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The Social Value of the Post Office Network

Report for Postcomm

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Executive Summary

This report, by NERA Economic Consulting and Accent for Postcomm, provides a quantitative analysis of customers' willingness to pay for the post office network and the services provided by post offices, which is referred to in this report as the "social value". Our findings confirm that customers place a high value on the existing network of post offices, but do not address further questions related to the case for public funding, such as the net cost of providing the current network or how the value of post offices compares with the value of other services (such as education and health care).

Our estimates are derived from a survey of households and businesses. We used a survey approach that encourages respondents to give truthful answers. Before and during the survey, respondents were made aware of the alternative ways that they can access specific services provided by post offices. However, some of the questions involve very major changes, most notably the case where there are no post offices at all. Respondents may have found it difficult to consider such extreme cases, for example because they have less experience of using the possible alternatives. In addition, their beliefs about the potential benefits of post offices may have been affected by the publicity generated during the recent closure programme.

Even for less extreme changes, involving the withdrawal of particular services, there is a wide range between our lower and upper estimates of customers' willingness to pay. This often occurs in surveys of this type, and reflects known downward and upward biases associated with the available methodologies.

The study has been peer reviewed by Prof Ian Bateman, a noted expert in the field of valuation. In his remarks on the study as a whole, contained as an annex to this report, he states in conclusion:

"Taking these caveats together we therefore have a relatively wide range of potential values for the overall network and have to exercise some caution regarding the disaggregation of this sum into the SGEI¹ benefits provided and the wider social benefits of the network. However, while these ranges are indeed wide, nevertheless the study provides a useful estimate of such values which may well prove sufficient for decision making purposes and clearly indicates that network benefits far outstrip costs. The clear conclusion of the study is therefore that the post office network provides a major net social benefit to the UK population."

Summary of Main Findings

§ For the services of general economic interest provided by post offices (ie postal services, benefits, licensing, bill payment and access to banking services), our lower and upper estimates of the total social value are respectively £0.9 billion and £4.4 billion per year. These totals are built up from average values per household of between £2.6 and £12.2 per month, and average values per SME of between £2.4 and £9.0 per month. Postal services are particularly important, accounting for around 56 per cent of these totals.

¹ SGEI benefits are benefits that derive from provision of services of general economic interest by post offices. These include postal services, benefits, licensing, bill payment and access to banking services.

- § For the network as a whole, our lower and upper estimates of the total social value are respectively £2.3 billion and £10.2 billion per year. These are based on average willingness to pay of £5.9 to £28.6 per month for households, and £6.6 to £24.6 per month for SMEs.
- § There is a large difference between the values for the network as a whole and the values associated with the specific services provided by post offices. We interpret this as representing the value that customers attach to the wider social role of post offices. As noted above, however, this value might be affected by recent publicity about the role of post offices.
- § In general, the evidence on whether the social value of the post office network differs between types of household or between geographic areas is weak. But there is some evidence that pensionable age households have lower than average values, and households in rural and urban deprived areas have higher than average values.
- § Evidence of differences in values for individual services is also weak. But there is evidence that disabled/sick households have higher willingness to pay for benefits and licensing services than other households, and that pensionable age households have lower willingness to pay for banking services.
- § There are generally good indications of the validity of the results obtained. Interviewers reported high levels of understanding, effort and concentration; respondents were able to give consistent, and rational explanations for their choices; and willingness to pay was found to vary, as expected, according to income and use of the post office. There are two reasons to be cautious in interpreting the results, in addition to those mentioned already.
- Firstly, there is evidence that the lower range values are biased downwards, due to respondents giving answers that are fair or reasonable rather than the maximum they would be willing to pay for the post office network. This type of response is common in studies of the present kind, however, and is the reason these results are considered as our lower range of estimates.
 - There is also evidence that the lower range values for households are somewhat sensitive to the range of costs used in the survey, and these costs were higher than expected for a significant proportion of respondents (28%). This means that the lower range value for households might be somewhat inflated. We are unable to quantify the extent of this effect. In our view, however, the lower range estimates remain likely to be a lower bound on the true value of the post office network.
- § While households and SMEs typically prefer to use post offices to access services, rather than other providers, in some cases there is a clear preference for one option amongst the possible alternatives to the post office. For example, using the internet is the preferred alternative for renewing car tax or applying for a passport, and using other retailers is the preferred alternative way to buy stamps.
- § Providing services through post offices results in an estimated extra cost of £96 million per year for taxpayers, mainly reflecting the provision of the Post Office Card Account

(POCA) which allows households without bank accounts to receive benefits and pensions through the post office.²

§ An estimated 83 per cent of post offices have associated businesses, of which we estimate that 57 per cent are profitable when viewed in isolation and 43 per cent are not profitable.

Methodology

Our approach to estimating the social value of the post office network and the services provided by post offices was based on a survey of 901 households and 301 small and medium enterprises (SMEs). The survey included Stated Preference (SP) questions designed to elicit information about the value to interviewees' of the post office network as a whole and the individual services provided by post offices. We then used econometric techniques to estimate customers' underlying willingness to pay from the specific answers they provided. We also carried out a pilot survey of 91 households and 62 SMEs to test the questionnaire and refine the SP questions.

The estimates derived from this approach relate to households' and SMEs' willingness to pay for post offices and the services they provide. The findings for SMEs, however, may be affected by the fact that some SME respondents found it difficult to ensure that they always answered on behalf of their company. The research does not compare the value of the post office network with other publicly funded services such as health or education. Neither does it capture other sources of value, for example the value to organisations whose services can be accessed through post offices, or the contribution of post offices to economic activity in rural or deprived areas.

The Social Value of the Post Office Network

To estimate the social value of the post office network as a whole, we used two types of SP question (dichotomous choice contingent valuation and payment card contingent valuation) that are commonly accepted as providing upper and lower estimates of respondents' willingness to pay values. A wide range between upper and lower estimates is often found in studies that use both of these methods. Theory can explain the reason why each estimate is biased upwards or downwards, but cannot predict the size of the bias in either case. In the face of such uncertainty, a reasonable approach is to treat the midpoint of each range as a central estimate for each of the social values measured.

The survey findings confirm that households and SMEs assign a large positive value to the post office network as a whole. Table 1 shows the estimated value per household or per SME for the post office network, and how this varies between different types of household or size of business, and between different areas.³ In most cases, the evidence is not sufficiently strong (ie statistically significant) to support a conclusion that particular groups have higher or lower values than the average for all households or SMEs. However, the differences

² If POCA did not exist, the Government would need to provide (and pay for) an alternative means of paying pensions and benefits to households without bank accounts.

³ The absence of an upper range estimate for SMEs in rural areas is due to the wide variation in the types of SME operating in rural areas. Similarly, we could not obtain a statistically reliable upper range estimate for the subset of households with low income.

between the lower estimates do provide evidence that pensionable age households have lower than average values, and households in rural and urban deprived areas have higher than average values.

Multiplying these estimates by the total number of households or SMEs in the UK, and converting to annual amounts, we find that **the estimated social value of the post office network for households and SMEs is between £2.3 billion and £10.2 billion per year.** The social value for households is between £1.9 billion and £9.1 billion per year, while the social value for SMEs is between £0.4 billion and £1.1 billion per year.

Table 1
Willingness to Pay (WTP) for the Post Office Network as a Whole

	Mean WTP (£ / month)	
	Lower range	Upper range
Households		
Pensionable age	5.0	24.0
Disabled / sick	6.8	30.3
Low Income	5.2	n/a
Close proximity to local post office	6.0	28.6
Urban	5.3	28.9
Urban deprived	6.9	33.4
Rural	7.3	24.1
All Households	5.9	28.6
SMEs		
0 employees	5.2	15.5
1-4 employees	6.7	39.4
5-9 employees	15.4	54.3
10-49 employees	18.5	94.5
50-249 employees	34.7	207.7
Urban	6.7	25.3
Urban deprived	5.6	21.4
Rural	7.1	.n/a
All SMEs	6.6	24.6

Source: NERA

The Social Value of Services of General Economic Interest

We used discrete choice experiment questions to obtain information about the social value associated with individual services provided by post offices. We asked, in particular, about the social value associated with services of general economic interest (SGEIs), which include the processing of social benefit payments, the processing of licensing services, the processing of bill payments, the provision of banking and government saving services, and the provision of postal services.

Table 2 summarises our main findings for the value per household or per SME, based on our estimates of respondents' willingness to pay. The differences between the values for households in rural, urban and urban deprived areas are not statistically significant. However, there is evidence that disabled/sick households have higher willingness to pay for benefits

and licensing services than other households, and that pensionable age households have lower willingness to pay for banking services.

Applying these estimates to the population as a whole, we find that **the social value of SGEIs for households and SMEs is between £0.9 billion and £4.4 billion per year**. Postal services account for a substantial part of this total, with lower and upper estimates of £0.5 billion and £2.4 billion.

Table 2
Willingness to Pay for Post Office Provision of SGEIs

	Mean WTP (£ per month)					All SGEIs
	Benefits	Licensing	Bills	Banking	Postal	
Urban households						
Lower estimate	0.3	0.4	0.2	0.3	1.2	2.3
Upper estimate	1.5	1.9	1.1	1.5	6.5	12.5
Urban deprived households						
Lower estimate	0.3	0.4	0.2	0.3	1.2	2.4
Upper estimate	1.4	1.8	1.0	1.3	6.0	11.6
Rural households						
Lower estimate	0.4	0.6	0.3	0.4	1.9	3.6
Upper estimate	1.4	1.8	1.1	1.4	6.2	11.9
All Households						
Lower estimate	0.3	0.4	0.2	0.3	1.3	2.6
Upper estimate	1.5	1.9	1.1	1.4	6.4	12.2
SMEs						
Lower estimate	0.2	0.4	0.0	0.0	2.0	2.4
Upper estimate	0.0	1.7	0.0	0.0	7.3	9.0

Source: NERA

We asked those respondents using each service about the importance of being able to access that service through the post office, and the alternatives they would be most likely to use in the absence of post offices. For most services, households who access the service through the post office told us that having the ability to do this was somewhere between “fairly important” and “very important”.

The responses were particularly strong for households collecting benefits, pensions or tax credits through post offices, and also those using post offices to check postage costs or to post packets or parcels. But all services were rated as important. In some cases, this could reflect a lack of direct experience of using the alternatives to post offices, and perhaps an inaccurate view of the inconvenience or difficulty associated with them.

The Social Value of Other Services

Post offices provide more than the SGEIs listed above. They provide a very wide range of other services, including financial services and telecommunications products. These may be valued by customers, for example, because they are easily accessible through post office branches or because of the Post Office brand.

In addition, as shown by customers’ reactions to the recent closure programme, post offices fulfil an important social role. Their contribution to community cohesion in rural areas has

been widely recognised. They also provide a potential source of advice and information in urban areas, and customers in all areas recognise the benefits that a local post office provides.

Table 3 shows the estimated social value associated with services other than SGEIs. The social value of specific non-SGEI services was estimated using discrete choice experiment questions to elicit information about respondents' willingness to pay. The value of the wider social benefits was then calculated as the difference between the value of the post office network as a whole and the value that can be attributed to specific services.⁴

Applying these estimates to the population as a whole, we find that **the social value of non-SGEI services for households and SMEs is between £1.3 billion and £5.8 billion per year.** There is strong evidence, therefore, that customers attach a high value to the wider role of post offices. However, as noted above, the precise size of the estimated value may be affected by the difficulty that respondents face evaluating such major changes, and also by recent publicity about the social role of post offices.

Table 3
Willingness to Pay for Post Office Provision of Non-SGEI Services

	Lower Range Mean WTP (£ per month)			Upper Range Mean WTP (£ per month)		
	Specific services ¹	Wider social benefits ²	All Non-SGEI related services	Specific services ¹	Wider social benefits ²	All Non-SGEI related services
Households						
Urban	0.2	2.8	3.0	1.3	15.1	16.4
Urban deprived	0.3	4.2	4.5	1.2	20.6	21.8
Rural	0.4	3.3	3.7	1.3	10.9	12.1
All Households	0.3	3.1	3.4	1.3	15.1	16.4
SMEs	0.3	3.8	4.1	1.1	14.3	15.5

Source: NERA

1. Specific services include provision of foreign exchange, travellers cheques, insurances, credit cards and other savings products, phone services, etc.

2. Wider social benefits include other benefits of the post office network not associated with particular services, eg contribution to community cohesion.

Costs and Benefits to Taxpayers of the Post Office Network Providing Services Compared with Alternatives

We were also asked to provide an estimate of the cost savings or extra costs incurred by taxpayers as a result of providing services through post offices, compared with the alternatives. In addition to the Network Subsidy Payment, which was £150 million in 2007/08, there may be additional costs for taxpayers if public sector bodies make services available through post offices when there are cheaper alternatives available. Equally, however, there might be some taxpayer-funded services for which the post office is a less

⁴ While this value should be used with caution, as it was calculated as the difference between two values estimated using different methodologies, we note that experience from previous studies highlights a risk that this estimate will understate the true value of wider social benefits. We therefore consider that our findings provide strong support for the proposition that consumers attach a high value to the wider social role of post offices.

expensive way of providing the service compared to some of the alternatives that customers would use instead. We considered only those cases where there is a cost saving or benefit for taxpayers (rather than users of a particular service) from providing the service through post offices.

