Experimented with, but withdrawn as too costly and opening hours limited</i>	Allo Facteur – in rural areas a person can ring up their local post to ask for the postman to provide postal services on their doorstep	Also provides sales of fiscal stamps and cash withdrawals

<sup>77</sup> Postcomm, *The Post in a Foreign Country: They Do Things Differently There – Post Office Networks Abroad*, 2003 (Unpublished)

Country	Community run offices	Mobile post offices	Rural postmen delivering postal services	Rural postmen delivering financial services
Germany	-	-	18,500 postmen provide postal services	<i>Available until recently, withdrawn due to low demand</i>
Ireland	<i>Rejected part time opening as this does not reduce fixed overheads</i>	<i>Rejected as too expensive</i>	450 postmen in rural areas can collect post and sell stamps	-
Italy	Use part time opening and postmen delivering letters in morning and opening a post office in the afternoon to cut costs of small branches	-	-	-
Japan	-	-	Postal services are provided at home to elderly people	-
Netherlands	-	-	-	-
New Zealand	-	-	Rural delivery drivers provide postal services	-
Norway	-	-	Postal services are provided on 2,006 routes	Financial services also provided
Portugal	-	16 mobile post offices	2,095 postmen provide postal services	-
Spain	-	11 mobile post offices	2,410 postmen provide postal services	-
Sweden	-	-	2,700 postmen provide postal services	Financial services also provided
Switzerland	-	One mobile office serves 7 communities	Postmen accept items for mailing	Also sell car and bike tax stickers and provide cash withdrawal
USA	-	Mobile offices	Postmen provide postal services	-

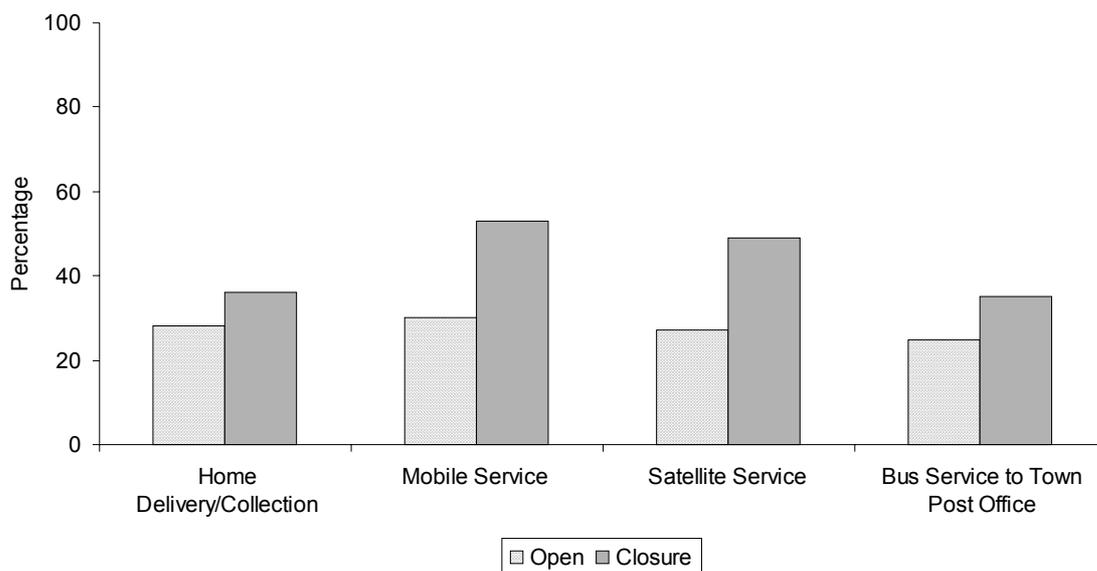
Source: *The Post in a Foreign Country: They Do Things Differently There* (Postcomm, unpublished - 2003).

## 8.2. Customer Views on Alternative Methods of Provision of Local Post Office Services in the UK

Postcomm note a range of alternatives to the fixed full time Post Office branch for rural areas. These include; part time branches, community owned branches, branches in other locations (such as pubs, village halls etc.) satellite branches (which set up for limited hours in a temporary location) and mobile offices.<sup>78</sup> As agreed with Postcomm we concentrate on two alternatives in the cost-benefit analysis; mobile and satellite branches.