Our overall estimate is that **providing services through post offices results in an extra cost of £96 million per year for taxpayers**, mainly reflecting the provision of the Post Office Card Account (POCA) which allows households without bank accounts to receive benefits and pensions through the post office.⁵ This is the net impact of:

- § an extra cost of £122 million per year from paying benefits and pensions through post offices. The cost of POCA transactions is considerably higher than the cost of the main alternative, direct payment into recipients' bank accounts;
- § net savings of £8 million per year from local authorities receiving council tax payments through post offices. Even though some alternative forms of payment (notably direct debit) have considerably lower costs for local authorities than receiving payments through post offices, other alternatives (such as payment options involving credit cards or the operation of cash offices by councils) are even more costly;
- § further savings of £18 million per year, which represents a saving in subsidies to bus operators to cover the cost of free travel. The provision of services through conveniently located post offices means that fewer bus journeys are undertaken by over-60s than would otherwise be necessary.

Associated Businesses Attached To Post Offices

A further part of this research was to assess the proportion of post offices that have attached businesses, and of these attached businesses, the proportion which are viable or non-viable. We carried out a survey of just over 500 subpostmasters, drawn evenly from urban deprived, urban and rural areas, and assessed viability using a simple measure of the profit or loss of the associated business viewed in isolation (rather than as part of a combined business).

From our analysis of the survey results, we estimate that **83 per cent of post offices have associated businesses**. Our conclusions on the proportion of these business that are profitable depend on decisions about how we allocate costs between the post office and the associated business, and how we measure the cost of subpostmasters' own input. Based on our preferred approach, **57 per cent of associated businesses are profitable**. Under different assumptions about shared costs and the cost of subpostmasters' input, we find this proportion varies between 54 per cent and 64 per cent.

The situation differs slightly between urban and rural areas. Fewer post offices in rural areas (76 per cent) have associated businesses, but a higher proportion (62 per cent) of these appear to be profitable. In contrast, a high proportion of post offices in urban areas (93 per cent) have associated businesses, but only just over half of them (51 per cent) appear to be profitable. The situation in urban deprived areas is closer to the national average – we

⁵ If POCA did not exist, the Government would need to provide (and pay for) an alternative means of paying pensions and benefits to households without bank accounts.

estimate that 83 per cent of post offices have associated businesses, of which 60 per cent are profitable.

1. Introduction

This report, by NERA Economic Consulting and Accent for Postcomm, provides a quantitative analysis of customers' willingness to pay for the post office network, which is referred to in this report as the "social value". As well as reporting an estimate of the social value of the network as a whole, it examines the value associated with particular services provided by post offices, and how the social value of the network varies between different types of customer and between different areas. In addition, we have carried out an analysis of associated businesses attached to post offices, and several case studies of possible competitors to, or alternative providers of, services that can be accessed through the post office network.

The main aim of this study is to inform the Government's and Postcomm's understanding of the social value associated with the post office network. The Department of Business, Enterprise and Regulatory Reform (BERR) asked Postcomm, as the independent regulator, to undertake this research. Postcomm has a role to monitor and give advice on the post office network, and this new research will assist Postcomm in giving recommendations to Post Office Ltd (POL), the Government and others about how to help the post office network be sustainable in the future. To do that, it is also helpful for Postcomm to know which particular aspects of the many services provided by the post office network generate the most social value to users.

To provide focused and up to date evidence for this study, we carried out two quantitative surveys; one of households and small and medium enterprises (SMEs) and one of subpostmasters, as well as several case studies. We would like to thank all those who participated in these surveys, and also acknowledge the valuable assistance provided by representatives of Postcomm, POL, the National Federation of SubPostmasters (NFSP), BERR and some of the individual organisations that provide services through the post office network.

The main findings from the study are set out in Section 4. Before that, Section 2 describes the objectives of the study and Section 3 summarises our methodology. Additional information, including a more detailed description of our methodology, the survey results and the questionnaires and supporting material, is provided in the Appendices to this report.

2. Objectives of the Study

2.1. The Social Value of the Post Office Network

The main objective of the study is to provide a quantitative estimate of the social value of the post office network. The “social value” of the post office network has been determined by estimating customers’ willingness to pay for the post office network and the services it provides. The post office network is generally assumed to be a valuable asset, and this value is reflected in both the Government’s willingness to provide ongoing financial support to Post Office Ltd (POL) and the European Commission’s 2007 decision that this support is compatible with the EC Treaty.⁶ This study tests this widely-held assumption.

Unlike some previous studies,⁷ this report examines the value of the post office network as a whole. Much of this value results from the convenient access that the post office network provides to a wide range of services. In economic terms, this represents the “consumer surplus” associated with each service:

- § if, in the absence of post offices, a consumer would access a service through an alternative (but presumably less convenient) route, then the social value reflects the extra convenience that the post office provides compared with the next best alternative;
- § alternatively, if consumers would not access the service at all in the absence of post offices,⁸ then the social value reflects the benefit they derive from the service, net of any price that they pay for it.⁹

The value generated by the ability to access services through post offices will vary between different locations, and is likely to be particularly high in situations (such as rural locations) where there may be fewer alternatives available. It will also vary between different types of consumer, for example depending on how easy it is for them to travel to alternative locations or to access services through alternative means (such as the internet).

In addition, it is often argued that post offices create value because of their wider role in the community. This applies especially in cases where a post office is the only remaining shop in a village, as it may be considered the “hub of the community”. Even where there are other shops, post offices may also fulfil a social role, such as providing a meeting place for those of pensionable age or a source of help and advice (for example, assistance with filling in government forms).

⁶ State Aid N 388/2007 – United Kingdom: Post Office Limited (POL) Transformation Programme, C(2007)5623 final, 28 November 2007.

⁷ The 2003 report *Cost Benefit Analysis of Rural Post Office Branches* by NERA and Rand Europe, for example, assessed the value associated with individual local post offices in rural areas. While consumers were asked to choose between options, some of which involved the closure of their nearest post office, in each case they would still be able to use other post offices, for example in neighbouring towns or villages.

⁸ If consumers derive only a small net benefit from the service, they may decide not to access the service at all in the absence of post offices. The extra inconvenience they would face, because they can no longer access the service through post offices, might more than offset the benefit they expect to gain from the service.

⁹ The price paid by consumers varies. Some services provided through post offices, such as banking and financial services, are paid for directly by consumers. Others, such as access to benefit payments or licensing services, may be free of charge to the consumer (though the post office will still be paid, typically by the service provider).

Reflecting these different potential sources of social value, NERA was asked to estimate:

- § the social value of the post office network as a whole;
- § the social value associated with services of a general economic interest (SGEIs) and other services with a social value that are provided through post offices. The SGEIs are:¹⁰
 - processing of social benefit payments – including encashment of benefits, pensions and allowances, and payments through the Post Office Card Account,
 - processing of licensing services – including the issuing of car tax discs and fishing rod licences, the receipt of applications for vehicle and driver licences and passports, the distribution of application forms, and a checking service for some applications (including passports and driving licences),
 - processing of bill payments – including payments of gas, water, electricity, telephone, council rent and (in most areas) council tax bills,
 - provision of banking and government saving services – including cash withdrawals and cash/cheque deposits for POL’s partner banks, business banking and cash depositing services, and access to National Savings and Investments products,
 - provision of postal services – including the sale of stamps, information about postage costs, special delivery services and posting of packets or parcels;
- § the social value of the wider benefits generated by the post office network, including for example general financial inclusion, substitutes or complements to social care, assistance and advice, and importance to community cohesion; and
- § the break down of the above estimates between different classes of customer, in particular
 - rural, urban and urban deprived areas,¹¹
 - small and medium sized enterprises (SMEs) and certain special interest groups, including customers of pensionable age, customers with a disability or long term illness, and low income households.¹²

We were also asked to comment on how the social value is related to users’ distance from (or the convenience of) a post office;

Our approach to estimating this social value was based on a survey of household and SMEs, which included Stated Preference (SP) questions designed to elicit information about the respondents’ willingness to pay for the post office network as a whole and the individual services provided by post offices. Further details of the approach are provided in Section 3 and Appendix B.

¹⁰ Other services, which are not SGEIs, provided at post offices include foreign exchange, travellers cheques, insurances, credit cards and other savings products, and telephone services.

¹¹ Rural areas are defined as including settlements of up to 10,000 people. Above this level, areas are classified as urban. “Urban deprived” areas comprise the 15 per cent most deprived areas as identified by indices of multiple deprivation (the English Indices of Multiple Deprivation 2007, the Scottish Index of Multiple Deprivation 2008, the Welsh Indices of Multiple Deprivation 2008 and the Northern Ireland Multiple Deprivation Measure 2005).

¹² Defined as a household income below £10,400 per year.

The estimates derived from this approach therefore relate to the value that customers (both households and SMEs) derive from the post office network, as represented by their willingness to pay for the network. The research does not compare the value of the post office network with other publicly funded services such as health or education, or consider the extent to which the network can be funded from commercial activities rather than public funds. Neither does it capture other sources of value, for example the value to organisations whose services can be accessed through post offices, or the contribution of post offices to economic activity in rural or deprived areas.

2.2. Other Objectives

While the main focus of the study is on the social value of the post office network, as described above, NERA was also asked to investigate three other subjects:

- § the savings or extra costs incurred by taxpayers as a result of services being provided through post offices rather than possible alternatives. This is discussed further in Section 4.6;
- § the proportion of post offices that have an associated business and, among these, the proportions of businesses that are viable or unviable. As described in Section 5, we carried out a short survey of subpostmasters to collect updated information on associated businesses; and
- § short case studies of other providers or competitors for certain services provided by post offices. These are intended to illustrate some of the alternatives to post offices available at present, and their advantages and disadvantages compared with the post office network. These are presented in Section 6.

3. Methodology

This section summarises the methodology we used to generate the main results for the social value of the post office network, and the breakdown of this value by service and customer category. It also explains why certain aspects of the methodology were adopted. Further details are provided in Appendix B.

As noted in Section 2, we adopted a Stated Preference (SP) approach, using a survey of households and SMEs to obtain information that we could use to estimate the social value of the post office network and the services provided by post offices. Section 3.1 summarises the specific way in which we applied the SP approach, including the types of questions used and the way we ensured the answers were as meaningful as possible. Section 3.2 then describes important aspects of the process we adopted to implement the methodology, including the questionnaire itself, the pilot survey and the sampling approach.

3.1. Overview of Methodology

3.1.1. Stated Preference approach

The SP approach is based on survey evidence about customers' preferences. Rather than simply asking "how much do you value the post office network?", which would be unlikely to yield reliable results, the SP approach uses a series of specific questions or choices which will yield sufficient information to generate meaningful and reliable estimates of the value of the post office network.

3.1.1.1. Realistic context

For SP surveys to generate reliable information, it is important that the context for the valuation is realistic. The scenarios presented should be credible, so that respondents are more likely consider it is worthwhile giving careful consideration to the questions they are asked.

To provide a realistic context, therefore, before they answered the SP questions survey respondents were told that:

"The post office receives some support from taxes. In these options, unless this support is increased the range of services the post office can offer may have to be reduced in the future."

On completion of the interview, respondents were then reassured that the options included in the survey had no basis in government policy, that there are no plans to reduce the size of the post office network, and indeed the Government is working with POL to increase the range of services provided across the network.

Experience suggests that if, instead, respondents are told in advance that the questions they are answering are purely hypothetical, they do not consider their answers so carefully. They may not believe that their answers matter and so may not reveal their true values. Any values obtained from their answers are then less reliable. Best practice guidelines for SP research therefore require valuation questions to be placed in a realistic context, so that respondents

will believe that their answers matter and will thereby have an appropriate incentive to reveal their true values. Nevertheless, we note that some of the questions relate to very major changes, most notably the case where there are no post offices at all. Respondents may have found it difficult to consider such extreme cases, for example because they have less experience of using the possible alternatives. In addition, their beliefs about the potential benefits of post offices may have been affected by the publicity generated during the recent closure programme.

3.1.1.2. Type of SP questions used

We used two types of SP questions to obtain information about the value of the post office network and the services provided by post offices:

- § Contingent Valuation (CV) questions were used to obtain information about the value to customers of the post office network as a whole (compared with a situation where there are no post offices at all). CV techniques are most suited where discrete changes in services levels are being considered, and explore the trade-off between this change and different monetary amounts;
- § Discrete Choice Experiment (DCE) questions were used to obtain information about the value of the individual services provided by post offices. These questions asked respondents to choose between pairs of options that showed different combinations of services being provided by post offices, with one option costing more than the other. DCE questions are often used to assess the optimal package of service changes, and explore customers' preferences when asked to choose between options involving different combinations of services and monetary amounts.

Further details of these questions are provided in Sections 3.1.2 and 3.1.3 below. Both types of question are well established in academic economic literature and in policy applications. Our approach was designed to be consistent with best practice guidelines for SP research as set out, for example, in Bateman et al (2002) and Mitchell and Carson (1989).

3.1.1.3. Willingness to pay

The SP questions asked about respondents' willingness to pay (WTP) for the various options presented to them. When asked to choose between two options, such as different combinations of services, one of the options (generally the one likely to generate the highest value) would also include an increase in the household or SME's monthly tax bill. WTP is commonly used in SP surveys as it is the approach that is least susceptible to measurement difficulties.

An alternative approach would have been to explore respondents' "willingness to accept" (WTA). In this case, the least attractive of the options would also include a reduction in the household or SME's monthly tax bill. Experience has shown that WTA measures are prone to measurement problems and tend to generate inflated values far in excess of those obtained from a WTP approach. One important difference is that, unlike WTP responses, WTA responses are not constrained by a respondent's income. As a result of the inflated values generated by WTA surveys, Arrow et al (1993) recommend that "The willingness to pay format should be used instead of the compensation required because the former is the conservative choice".

The pilot survey included both WTP and WTA questions. This was because of concerns that WTP questions might receive “protest” responses or be viewed as unrealistic, for example because respondents felt they were being asked to pay extra for a level of service that was either equivalent to or, in many cases, worse than the current service. In practice the concerns were not realised, and the pilot survey provided strong support for the WTP approach:

- § the WTP questions appeared to yield sensible and consistent results, with little if any negative reaction from respondents;
- § the WTA questions yielded inconsistent responses,¹³ which suggested respondents were paying insufficient attention to the amount of compensation when making their choices.

The main survey questionnaire therefore used only the WTP approach.

3.1.2. Contingent Valuation questions

We used two contingent valuation (CV) questions to collect information about the value of the post office network as a whole:

- § a dichotomous choice contingent valuation (DC CV) question, which gave respondents a choice between retaining the post office network and paying more tax (Option 1) or there being no post office network and no increase in taxes (Option 2).¹⁴ The two options were presented in a format similar to the DCE questions, with all services provided under Option 1 and no services provided under Option 2; and
- § a payment card contingent valuation (PC CV) question, which presented respondents with a “payment card” showing values from £0 to £100,¹⁵ and asked them to identify the maximum amount per month they would be willing to pay to see Option 1 (ie post office network retained, but higher taxes) implemented rather than Option 2 (ie no post office network). Respondents were asked “Please will you state the amount on the Payment Card, or any amount in between, that is the maximum your household would be willing to pay in additional taxes, per month, to see Option 1 implemented rather than Option 2”.

Figure 3.1 shows an example of the DC CV choice card that was presented to respondents (not all respondents faced the same cost amount). Figure 3.2 shows the PC CV show card.

¹³ For example, when considering an option with no post offices but a reduction in the monthly tax bill, a higher proportion of respondents chose this option when the compensation amount was only £5 per month, as compared with those respondents who were offered the option with a £10 per month tax reduction.

¹⁴ Option 1 implied a fixed monthly increase in tax payable. This increase was £5, £10, or £20 per month for households, while for SMEs the range of tax increases depended on the size of the business. The selection of cost levels was initially based on NERA and Rand (2003), and subsequently refined based on findings from the pilot study.

¹⁵ The numbers on the payment card were in ascending order and on an approximately logarithmic scale (so the intervals between numbers are larger at the top end of the range than at the bottom). Larger sums were used for some SMEs, depending on their size.

Figure 3.1
Example DC CV Choice Card
Choice Card 8 - Would you choose Option 1 or Option 2?

Services provided by Post Offices	Option 1 Maintain Services	Option 2 THERE ARE NO POST OFFICES
Processing of social benefit payments	YES	NO
Processing of licensing services	YES	NO
Processing of bill payments	YES	NO
Provision of banking and government saving services	YES	NO
Provision of postal services	YES	NO
Provision of other services (foreign exchange, travellers cheques, insurances, credit cards and other savings products, phone services etc)	YES	NO
Additional tax payable by your household	£5 / month	no change

**Figure 3.2
Example PC CV Show Card**

Choice Card 9 – How much would you be willing to pay?

Services provided by Post Offices	Option 1 Maintain Services	Option 2 THERE ARE NO POST OFFICES
Processing of social benefit payments	YES	NO
Processing of licensing services	YES	NO
Processing of bill payments	YES	NO
Provision of banking and government saving services	YES	NO
Provision of postal services	YES	NO
Provision of other services (foreign exchange, travellers cheques, insurances, credit cards and other savings products, phone services etc)	YES	NO
Additional tax payable by your household	£? / month	no change

Payment Card

£0	£4	£12	£27
£0.50	£5	£14	£30
£1	£6	£16	£35
£1.50	£7	£18	£40
£2	£8	£20	£50
£2.50	£9	£22	£60
£3	£10	£24	£100

3.1.2.1. Properties of each approach

We used both types of question to estimate the social value of the post office network. Experience has shown that DC CV estimates tend to be higher than PC CV estimates, and theory suggests good reasons why this is the case. The two approaches are therefore generally considered to provide appropriate lower and upper bounds around true WTP.

The PC CV approach tends to produce lower estimates. Possible reasons for this include:

- § a greater focus on money, as respondents are shown a wide range of possible values for their maximum WTP. This alone could encourage them to rein in their responses and adopt a conservative approach; and
- § the freedom to choose a monetary value provides greater scope for strategic responses. For example
 - if respondents expect the cost of maintaining the post office network to be more than their true WTP, they may state that their WTP is zero, or

- if respondents have a very high WTP, they could state that their WTP is just above the expected cost of maintaining the current network, so as to support the network but to try to minimise the amount they might have to pay.

In contrast, the DC CV approach generally yields higher values. One possible reason is that it provides less scope for strategic responses, and so avoids biases due to this type of behaviour. However, the “take it or leave it” nature of the question and the prominence given to service attributes (rather than cost) might lead respondents to overstate their WTP, either because

- § they agree to amounts higher than they would really be prepared to pay in practice, given time to reflect or more information being available on alternatives; or
- § they do not believe they would be asked to pay this amount in practice, for example if they believe the cost of maintaining the post office network is less than the amount presented to them.

For these reasons, we believe that the true value of the post office network is likely to lie somewhere between the PC CV and DC CV valuations. While DC CV estimates are generally expected to be higher than PC CV estimates, and the possible reasons for this are understood in qualitative terms, the academic literature provides little guidance about whether the upward or downward bias in the PC CV or DC CV estimates is likely to be strongest, and therefore where the true value lies between these two extremes.

3.1.2.2. Estimating WTP

The PC CV responses can be used directly to estimate the average WTP to maintain the post office network for different customer groups, and so no econometric modelling is required.

For the DC CV approach, in contrast, responses simply tell us whether or not a respondent would be willing to pay a pre-determined amount. In order to derive an estimate of mean WTP from these responses, it is necessary to make an assumption regarding the shape of the underlying distribution of WTP, and use the choice responses to fit the parameters of this distribution. To this end, we estimated the underlying WTP for the post office network using the conditional logit econometric choice model, based on the approach developed by Professor Daniel McFadden (1974). This approach assumes that the WTP values underlying respondents’ choices are distributed logistically,¹⁶ and uses the responses to estimate the mean of this distribution.

The advantage of the logit model is that it makes efficient use of data, and so can be used to estimate values for subsamples of the population (for example pensionable age households) and to derive values for the population as a whole even where there are biases in the sample design. A disadvantage of the approach, however, is that any biases in the choice responses,

¹⁶ The logistic distribution closely resembles the normal (bell) distribution in shape, but has thicker tails.

for example where respondents agree to amounts higher than they would really be prepared to pay in practice, will be magnified.¹⁷

As a sensitivity check on the logit results, we therefore also report results from an analysis based on the method developed by Turnbull (1976). This method applies the most conservative distributional assumption possible, namely that the proportion willing to pay more than the highest cost used in the survey is zero. This approach has the advantage that it is conservative, but it is not efficient and so cannot be used reliably to estimate values for subsamples of the population (for example pensionable age households). For this reason we use the Turnbull values only as a sensitivity check on the main values derived via the logit model.

A more detailed description of our econometric methodology is given in Appendix B.

Because respondents were asked the DC CV question before the PC CV question, there is some risk that their choice of values from the payment card may have been “anchored” by the cost amount used in the DC CV question. We examine the extent of any anchoring on the PC CV responses in Appendix G, in discussing the validity of the results, but make no adjustment to the reported results to try and correct for any anchoring that may have occurred. In theory, it might have been possible to reduce this risk by changing the order of the questions for some respondents. We did not adopt this approach, as we consider that the order of questions that we used (DCE, then DC CV then PC CV) helped to establish a more realistic context for the major change (ie the closure of the entire post office network) addressed in the final two questions.

3.1.3. Discrete Choice Experiment questions

We used discrete choice experiment (DCE) questions to estimate an upper range for the values associated with individual services provided by post offices, including the services of general economic interest (SGEIs) listed in Section 2. Each respondent was asked seven questions, each involving a choice between two options. Each option involved a different combination of services that would continue to be provided by post offices, and one of the options would be associated with an increase in the monthly tax bill.¹⁸

Figure 3.3 shows an example of a DCE choice card. Respondents were also provided (in advance of the interview) with a description of each category of service, and examples of the alternatives to the post office that are currently available.

¹⁷ This is because the model extrapolates the relationship between cost and the proportion of people willing to pay each amount presented in the survey out to infinity. Where there is a high proportion, say more than 20 per cent, choosing the good at the highest price included in the survey, then the results will be very sensitive to how the extrapolation is performed.

¹⁸ The additional cost was generally assigned to the option that included the most services or, if the numbers were equal, the option that included postal services (as the pilot survey showed that this was the category of service that consumers valued highest among those included in the showcards).

**Figure 3.3
Example Choice Card**

Choice Card 1 - Which would you choose?

Services provided by Post Offices	Option 1	Option 2
Processing of social benefit payments	NO	YES
Processing of licensing services	NO	YES
Processing of bill payments	YES	NO
Provision of banking and government saving services	YES	NO
Provision of postal services	YES	NO
Provision of other services (foreign exchange, travellers cheques, insurances, credit cards and other savings products, phone services etc)	YES	NO
Additional tax payable by your household	£4 / month	no change

The combinations of services and tax increases were generated randomly for each respondent.¹⁹ The choices provided over the sample as a whole can then be used to estimate the value associated with each category of service. They can also be used to infer values for groups of services, such as the set of all SGEIs. These inferences are based on the conditional logit econometric choice model, based on McFadden (1974). The model works by estimating the relative importance, on average, of cost and the presence or absence of each of the services, in determining a respondent’s choice of options. In addition, the model allows differences in values by geography and customer type to be analysed. Appendix B provides a more detailed explanation of the econometric methodology for inferring values from DCE choices.

Similar to the discussion of DC CV and PC CV questions above, there are reasons to believe that values based on DCE choices may be biased upwards. Empirical comparisons of values for a common good have shown that DCE values tend to be higher than those derived from DC CV or PC CV questions. As with DC CV questions, the focus on service attributes rather than cost might encourage “yea saying”, with respondents selecting options that they would not choose, in practice, if they actually had to pay for them. And, in theory, if only one option from all of the choices considered can be implemented, then some sophisticated respondents may take account of earlier choice options when answering later questions to try to send a message to the survey sponsor.

In view of the risk of upward bias, we treat the DCE values as providing the upper range estimates for the value of individual SGEIs, and obtain lower range estimates by scaling the DCE values by the ratio of the PC CV and DC CV values for the post office network as a

¹⁹ For households, the tax increase varied between £1 and £7 per month. The corresponding values for SMEs depended on the size of the business.

whole. This approach helps to define bounds around the true value of individual services, and prevent reliance on a set of estimates that are expected to be biased upwards.

3.1.4. Wider social benefits

The DCE and CV questions described above provided estimates of the value for the SGEIs provided by post offices, for other services (including foreign exchange, travellers cheques, insurances, credit cards, savings products, and phone services), and for the post office network as a whole. We then derived an upper range estimate of the value of wider social benefits (community cohesion, social care, source of advice and assistance, etc) as the difference between (a) the DC CV estimate of the value of the post office network as a whole, and (b) the DCE estimate of the value for complete set of SGEIs and “other” services (not including wider social benefits). We derived lower range estimates by scaling the upper range estimates by the ratio of the PC CV and DC CV values for the post office network as a whole.

As the value of wider social benefits is calculated as the difference between two values estimated using different methodologies, it should be treated with caution.²⁰ Nevertheless, we note that experience from previous studies suggest a risk that this estimate will understate the true value of wider social benefits. This is because, as discussed in 3.1.3 above, value estimates obtained from DCE methods tend to be higher than those derived from DC CV questions relating to the same good. If this were the case in the present study, our estimate of the total value of SGEIs would be biased upwards, and our estimate of the value of wider social benefits would be correspondingly biased downwards.

We therefore consider that our findings provide strong support for the proposition that consumers attach a high value to the wider social role of post offices. Nevertheless, it is possible that survey respondents found it difficult to answer questions involving the alternative where there are no post offices, for example because they have less experience of using the possible alternatives to post offices. In addition, their beliefs about the potential benefits of post offices may have been affected by the publicity generated during the recent closure programme. Our results should perhaps be viewed as indicating the overall magnitude of customers’ WTP, therefore, rather than a precise estimate of actual WTP for wider social benefits.

3.2. Implementation of Methodology

This section summarises key aspects of the way we implemented the methodology described above. In particular, it describes the questionnaire that was used for the main survey, the pilot survey and the sampling approach. Further details of these are provided in Appendix C.

²⁰ This approach – estimating the value of wider social benefits as a residual - was the only feasible methodology. To estimate this value independently, we would have needed to construct a scenario where either (a) the complete range of services continued to be provided by post offices, but none of the wider social benefits; or (b) the wider social benefits were provided on their own, without any of the actual services that post offices provide. It would be very difficult, if not impossible, to construct such a scenario so that it could be included in a realistic context in the DCE questions, while also ensuring that we had captured the full range of wider social benefits (without exaggerating them).

3.2.1. Structure of the questionnaire

The questionnaire, for both households and SMEs, was split into four main sections:

§ post office usage, which

- encouraged respondents to think about their actual use of post offices, thus helping them to consider the value they place on the post office network,
- provided data on distance from the most convenient post office, which allowed us to examine how values are affected by this distance,²¹
- provided information about what respondents value most about the post office network, and
- provided information that could be used to check the validity of respondents' answers to other questions;

§ consideration of alternatives to post offices, which encouraged respondents to think further about the value of the post office to them, especially in relation to the specific services they used. The information about the alternatives respondents would use also fed into our estimate of the extra costs or savings for taxpayers. This section also included questions on the importance of being able to access particular services through the post office, which provided a source of reference to check the validity of respondents' answers to other questions;

§ valuation of the post office network, which was the principal focus of the survey and included the DCE and CV questions described in Sections 3.1.2 and 3.1.3. This section also included questions asking why respondents made particular choices and whether they were felt to be realistic, which we used to appraise the validity of the SP valuation results; and

§ demographics, which included questions on employment status, access to transport alternatives, access to internet and, for SMEs, nature of business.