A large face-to-face household survey commissioned by Postcomm undertaken by MORI in 2001 provides information on the perception of rural residents on alternative ways to provide post office services. Figure 8.1 present findings from the open and closure sample of the usefulness of four alternative options: mobile post office; home delivery of services; bus service to nearest town office; and a satellite office. Figure 8.2 presents the perceptions of vulnerable groups in the closure sample to alternative options.

**Figure 8.1**  
**Perceptions of Usefulness of Alternatives if Local Post Office Closed**

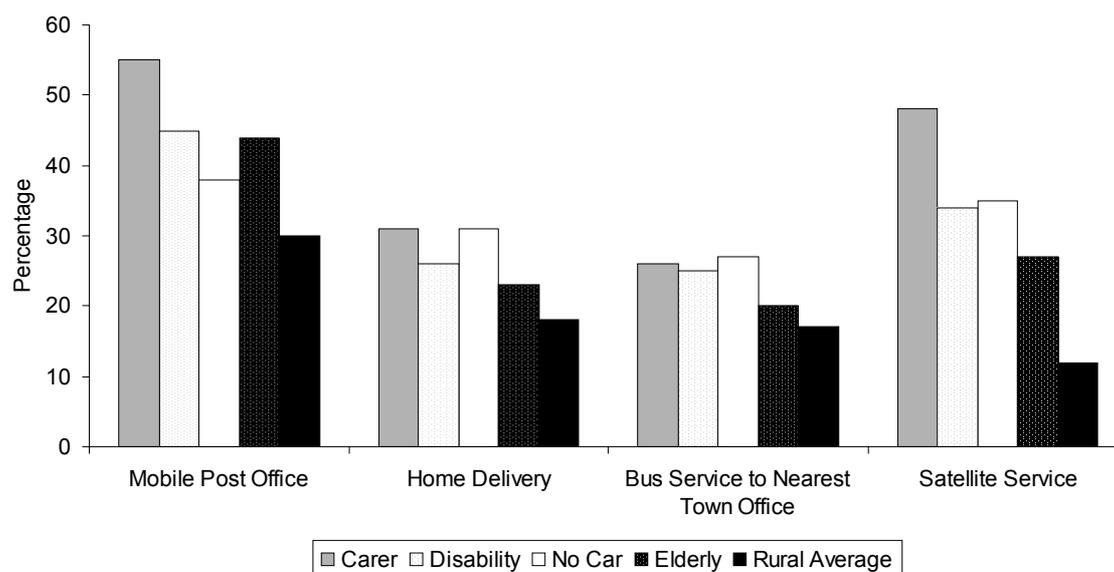


Source: Postcomm, *Post Offices, Customers and Communities*, 2001 p.57.

<sup>78</sup> Postcomm, *Access to Post Office Services: Time to Act*, 2002, p.140.

The majority of respondents in the closed group favoured the mobile option (53 per cent), and 30 per cent of the open group favoured this option. A bus service to the nearest town option was least favoured by both the open and closure group (25 per cent and 35 per cent respectively).<sup>79</sup>