At the end of the survey, respondents were asked what they thought of the survey and interviewers were asked to record the respondent's level of understanding, effort and fatigue during the survey. The responses to these questions helped to assess the validity of the valuation exercise.

3.2.2. Pilot survey

Accent carried out a pilot survey of 91 households and 63 SMEs. The purpose of the pilot survey was to test the wording, routing and length of the survey, whether the valuation questions yielded valid and reasonable results, and to gather evidence to refine the choice of cost levels and sample sizes for the main survey. As described in Section 3.1.1.3, we also used the pilot survey to examine respondents' reactions to willingness to pay (WTP) or

²¹ A potential weakness of using self reported rather than objectively measured distances is that these distances may not be completely accurate.

willingness to accept (WTA) compensation questions. The results of the pilot provided evidence that only WTP questions should be included in the main survey.

Accent used a phone-post/email-phone approach, whereby potential respondents were first called and recruited. They were then sent (either by post or by email) stated preference show material and a factsheet about post office services. They were finally called at a pre-agreed time to take part in the main pilot survey.

A good spread of respondents was recruited across rural, urban and urban deprived areas, by age, gender and income for households, and by number of employees and industry group for SMEs.

The pilot survey was very successful, and as a consequence, only a small number of changes to the questions were required. We also examined the pilot survey data to consider the sample design for the main stage. The final sampling plan, which takes account of this analysis, is discussed below. Further details of the pilot survey results are contained in Appendix C.

3.2.3. Sampling and fieldwork

As with the pilot survey, the methodology for the main survey was based on telephone interviews, using a phone-post/email-phone approach. This approach has an important advantage over face-to-face interviewing in that it allows access to a geographically dispersed sample across the whole of the UK, including more remote areas.²² It is also much more cost-effective, and so a larger sample size can be achieved for a given budget. In comparison with mail surveys, telephone interviews are preferred because they allow open-ended questions to be probed and questions and answers to be clarified where needed, leading to better quality data.

All UK adults were potentially in scope for the household survey, and all businesses with fewer than 250 employees were eligible for the SME survey.²³ The following professions were excluded from both the business and the consumer surveys: marketing, advertising, public relations, journalism, market research. Employees of Royal Mail, other postal operators, Post Office Ltd, Consumer Focus or Postcomm were also excluded.

Separate samples were used for households and SMEs and for urban, urban-deprived, and rural areas. Within these strata, respondents were recruited via Random Digit Dialling which meant that all numbers had an equal chance of being selected, even if they were ex-directory. Those who were recruited were asked for their postcode and this was checked to ensure that, if their address was incorrect on the sample, they were still allocated to the correct area type based on their current address.

²² There is a potential sampling bias as, while almost all households have telephones, some now use only mobile services and no longer have a fixed (land) line. It was not feasible to include mobile phone numbers in our sample due to the need for accurate information about the respondent's location. The risk that some groups might be underrepresented (for example because a lower than average proportion of them still have fixed lines) was addressed by setting quotas for different gender, age, socioeconomic and income groups.

²³ The respondent within a business was defined as a person who would be able to comment on the business's use of the post office and on the costs associated with the services the business uses at post offices. However, it was emphasised that we were equally interested in talking to those businesses which do not currently use a post office.

Fixed quotas were set for each location type, based on the relative population sizes in each and the need to ensure robust estimates for certain subgroups. A recruitment questionnaire was used to assign respondents to the relevant quotas, which for households were based on gender, age, socioeconomic group, income and whether anyone in the household was affected by disability or long term illness. For SMEs, quotas were set based on the number of employees of the business.

The main fieldwork took place between 23rd March and 19th April 2009 from Accent's dedicated telephone interviewing units in Edinburgh and Bristol. Interviewing took place on weekdays, evenings, and at weekends to ensure that a good spread of working and non-working respondents was included.

3.2.4. Sample Characteristics

In total 1,202 interviews were undertaken: 301 with SMEs and 901 with households. Table 3.1 shows the numbers set for each quota type for households, how many of each type were in the sample, and compares the sample with comparable statistics for the UK population. Table 3.2 shows similar information for the SME sample.

Table 3.1
Household sample characteristics

	Quota ⁽¹⁾	Sample ⁽¹⁾	Sample ⁽¹⁾ (%)	Population (%)
Location⁽⁴⁾				
Rural	245	280	31.1	19.9
Urban	435	419	46.5	65.3
Urban deprived	220	202	22.4	14.8
<i>Sample size</i>	<i>900</i>	<i>901</i>		
Gender⁽²⁾				
Male	300	378	42.0	49.1
Female	300	523	58.0	50.9
<i>Sample size</i>	<i>900</i>	<i>901</i>		
Age⁽³⁾				
18-24		26	2.9	10.9
25-34	200	109	12.1	18.4
35-44		145	16.1	19.3
45-54	200	187	20.8	17.1
55-64		217	24.1	13.7
65+	200	217	24.1	20.6
<i>Sample size</i>	<i>900</i>	<i>901</i>		
Socioeconomic group⁽⁶⁾				
AB	150	234	26.0	21.5
C1	200	244	27.1	29.4
C2	100	143	15.9	15.3
D		98	10.9	17.4
E	150	182	20.2	16.3
<i>Sample size</i>	<i>900</i>	<i>901</i>		
Household weekly income⁽⁷⁾				
Up to £100		35	3.9	2.0
£101-£200	100	79	8.8	12.0
£201-£300		113	12.5	15.0
£301-£500		123	13.7	12.0
£501-£700		105	11.7	10.0
£701-£1,000		100	11.1	16.0
£1,001-£1,500		69	7.7	
Over £1,500		26	2.9	15.0
Refused		182	20.2	
Don't know		69	7.7	
<i>Sample size</i>		<i>901</i>		

Sources: (1) NERA/Accent, (2) Office of National Statistics, mid-2007 population estimates, (3) Census 2001, (4) Population characteristics are given for England and Wales based on Office for National Statistics data and CLG Indices of Multiple Deprivation, (5) Census 2001, (6) Census 2001, (7) Family Resources Survey 2006-07

Table 3.2
SME sample characteristics

	Quota	Sample	Sample ⁽¹⁾ (%)	Population (%)
Employees⁽¹⁾				
0	100	82	27.2	72.9%
1-4	40	88	29.2	18.0%
5-9	40	40	13.3	4.7%
10-49	40	62	20.6	3.8%
50-249	30	29	9.6	0.6%
<i>Sample size</i>	<i>300</i>	<i>301</i>		

Sources: (1) BERR, *SME Statistics for the UK and Regions 2007*

Overall, apart from the overrepresentation of households in rural and urban deprived areas – which was necessary to obtain a sufficiently large sample from each type of area, and which we correct for when calculating aggregate values for the UK as a whole – the sample is broadly representative of the population. Other differences are relatively minor. There are slightly more women, more respondents of pensionable age, fewer under 35s, somewhat more socioeconomic group ABs and a reasonably good match to incomes.²⁴ The SME sample contains fewer businesses with zero employees and more larger SMEs.

The calculations of total household values reported in Section 4 are weighted to reflect the proportion of each location type in the population as a whole.²⁵ Similarly, the calculations of total SME values are weighted to reflect the numbers of SMEs in each of the five employment size bands in the UK as a whole.

For urban and urban deprived households, under 35s, and SMEs with 0 and 50-249 employees, the quota was not met, although in most cases this shortfall was small. For SMEs with zero employees, there are a number of reasons for this. These SMEs are harder to recruit, as they are giving up a lot of their company’s time, and they were affected more by the Easter break at the time of the survey.

The survey also collected information on other characteristics of households and SMEs. Figure 3.4 below shows that the most common working status for household respondents is full-time work. Approximately two thirds of respondents either work full-time or are retired.

²⁴ The socioeconomic grade of a household ranges from A to E, based on the occupation of the chief wage earner in the household. Grades A and B represent professional and managerial positions, grades C and D are skilled and semi-skilled manual positions respectively, and grade E is for unskilled occupations.

²⁵ As a cross-check on the representativeness of the household sample by income, which is generally a key variable influencing willingness to pay, a weight variable was constructed based on income as well as location. However, the results derived using this weighting variable were very similar to those unweighted by income. This reflects the fact that the sample income distribution is fairly close to the population income distribution. For simplicity, the calculation of total household values is therefore weighted only by location and not by income. The results reported may be considered to be representative of the UK population.

Figure 3.4
Households - working status

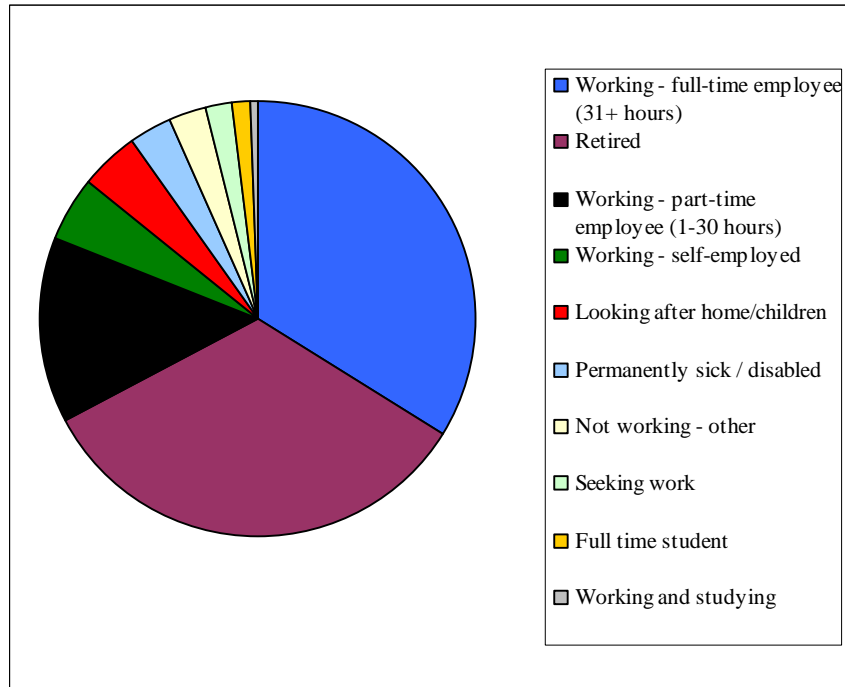
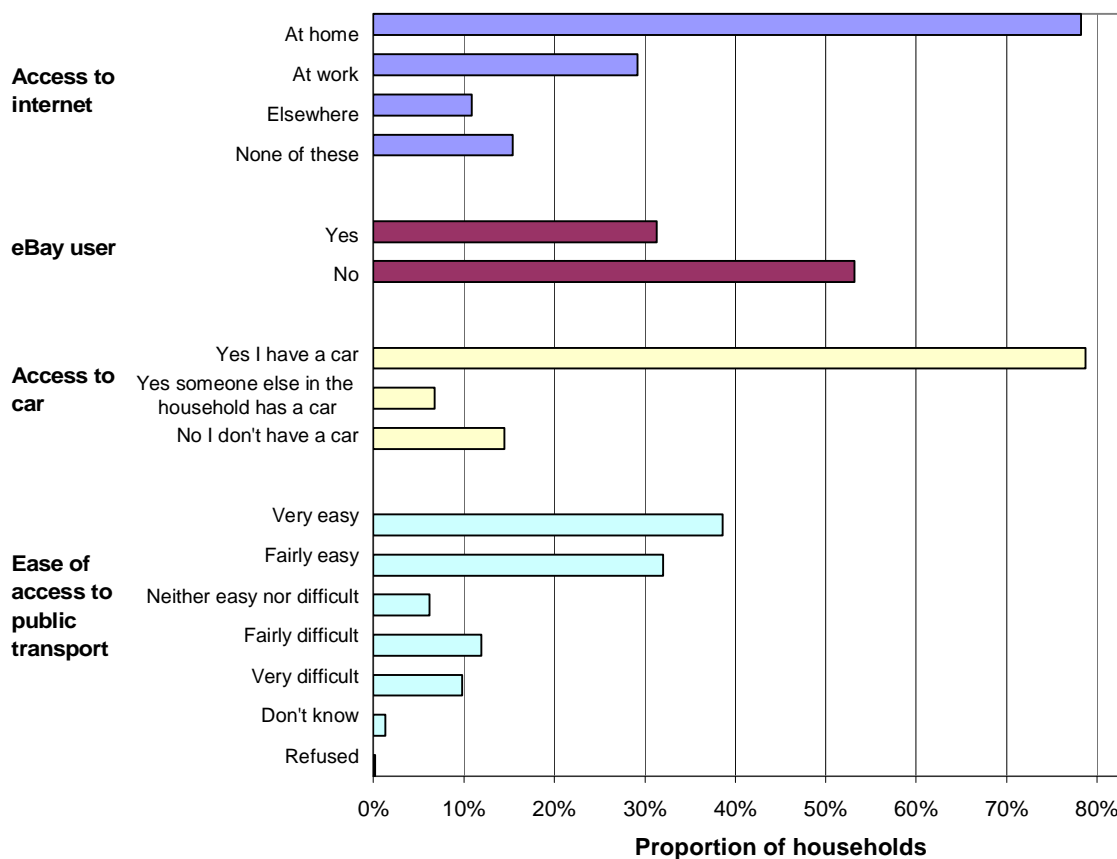


Figure 3.5 shows other household characteristics including access to internet and access to transport. Only 15 per cent of households do not have access to the internet, and over 30 per cent of households use eBay to buy or sell goods.

The majority of households (85 per cent) have a car and, in addition, over 70 per cent of households in the sample find it easy to access public transport.

Figure 3.5
Other Household Characteristics



As shown in Figure 3.6, SME respondents were drawn from a wide range of businesses. The most common category of business is “Other”, with SMEs drawn from various sectors.

Figure 3.6
SMEs - nature of business

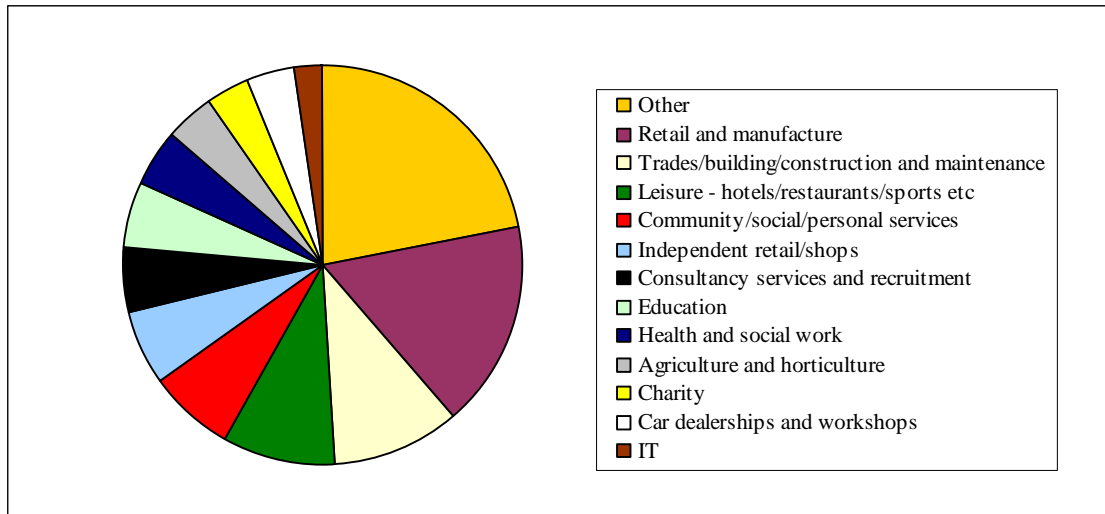
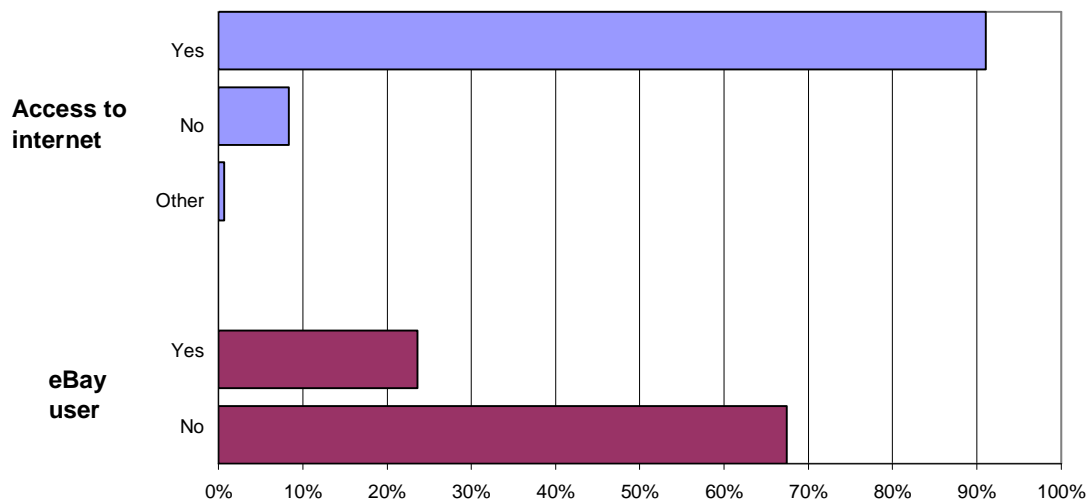


Figure 3.7 shows that over 90 per cent of SMEs in the sample have access to the internet and over 20 per cent use eBay to buy or sell goods. The proportion of eBay users is smaller than for households.

Figure 3.7
Other SME Characteristics



3.2.5. Protests

In response to PC CV questions, a proportion of respondents in an SP study will typically state £0 as their WTP for the good or service in question. Such responses are, in some cases, invalid because they constitute an expression of protest against the scenario put to them in the question, rather than a genuine indication of indifference to whether or not the good is

provided. For example, respondents may say their WTP for the post office network is £0 because they believe the network should be able to support itself through the prices it charges to customers, rather than via a subsidy from taxpayers. In this case, the stated value of £0 does not reflect indifference as to whether the post office network is maintained or closed down. The respondent might attach a high value to being able to continue accessing the post office network. Including such responses in the analysis sample will bias the estimate of mean WTP downwards.

It is common practice in SP studies, therefore, to attempt to identify protest cases and remove these from the sample. Protest cases are identified from the set of households and SMEs that stated a PC CV value of £0 as their maximum WTP for maintaining the post office network. A protest is associated with an explanation of this value that suggests that the respondent rejects some aspect of the scenario presented to them. The most common type of protest occurs when the respondent argues that someone else should pay for maintaining the post office network.

Of the 901 households in the sample, 99 have been identified as protests and removed from the PC CV analysis. In addition, one respondent refused to answer the question and two stated “don’t know”. These figures are well within the range reported in SP studies generally. Of the 301 SMEs in the sample, 49 have been identified as protests. In addition, six respondents refused to answer the question and one stated “don’t know”.

The proportion of SMEs giving protest or other invalid responses is somewhat greater than for households. This reflects the fact that some SME respondents stated they had difficulty in answering on behalf of their company.

3.2.6. Non-tax payers

The household sample of 901 contained 72 non-taxpayers. The non-tax payers were included in the analysis for all questions except the PC CV and DC CV questions. For these valuation questions, non-taxpayers’ responses are invalid because they have no incentive to consider the tax impact of maintaining the post office network, and so their responses are likely to be biased upwards. For the DCE questions, non-taxpayers were included in the analysis to estimate the relative values of different types of service provided by the post office network, but excluded from the calculation of the level of willingness to pay. This was for the same reason that they were excluded from the PC CV and DC CV analysis.

Further technical details showing how non-taxpayers are included in the DCE analysis of relative values for services, but excluded from the calculation of the level of willingness to pay, are contained in Appendix G.

4. Findings

In this section we present the findings from the main survey. The “social value” of the post office network has been determined by estimating customers’ willingness to pay (WTP) for the post office network and the service it provides.

As described in Section 3, our estimates are derived from a survey of households and businesses. We used a survey approach that encourages respondents to give truthful answers. Before and during the survey, respondents were made aware of the alternative ways that they can access specific services provided by post offices. However, some of the questions involve very major changes, most notably the case where there are no post offices at all. Respondents may have found it difficult to consider such extreme cases, for example because they have less experience of using the possible alternatives. In addition, their beliefs about the potential benefits of post offices may have been affected by the publicity generated during the recent closure programme.

Even for less extreme changes, involving the withdrawal of particular services, there is a wide range between our lower and upper estimates of customers’ willingness to pay. This often occurs in surveys of this type, and reflects known downward and upward biases associated with the available methodologies.

The key findings to emerge are as follows:

- § for the services of general economic interest provided by post offices, our lower and upper estimates of the total social value are respectively £0.9 billion and £4.4 billion per year. These totals are built up from average values per household of between £2.6 and £12.2 per month, and average values per SME of between £2.4 and £9.0 per month. Postal services are particularly important, accounting for around 56 per cent of these totals (see Section 4.2);
- § for the network as a whole, our lower and upper estimates of the total social value are respectively £2.3 billion and £10.2 billion per year. These are based on average willingness to pay of £5.9 to £28.6 per month for households, and £6.6 to £24.6 per month for SMEs (see Section 4.1);
- § there is a large difference between the values for the network as a whole and the values associated with the specific services provided by post offices (see Section 4.3). We interpret this as representing the value that customers attach to the wider social role of post offices. As noted above, however, this value might be affected by recent publicity about the role of post offices;
- § in general, the evidence on whether the social value of the post office network differs between types of household or between geographic areas is weak. But there is some evidence that pensionable age households have lower than average values, and households in rural and urban deprived areas have higher than average values (see Section 4.1);
- § evidence of differences in values for individual services is also weak. But there is evidence that disabled/sick households have higher willingness to pay for benefits and licensing services than other households, and that pensionable age households have lower willingness to pay for banking services (see Section 4.2);

- § respondents said that what they valued most about the post office network was its convenience for accessing a range of services, and the postal service itself. The most frequent types of use of the post office network were to buy stamps and to send packets and parcels (see section 4.5); and
- § providing services through post offices results in an estimated extra cost of £96 million per year for taxpayers, mainly reflecting the provision of the Post Office Card Account (POCA) which allows households without bank accounts to receive benefits and pensions through the post office (see Section 4.6).

Table 4.1 shows our main findings for the total social value of the post office network, broken down by the main types of service provided.

Table 4.1
Total Social Value of All Services Provided by the Post Office Network

	Total WTP (£ million per year)	
	Lower range	Upper range
All Services of General Economic Interest (SGEIs)	920.9	4,393.1
Provision of other services (foreign exchange, travellers cheques, insurances, credit cards and other savings products, phone services etc)	99.9	464.8
Provision of wider social benefits (eg community cohesion)	1,232.1	5,344.2
Overall value of the post office Network	2,252.9	10,202.1

Source: NERA

1. Lower range is estimated using the PC CV model, as described in section 3.1.2.

2. Upper range is estimated using the DC CV model, as described in section 3.1.2.

The results show good standards of validity across a range of measures (see Section 4.4). Respondents were assessed by interviewers as showing good levels of understanding, effort and concentration. Respondents almost universally gave well-reasoned explanations for their valuation responses, and willingness to pay was found to vary according to levels of use and income as would be expected. Appendix G presents a detailed appraisal of the validity of the valuation measures. We conclude from this appraisal that the findings shown here represent robust monetary estimates of the social value of the post office network to households and SMEs in the UK.

Section 4.1 presents findings on the overall social value of the post office network. Section 4.2 describes our findings on the social value of Services of General Economic Interest (SGEIs), individually and as a set, Section 4.3 presents findings on the social value of the wider social benefits, and Section 4.4 summarises our assessment of the validity of the estimated values. Section 4.5 then describes other findings such as on the use of post offices and what respondents value most in relation to the post office network, and Section 4.6 contains our analysis of the costs and benefits to the taxpayer of the post office network in comparison with alternative means of provision.

4.1. Overall Social Value of the Post Office Network

The post office network is valued highly by respondents. As shown in Table 4.2, average household willingness to pay (WTP) to maintain the current post office network is estimated to lie within the range from £5.9 to £28.6 per month. Average SME WTP is estimated to lie within the range from £6.6 to £24.6 per month. The lower estimate of each range is based on

the payment card contingent valuation (PC CV) method, and the upper estimate is based on the dichotomous choice contingent valuation (DC CV) method.²⁶

While Table 4.2 shows a number of differences between the WTP for particular types of household, many of these differences are not statistically significant. In these cases, we cannot be sufficiently certain that the variations shown in the table are not simply due to sampling error. The uncertainties around the upper estimates are especially large, because of the way that these estimates were derived.²⁷

Some of the differences in the lower estimates are statistically significant. There is evidence to suggest that pensionable age households assign lower than average values, and rural and urban deprived households assign higher than average values, to the post office network. However, there is not sufficiently strong evidence to suggest differences between the lower estimates for any other customer groups and the average household, or differences for any customer groups in the upper estimates.²⁸

In addition, while this table (and all subsequent tables in this section) shows values for different customer types, these are derived from models that do not control for multiple factors at once. For example, the values reported for pensionable age households do not control for the fact that this subset of customers may have lower incomes than all other households. Even if we control for different levels of income, however, the differences noted above remain statistically significant.

Larger SMEs are willing to pay significantly more than smaller SMEs on average. For example, based on the lower range estimates, SMEs with 50-249 employees were willing to pay an average of £34.7 per month in extra taxes, while SMEs with 0 employees were willing to pay £5.2 per month on average in extra taxes. Even though we might expect larger SMEs to be better placed to use mail services other than Royal Mail, and therefore be less reliant on post offices, they still appear to have a significantly higher WTP than smaller SMEs.

The differences between the WTP of SMEs in different geographical areas, however, are not statistically significant.

Table 4.2 shows a full breakdown of these estimates by customer type. The absence of an upper range estimate for low income households is due to estimation problems, partly due to

²⁶ The PC CV method involves presenting a card displaying a wide range of ordered monetary amounts, and asking “Please will you state the amount on the Payment Card, or any amount in between, that is the maximum your household would be willing to pay in additional taxes, per month, to see Option 1 implemented rather than Option 2.” The DC CV method, by contrast, involves asking respondents to simply choose either Option 1 or Option 2, where Option 1 (maintaining the post office network as now) implies a fixed monthly increase in tax payable and Option 2 (the post office network closes) implies no change in tax. See section 3.1.2 for a full explanation of these methods and their rationale.