**Figure 8.2**  
**Perceptions of Usefulness if Local Post Office Closed - by Vulnerable Group**



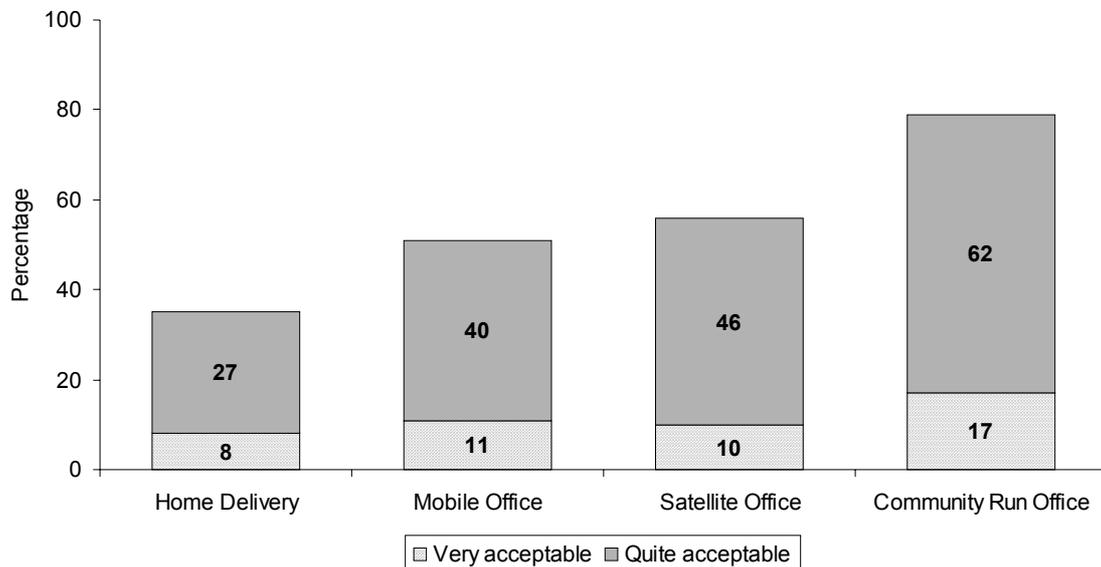
Source: Postcomm, *Serving the Community V – The Effect of Post Office Closures*, 2002, p.13.

The mobile option is favoured by all vulnerable groups, followed by the satellite service.

A much larger closure household survey (n=1,100) commissioned by Postwatch and undertaken by Triangle and HI Europe also asked respondents about the acceptability of alternatives. Results are presented in Figure 8.3.

<sup>79</sup> Postcomm, *Post Offices, Customers and Communities*, 2001 p.57

**Figure 8.3**  
**Acceptability of Alternatives**



Source: Triangle and HI Europe, *The Impact of Post Office Closures in the Rural Community Research Report, 2002, p.66.*

In this survey respondents favoured the community run option, although this requires an able and willing SPM to operate the office. This may not be available for all communities.

In conclusion, rural Post Office customers find the mobile, satellite and community run office as acceptable alternatives to the existing physical fixed Post Office branch network.

### 8.3. Valuations of Alternative Means of Provision

Our choice modelling approach presented respondents with two alternative means of local Post Office branch provision. These are:

- a satellite branch in an alternative fixed branch location in the local area; and
- a mobile office visiting the local area.

For those in an area with a local Post Office branch, results show lower valuations of the alternative compared with a branch in a neighbouring town or village, than the valuation of the existing local branch compared with the one in the neighbouring town or village. Table 8.2 repeats information from Table 5.4 showing average valuations for households in areas with a local Post Office branch. More detailed comparisons can be found in Tables 5.1, 5.2 and Table 5.3.

The numbers in Table 8.2 imply that households would value their present local branch compared with a local branch in an alternative location at the difference between these two values, that is at £6.34 a month. This seems relatively high, and may partly reflect longer opening hours at the present branch than at the suggested alternative.

Although we attempted to identify whether there was any difference between valuation of an alternative branch at a fixed location and the valuation of a mobile office, results were not statistically significant.

**Table 8.2**  
**Comparison of Valuations for a Local Branch for Those for a Local Branch in an Alternative Location**

Local Post Office branch compared with one in neighbouring town or village	£8.59 a month (£1.98 a week)
Local Post Office branch in alternative location compared with one in neighbouring town or village	£2.25 a month (£0.52 a week)

*Source: NERA.*

#### **8.4. Cost of Alternative Means of Provision**

[Commercial - in - Confidence]

#### **8.5. Cost-Benefit Analysis of Alternative Means of Provision of Local Post Office Services**

Post Office Ltd advise that revenue from satellite offices is low because of their limited opening hours and limited business conducted.

Benefits will depend on the number of households in the satellite branch's catchment area, multiplied by average benefit per household.

[Passage deleted - commercial - in - confidence]