²⁷ These estimates were derived from responses to a DC CV question based on a particular cost per month. While the cost levels varied between interviews, any respondent choosing Option 1 (ie maintain the post office network) might in fact be willing to pay quite a lot more than the amount shown on their particular showcard. In contrast, the PC CV estimates are more precise, as they are based on amounts selected by respondents themselves from a range of 28 possible values, but as noted in Section 3.1.2 these estimates may understate respondents’ true WTP.

²⁸ The differences are not statistically significant even at the 10% level. This means that there is a more than 10% probability that such differences might be estimated, even if the average values in the population as a whole are identical, simply because of the nature of the sample.

a small sample size, meaning that we could not obtain a statistically reliable upper range estimate for this subset of households. Likewise, it was not possible to obtain an estimate for SMEs in rural areas. The estimation problem in this case was due to the wide variation in the types of SME operating in rural areas. More generally, the findings for SMEs could be affected by the fact that some SME respondents found it difficult to ensure that they always answered on behalf of their company.

Table 4.2
Willingness to Pay for Maintaining the Post Office Network by Customer Type

	Mean WTP (£ / month)	
	Lower range ¹	Upper range ²
Households		
Pensionable age	5.0**	24.0
Disabled / Sick	6.8	30.3
Low Income	5.2	n/a
Close proximity to local PO	6.0	28.6
Urban	5.3	28.9
Urban deprived	6.9**	33.4
Rural	7.3***	24.1
All Households	5.9	28.6
SMEs		
0 employees	5.2	15.5
1-4 employees	6.7	39.4
5-9 employees	15.4	54.3
10-49 employees	18.5	94.5
50-249 employees	34.7	207.7
Urban	6.7	25.3
Urban deprived	5.6	21.4
Rural ³	7.1	n/a
All SMEs	6.6	24.6

Source: NERA

1. Lower range is estimated using the PC CV model, as described in section 3.1.2.

2. Upper range is estimated using the DC CV model, as described in section 3.1.2.

3. Upper range could not be obtained for rural SMEs and low income households due to estimation problems.

4. *** means significant at the 1% level, ** means significant at the 5% level, and * means significant at the 10% level. All significance levels are based on 2-sided t-tests of the values for the relevant customer categories against the corresponding values all other households, or all other SMEs.

The values shown in Table 4.2 are used to derive our main estimates of the social value of the post office network for the population as a whole. To do this, we multiplied the monthly per household/SME values for each type of geographical area shown in Table 4.2 by the size of the relevant population, and then converted to annual equivalents.²⁹ These estimates are

²⁹ This is valid as long as, apart from type of area, the sample is nationally representative. Table 3.1 and Table 3.2 above suggest that this requirement is mainly, but not entirely, satisfied.

shown in Table 4.3. The total social value of the post office network is estimated to lie in the range £2,253 million (£2.3 billion) to £10,202 million (£10.2 billion) per year.

Table 4.3
Total Social Value of the Post Office Network by Customer Type

	Population (millions)	Total WTP (£ million/ year)	
		Lower range ¹	Upper range ²
Households			
Pensionable age	5.5	329.7	1,567.9
Disabled / Sick	4.2	345.5	1,538.4
Low Income	3.7	232.5	n/a
Close proximity to local PO	3.7	266.3	1,270.1
Urban	17.3	1,092.7	5,990.3
Urban deprived	3.9	321.9	1,568.2
Rural	5.3	458.7	1,520.3
All Households	26.5	1,873.4	9,078.8
SMEs			
0 employees	3.5	215.6	645.1
1-4 employees	0.9	68.7	405.8
5-9 employees	0.2	40.9	144.4
10-49 employees	0.2	40.0	204.2
50-249 employees	0.0	12.6	75.3
Urban	3.1	251.3	942.2
Urban deprived	0.7	47.4	181.1
Rural ³	0.9	80.8	n/a
All SMEs	4.8	379.5	1,123.3
Total Value (All UK households and SMEs)		2,252.9	10,202.1

Source: NERA

1. Lower range is estimated using the PC CV model, as described in section 3.1.2.

2. Upper range is estimated using the DC CV model, as described in section 3.1.2.

3. Upper range could not be obtained for rural SMEs and low income households due to estimation problems.

4. *** means significant at the 1% level, ** means significant at the 5% level, and * means significant at the 10% level. All significance levels are based on 2-sided t-tests of the values for the relevant customer categories against the corresponding values all other households, or all other SMEs.

4.2. Social Value of Services of General Economic Interest

Households and SMEs value the provision of SGEIs by the post office network, with a social value for all SGEIs in the range of £2.6 to £12.2 per month per household, and of £2.4 to £9.0 per month per SME.

Of the SGEIs, the most valued services provided by the post office network are postal services. The social value of postal services is higher than that of all other SGEIs combined. It lies in the range of £1.3 to £6.4 per month per household, and £2.2 to £7.3 per month per SME.

On average, the values that households place on the other SGEIs (other than postal services) are approximately equal. SMEs value licensing services higher than all other services except postal services.

Comparing across different customer types, there is evidence that disabled/sick households have higher willingness to pay for benefits and licensing services than other households. There is also evidence that pensionable age households have lower willingness to pay for banking services. However, there is no evidence to suggest other statistically significant differences across customer types.³⁰

SMEs' responses to the discrete choice experiment (DCE) questions (see section 3.1.3) suggested that they did not assign a value on average for the ability to pay bills, collect benefits and carry out banking at post offices.

Table 4.4 and Table 4.5 show lower and upper range estimates respectively of the value of SGEIs by customer type and type of service provided.

Table 4.4
Lower Range Estimates of Willingness to Pay for Post Office Provision of SGEIs by Customer Type and Type of Service Provided

	Lower Range Mean WTP (£ per month)					All SGEIs
	Benefits	Licensing	Bills	Banking	Postal	
Households						
Pensionable age	0.6	0.3	0.3	0.0***	1.6	2.8
Disabled / Sick	1.0**	1.0**	0.5	0.2	1.6	4.2
Low Income						
Close proximity to local PO	0.3	0.5	0.1	0.3	1.1	2.3
Urban	0.3	0.4	0.2	0.3	1.2	2.3
Urban deprived	0.3	0.4	0.2	0.3	1.2	2.4
Rural	0.4	0.6	0.3	0.4	1.9	3.6
All Households	0.3	0.4	0.2	0.3	1.3	2.6
SMEs						
0 employees	0.0	0.3	0.0	0.0	1.5	1.8
1-4 employees	0.0	0.4	0.0	0.0	1.6	1.9
5-9 employees	0.0	1.5	0.0	0.0	6.5	8.0
10-49 employees	0.0	1.3	0.0	0.0	5.7	6.9
50-249 employees	0.0	1.5	0.0	0.0	6.4	7.9
Urban	0.0	0.4	0.0	0.0	1.9	2.4
Urban deprived	0.0	0.5	0.0	0.0	2.2	2.7
Rural						
All SMEs	0.2	0.4	0.0	0.0	2.0	2.4

Source: NERA

Values for rural SMEs and low income households could not be obtained due to estimation problems.

³⁰ The differences are not statistically significant even at the 10% level. This means that there is a more than 10% probability that such differences might be estimated even if the average values in the population as a whole are identical, simply because of the nature of the sample.

Table 4.5
Upper Range Estimates of Willingness to Pay for Post Office Provision of SGEIs by Customer Type and Type of Service Provided

	Upper Range Mean WTP (£ per month)					All SGEIs
	Benefits	Licensing	Bills	Banking	Postal	
Households						
Pensionable age	2.6	1.5	1.2	0.0***	7.8	13.2
Disabled / Sick	4.3**	4.3**	2.3	0.7	7.3	18.8
Low Income						
Close proximity to local PO	1.6	2.2	0.6	1.4	5.3	11.1
Urban	1.5	1.9	1.1	1.5	6.5	12.5
Urban deprived	1.4	1.8	1.0	1.3	6.0	11.6
Rural	1.4	1.8	1.1	1.4	6.2	11.9
All Households	1.5	1.9	1.1	1.4	6.4	12.2
SMEs						
0 employees	0.0	1.0	0.0	0.0	4.5	5.5
1-4 employees	0.0	2.1	0.0	0.0	9.3	11.4
5-9 employees	0.0	5.3	0.0	0.0	23.1	28.3
10-49 employees	0.0	6.6	0.0	0.0	28.9	35.5
50-249 employees	0.0	8.7	0.0	0.0	38.4	47.2
Urban	0.0	1.6	0.0	0.0	7.2	8.8
Urban deprived	0.0	1.9	0.0	0.0	8.4	10.3
Rural	0.0	1.6	0.0	0.0	6.9	8.4
All SMEs	0.0	1.7	0.0	0.0	7.3	9.0

Source: NERA

1. *** means significant at the 1% level, ** means significant at the 5% level, and * means significant at the 10% level. Significance levels are based on 2-sided t-tests of the values for the relevant customer categories against the corresponding values all other households, or all other SMEs. In the case of location groups (urban/urban deprived/rural), significance levels are based on 2-sided t-tests of the relevant values against the value for the group of urban households/SMEs.

In Table 4.6, the monthly values shown in Table 4.4 and Table 4.5 are multiplied by the size of the relevant population and converted to annual values. The table shows total social values for the population as a whole of each SGEI, and for the set of all SGEIs. The total value of post office provision of all SGEIs is estimated to lie in the range from £921 million (£0.9 billion) to £4,393 million (£4.4 billion) per year.

Table 4.6
Total Social Value of SGEIs Provided by the Post Office Network

	Total WTP (£ million per year)	
	Lower range	Upper range
Processing of social benefit payments	96.9	464.2
Processing of licensing services	145.3	692.5
Processing of bill payments	72.8	348.7
Provision of banking and government saving services	94.1	450.8
Provision of postal services	511.8	2,436.9
All Services of General Economic Interest (SGEI)	920.9	4,393.1

Source: NERA

1. Lower range is estimated using the PC CV model, as described in section 3.1.2.

2. Upper range is estimated using the DC CV model, as described in section 3.1.2.

4.3. Value of Other (Non-SGEI Related) Benefits

A substantial part of the value of the post office network derives from sources other than the SGEIs it provides. This is evident from the fact that the total value of post office provision of all SGEIs is estimated to lie in the range £0.9 billion to £4.4 billion per year, while the total social value of the post office network is estimated to lie in the range £2.3 billion to £10.2 million per year. The difference between these two ranges is a measure of the value of the non-SGEI related benefits derived from the post office network. Thus approximately 60 to 65 per cent of the social value of the post office network appears to be attributable to non-SGEI related features.

The non-SGEI related services provided by the post office network fall into two categories: specific services and wider social services. Specific services are those involving trade of some kind, and include provision of foreign exchange, travellers cheques, insurance products, credit cards, savings products and phone services etc. Wider social services are those relating to the less tangible measures of social welfare that the public attaches to the post office network. For example, it is often argued that post offices are considered the “hub of the community”, or that they provide a meeting place for people of pensionable age or a source of help and advice. We have obtained estimates of the value of the specific non-SGEI services in the same way as for the SGEI services, by direct questioning in the survey. We estimate the value of wider social services as being the remainder of the total social value of the post office network, after SGEIs and specific non-SGEI services have been accounted for.

While there is strong evidence that customers value the wider role of post offices, it is possible that survey respondents found it difficult to answer questions involving very major changes, for example because they have less experience of using the possible alternatives to post offices. In addition, their beliefs about the potential benefits of post offices may have been affected by the publicity generated during the recent closure programme.

Table 4.7 presents our results on mean willingness to pay for non-SGEI services, broken down across customer types.³¹ There is no statistically significant evidence that the value

³¹ A negative value is found for the upper range estimate of the wider social benefits accruing to rural SMEs. This is an anomaly as it indicates that rural SMEs valued the set of all SGEIs higher than they valued the post office network as a

associated with wider social benefits differs between type of area. We also note that that the wider social benefits appear to be valued by SMEs as well as households, which again may reflect the difficulty that SME respondents face ensuring that they always answer on behalf of their company.

Table 4.7
Willingness to Pay for Post Office Provision of Non-SGEI Services by Customer Type and Type of Service Provided

	Lower Range Mean WTP ¹ (£ per month)			Upper Range Mean WTP ² (£ per month)		
	Specific services ³	Wider social benefits ⁴	All Non-SGEI related services	Specific services ³	Wider social benefits ⁴	All Non-SGEI related services
Households						
Pensionable age	0.3	2.0	2.3	1.3	9.6	10.8
Disabled / Sick	0.0	2.5	2.6	0.1	11.3	11.4
Low Income						
Close proximity to local PO	0.1	3.6	3.7	0.5*	17.0	17.5
Urban	0.2	2.8	3.0	1.3	15.1	16.4
Urban deprived	0.3	4.2	4.5	1.2	20.6	21.8
Rural	0.4	3.3	3.7	1.3	10.9	12.1
All Households	0.3	3.1	3.4	1.3	15.1	16.4
SMEs						
0 employees	0.2	3.1	3.3	0.7	9.3	10.0
1-4 employees	0.2	4.5	4.7	1.4	26.6	28.0
5-9 employees	1.0	6.4	7.4	3.4	22.6	26.0
10-49 employees	0.8	10.7	11.6	4.3	54.8	59.0
50-249 employees	1.0	25.9	26.8	5.7	154.8	160.5
Urban	0.3	4.1	4.4	1.1	15.4	16.4
Urban deprived	0.3	2.6	2.9	1.3	9.9	11.1
Rural				1.0		
All SMEs	0.3	3.8	4.1	1.1	14.3	15.5

Source: NERA

1. Lower range is estimated using the PC CV model, as described in section 3.1.2.

2. Upper range is estimated using the DC CV model, as described in section 3.1.2.

3. Specific services include provision of foreign exchange, travellers cheques, insurances, credit cards and other savings products, phone services etc)

4. Wider social services include other benefits of the post office network not associated with particular services, eg contribution to community cohesion.

5. *** means significant at the 1% level, ** means significant at the 5% level, and * means significant at the 10% level. All significance levels are based on 2-sided t-tests of the values for the relevant customer categories against the corresponding values all other households, or all other SMEs.

Based on the results in the above table, the total social value of the post office providing non-SGEI related services is estimated to lie in the range £1,332 million (£1.3 billion) to £5,809

whole. This anomaly arose due to the fact that the sample of rural SMEs was fairly small (91 respondents) and contained a diverse range of businesses.

million (£5.8 billion) per year.³² The vast majority of this social value derives from wider social benefits rather than specific services. Table 4.8 presents a breakdown of this value range by customer type and type of service provided.

Table 4.8
Total Social Value of Post Office Provision of Non-SGEI Services by Customer Type and Type of Service Provided

	Lower Range Total WTP (£ million per year)			Upper Range Total WTP (£ million per year)		
	Specific services ³	Wider social benefits ⁴	All Non-SGEI related services	Specific services ³	Wider social benefits ⁴	All Non-SGEI related services
Households						
Pensionable age	17.3	132.0	148.1	82.4	622.1	704.5
Disabled / Sick	1.6	129.4	130.1	7.1	576.1	583.2
Low Income						
Close proximity to local PO	4.7	158.0	162.6	22.2	753.5	775.7
Urban	50.3	571.1	621.4	275.8	3,130.9	3,406.7
Urban deprived	12.0	198.3	210.3	58.3	966.2	1,024.5
Rural	24.2	207.3	231.5	80.2	686.9	767.1
All Households	86.5	976.7	1,063.2	414.3	4,784.0	5,198.3
SMEs						
0 employees	9.2	129.9	139.1	27.5	388.7	416.2
1-4 employees	2.4	46.4	48.8	14.2	274.1	288.3
5-9 employees	2.6	17.0	19.6	9.1	60.0	69.1
10-49 employees	1.8	23.2	24.9	9.2	118.2	127.5
50-249 employees	0.3	9.4	9.7	2.1	56.1	58.2
Urban	10.6	152.7	163.4	39.9	572.7	612.6
Urban deprived	2.8	21.8	24.6	10.6	83.3	93.9
Rural	0.0	80.8	80.8	11.4	-107.1	-95.8
All SMEs	13.4	255.4	268.8	61.8	548.9	610.7
Total Value (All UK households and SMEs)	99.9	1,232.1	1,332.0	476.1	5,332.9	5,809.0

Source: NERA

1. Lower range is estimated using the PC CV model, as described in section 3.1.2.

2. Upper range is estimated using the DC CV model, as described in section 3.1.2.

3. Specific services include provision of foreign exchange, travellers cheques, insurances, credit cards and other savings products, phone services etc)

4. Wider social services include other benefits of the post office network not associated with particular services, eg contribution to community cohesion.

³² This range is calculated by multiplying the monthly per household/SME values shown in Table 4.2 by the size of the relevant population, and then converting to annual figures.

4.4. Validity Assessment

In this section we summarise evidence from a variety of sources within the survey to address the key question of how close our estimated values are likely to be to the true values for the post office network, and for the services provided by post offices. Appendix G gives further details of our analysis, which underlies some of the results presented here.

Overall, the findings indicate a good standard of validity of the values obtained from the survey. The measures we examined included:

- § **respondents' appraisal of the survey as a whole** – feedback from respondents was generally very positive, with many indicating a good understanding of the purpose of the survey, or feeling that it was a useful or interesting exercise, or praising the way the survey was conducted;
- § **interviewers' assessment of understanding, effort and fatigue** – interviewers considered that 88 per cent of households and SMEs understood the survey either “completely” or “a great deal”; 82 per cent of households and 80 per cent of SMEs gave the questions careful consideration; and 95 per cent of households and SMEs maintained concentration throughout the survey. These proportions are reasonably high for a stated preference (SP) study;
- § **reasons for valuation responses**; - in the vast majority of cases, respondents gave rational explanations for their answers to the valuation questions. This tends to confirm that respondents have given values in accordance with their views and attitudes relating to the post office network and the services it provides, and their budget constraints. There are indications, however, that many PC CV responses may be biased downwards by respondents giving WTP answers that they thought were reasonable amounts, rather than the maximum they would be prepared to pay in a take-it-or leave it scenario;
- § **respondents' appraisal of whether choices were realistic** - around 11 per cent of households and 14 per cent of SMEs stated that they did not feel able to answer in a realistic way. These proportions are not trivial, but are within an acceptable range for SP studies. Moreover, in a sensitivity test we found that excluding the responses of those who stated that choices were unrealistic made no significant difference to our estimated values;
- § **respondents' appraisal of whether costs were realistic** – 28 per cent of households and 28 per cent of SMEs stated that the costs were not realistic. These proportions are fairly high, however answers to a follow-up question suggest that the vast majority of respondents accepted and responded to the costs as presented to them in the survey, despite many feeling that they were somewhat higher than they expected. This indicates that the proportion choosing the option of maintaining the post office network at each cost level is likely to be unbiased by the fact they had expected a lower cost than was presented to them. Hence, the mean DC CV and DCE values, which are based on a fitted distribution around these proportions, are also unlikely to be biased by the fact that many respondents expected a lower cost than was presented to them..
- § **sensitivity of PC CV responses to DC CV costs presented** – based on regression analysis, reported in Appendix G, we found that household PC CV responses were somewhat sensitive to the DC CV cost amount presented to them. An additional £1 in the

DC CV cost presented to a household led, on average, to a £0.19 increase in PC CV WTP response. By contrast, SME PC CV responses were not sensitive to the DC CV cost amount presented to them.

- § **consistency of results with expectations** – using multivariate regression analysis, we examined whether WTP varied according to factors such as income or post office use. Consistent with our expectations, we found that WTP increases with income (or size of business for SMEs) and with use of the post office network;
- § **consistency of results with findings from other studies** – the closest previous study was NERA-RAND (2003), which found, using the DCE method, that the value of a local post office was £8.59 per month to households and £5.58 per month to SMEs. One would expect the value of the post office network as a whole to be higher than the value for a single local post office, perhaps by a substantial margin. However, it is difficult to draw any firm conclusions with regard to validity from this comparison.

Full details of the analysis underlying all of the above are contained in Appendix G. We conclude, on the basis of all of this analysis, that the findings generally indicate a good standard of validity of the values obtained from the survey. There are two areas of concern that we would highlight.

- § The first relates to the fact that the PC CV responses are likely to be biased downwards due to respondents giving WTP answers that they thought were reasonable amounts, rather than the maximum they would be prepared to pay in a take-it-or-leave-it scenario. This type of response is common in SP studies, however, and is the reason PC CV results are considered as the lower range of estimates (see section 3).
- § The second area of concern relates to the fact that the household PC CV responses are somewhat sensitive to the cost amount presented to them in the DC CV question. If respondents were simply revealing their true underlying values, then this sensitivity would not be observed. The fact that answers are sensitive to the cost amount presented to them in the DC CV question means that the PC CV value obtained for households is less robust. Furthermore, if one takes the view that a suitable anchor, if there has to be one, should be respondents' prior beliefs regarding the cost, then the fact that a significant proportion of respondents felt that the costs presented to them were higher than they expected means that the PC CV value for households is anchored upwards from this norm. We are unable to quantify the extent of this effect because we don't know respondents' prior cost expectations. In our view, however, the PC CV estimates remain likely to be a lower bound on the true value of the post office network.

4.5. Other Findings

4.5.1. Use of the Post Office

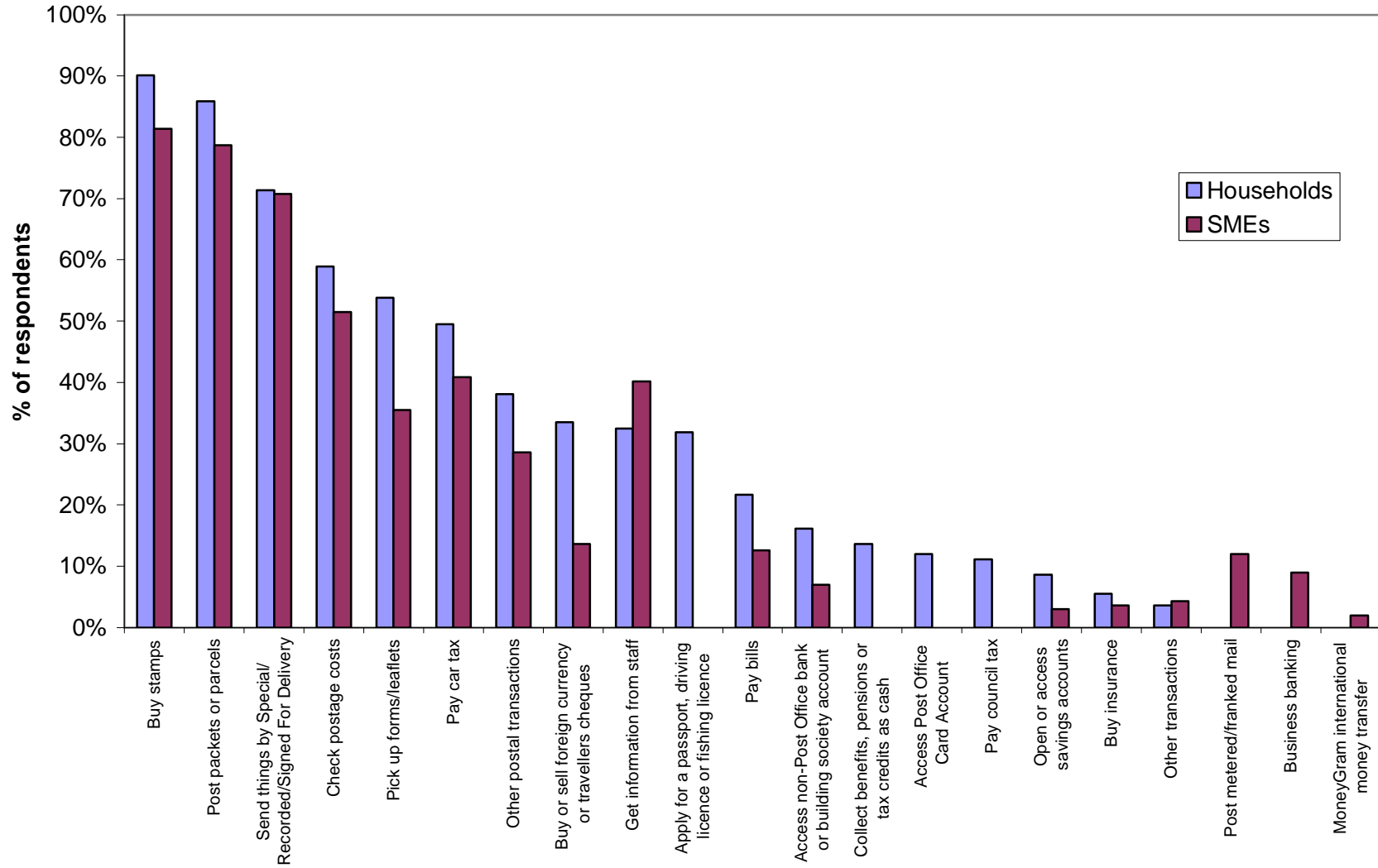
4.5.1.1. Activities undertaken at post offices

Almost 98 per cent of household respondents had used a post office in the last year. The activities undertaken at post offices are shown in Figure 4.1 below. The four most common activities are all postal services: buying stamps (90 per cent of respondents); posting packets or parcels (86 per cent of respondents); sending things by Special/Recorded/Signed For

Delivery (71 per cent of respondents); and checking postage costs (59 per cent of respondents). Other common activities are picking up forms or leaflets (undertaken by 54 per cent of households) and paying car tax (50 per cent of households).

91 per cent of SME respondents had used a post office in the last year. SMEs use the post office in a similar way to households, with the most common activities being postal services. The four most common activities are buying stamps (81 per cent of respondents); posting packets or parcels (79 per cent of respondents); sending things by Special/Recorded/Signed For Delivery (71 per cent of respondents); and checking postage costs (51 per cent of respondents). Getting information from staff is more common for SMEs than households - a service used by 40 per cent of SMEs and 33 per cent of households. All other services available to both households and SMEs are used by a greater proportion of households than SMEs. Picking up forms or leaflets, and buying and selling foreign currency, are significantly less common for SMEs than households.

Figure 4.1 Activities Undertaken at the Post Office



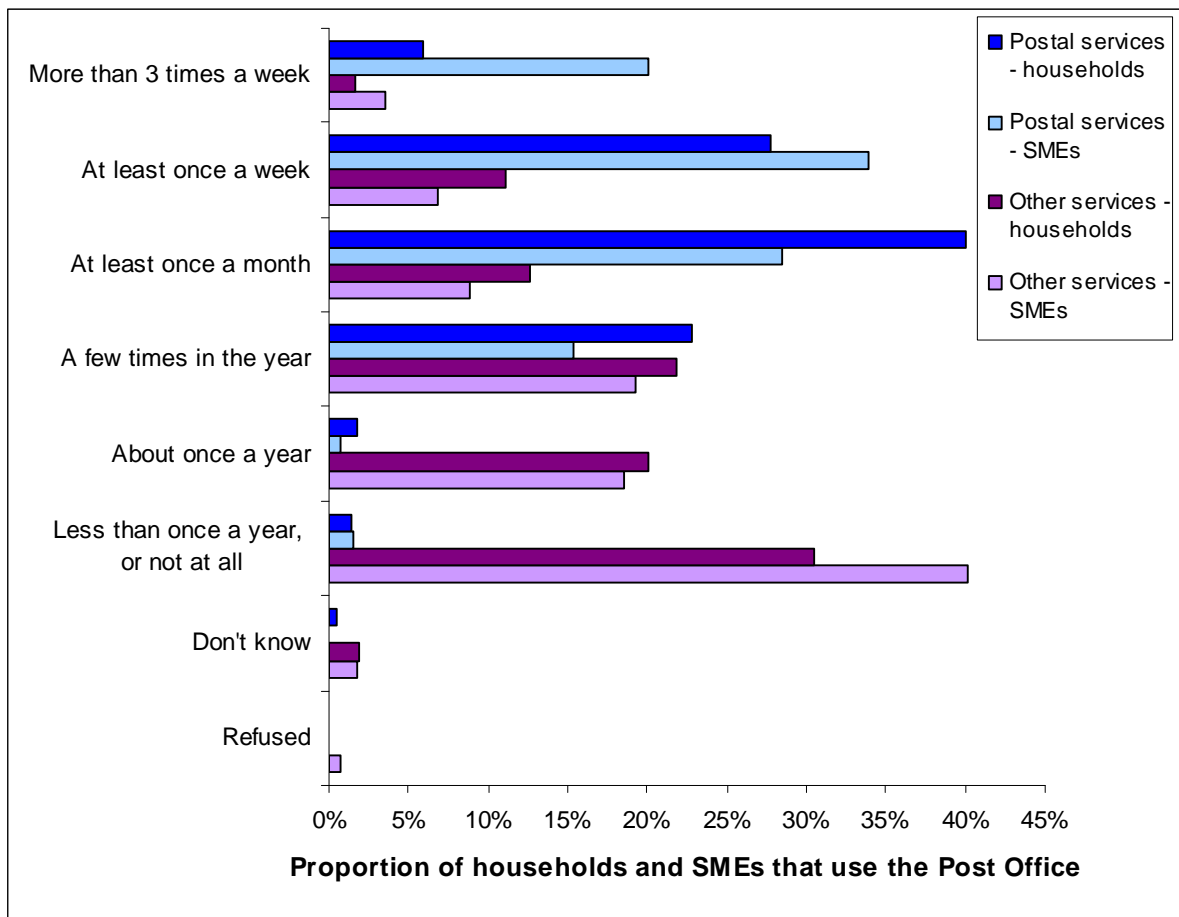
4.5.1.2. Frequency of use

As discussed in section 4.5.1.1, around two per cent of household respondents and nine per cent of SME respondents had not used the Post Office in the last year. Figure 4.2 below shows the frequency of use of postal and other services by households and SMEs that had used the Post Office in the last year.

Of the households and SMEs that had used the post office, both sets of respondents use it for postal services more frequently than other services. Households most commonly use postal services at least once a month and SMEs most commonly use postal services at least once a week. Compared to households, SMEs are also more likely to use postal services more than three times a week, with this being the case for 20 per cent of the SMEs in our sample.

For non postal services, the most common frequency of use for both households and SMEs is less than once a year, or not at all. This is the case for 31 per cent of households and 40 per cent of SMEs. For the rest of the sample, it is households that tend to use non postal services more frequently than SMEs, with a higher proportion of households using these services at least once a week or once a month.

Figure 4.2
Frequency of Use of the Post Office



4.5.1.3. Reasons for not using the post office

A small proportion of households (two per cent) and a slightly larger proportion of SMEs (nine per cent) had not used the post office in the last year. Of these, 63 per cent of households and 56 per cent of SMEs stated that they had no need of post office services. Other reasons for households not having used the post office were a preference to access post office services in another way, not having a convenient branch, and accessibility problems for disabled people. Other reasons for SMEs not to have used the post office included preferring to access postal services in another way, and having a Royal Mail collection.

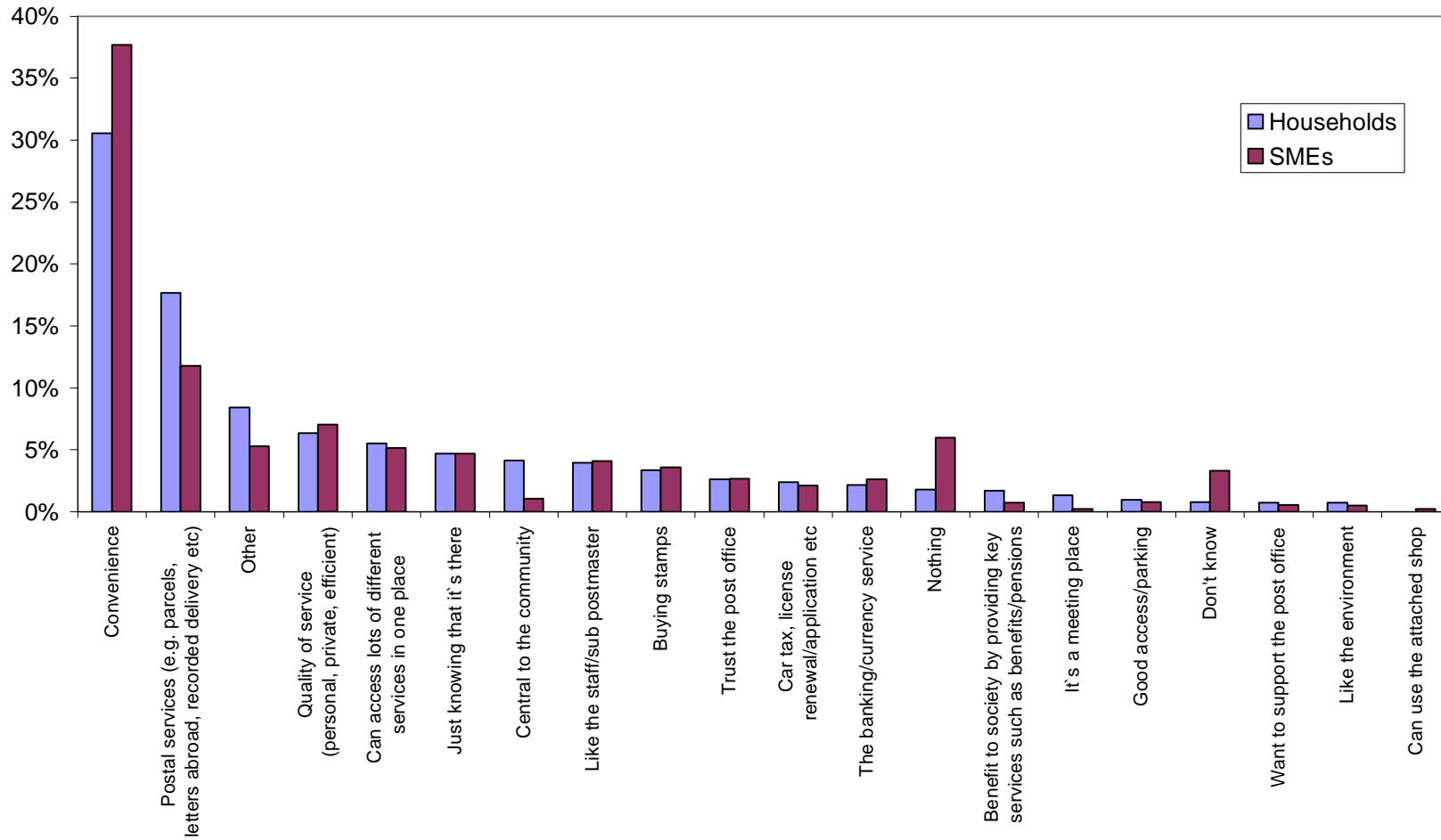
4.5.2. What households and SMEs say they value about the post office

Respondents were asked what they value the most about the post office network. Where a respondent gave more than one answer they were asked to rank the things valued in order of importance. Figure 4.3 shows what households and SMEs say they value about the post office network. This combines information on the number of aspects of the post office valued by each household or SME, and the importance ranking of these aspects for each respondent.³³

Convenience is the most important aspect of the post office overall for both households and SMEs, although it is more highly valued by SMEs than households. Conversely postal services (e.g. parcels, letters abroad, recorded delivery), the second most valued aspect, are valued more highly by households than SMEs. Most other aspects are valued at a fairly similar level, and approximately equally by households and SMEs. The exception to this is that SMEs are more likely to value nothing about the post office, with six per cent of SMEs and two per cent of households saying that they valued nothing.

³³ Each valued aspect was weighted and then the weights were summed over respondents. A higher weighting was given to aspects of post offices stated to be more important.

Figure 4.3
What Households and SMEs Value About the Post Office



4.5.3. Alternatives to the post office

Respondents were asked what services they currently use at post offices. They were then asked to pick a preferred alternative to access these services, if the services were no longer available at post offices. Table 4.9 and Table 4.10 below show the preferred alternatives to the post office for households and SMEs respectively, for each service. The tables show households and SMEs opting for each alternative as a proportion of all respondents (households or SMEs) in the sample.³⁴ The final column of the table shows the average importance for respondents to be able to access the service through the post office rather than via an alternative.³⁵

Of those households that used the post office for postal services (such as checking postage costs or sending parcels), the preferred alternative of at least half of household respondents is to use alternative places provided by Royal Mail.³⁶ This option is less popular with SMEs with only 33 per cent of users opting for this to check postage costs, and 44 per cent to send parcels. Other alternatives such as online services and using alternative providers are more popular with SMEs. For example, 34 per cent of SMEs that use the post office to send parcels would use an alternative provider, compared to 24 per cent of household users.

Where a household used services offered by the post office which had an “online” alternative, this alternative is preferred by a large proportion of respondents using the service (54 per cent for renewing car tax, and 41 per cent for applying for a passport or driving licence). SMEs also have a greater preference for online alternatives where available. The Royal Mail online service is a popular alternative among SMEs for checking postage costs (preferred by 40 per cent of SMEs using the service).

The average importance of being able to access services through the post office is greater than three, the midpoint of the scale, for almost all services. This means that, on average, being able to access services through the post office is at least a little important for all services. The only exception is for savings products and accounts for SMEs, where an average importance of 2.6 indicates that being able to use the post office is not very important.

The high level of importance assigned by respondents in almost all cases reflects the attachment of households and SMEs to the post office. For example, the importance of being able to buy stamps at post offices rather than another retailer is 3.9 for households. This is close to “fairly important”, even though stamps are widely available from other retailers.

³⁴ Adding the proportion of households or SMEs choosing each alternative for a service gives the total percentage of households or SMEs using that service through post offices.

³⁵ Importance is measured on a scale of 1 to 5, where 1 is “Not at all important”, 2 is “Not very important”, 3 is “Neither important nor unimportant”, 4 is “Fairly important” and 5 is “Very important”. The average importance for each alternative is taken over all respondents stating that they would choose that alternative.

³⁶ If there were no post offices, Royal Mail would need to make alternative arrangements for receiving post from individual customers. Respondents were simply told that “these may not be as convenient as your local post office”. Similarly, in the case of the receiving benefits through the Post Office Card Account, it is very likely that the Government would make alternative arrangements if cash payments through post offices were no longer possible. Therefore, one alternative that relevant respondents were offered was “a special card account (similar to the Post Office Card Account) where you could get cash at somewhere other than a Post Office”.

For respondents using these services, particularly high average importance scores for households are found for collecting benefits, pensions or tax credits as cash, checking postage costs, and posting packets or parcels. For SMEs, postal services are also the most important to be able to access through the post office, but average importance scores are generally lower than for households. This indicates that SMEs see the post office as less important than households, perhaps because of greater awareness of alternatives or a greater ability to access them.

For many services, there is little variation in the average importance of the post office between respondents who nominated different alternatives. However, there is a tendency towards lower importance of the post office where the alternatives do not involve extra travel (for example online car tax applications or bill payments by direct debit).

Table 4.9
Preferred Alternatives to Post Office Services: Households

	% of all households ¹	Average importance of post office over alternative ²
Collect benefits, pensions or tax credits as cash		
Receive payments into a bank or building society account and access cash through ATMs (cash machines)	5.3%	4.4
Receive payments into a bank or building society account and access cash via a branch of the bank/building society	4.6%	4.5
Receive payments through a special card account where you could get cash at somewhere other than a Post Office	2.0%	4.7
None of these	1.0%	5.0
Other	0.3%	5.0
Don't know/refused	0.4%	4.0
Total	13.7%	4.5
Renew car tax		
Apply for new tax disc online	26.9%	3.6
Apply for new tax disc by phone	9.2%	4.3
Apply for new tax disc by post	7.5%	4.6
Apply in person at local DVLA office	4.2%	4.7
Don't know/refused	0.9%	4.1
None of these	0.8%	4.6
Total	49.5%	4.0
Pay council tax or utility bills		
Direct debit or standing order	9.7%	3.5
Pay with cash at PayPoint or Payzone terminal	6.3%	4.5
In person at council offices, by cash, cheque, debit card or credit card (for council tax only)	2.7%	4.6
Online payment via debit card, credit card or bank transfer	2.3%	4.4
Telephone payment via debit card, credit card or bank transfer	2.1%	4.2
In person at any bank, by cash, cheque, debit card or credit card	1.6%	4.2
By post via cheque, debit card, credit card or bank transfer	1.1%	4.5
Don't know/refused	0.4%	4.3
None of these	0.2%	5.0
Other	0.1%	5.0
Total	26.5%	4.1
Apply for a passport, driving licence European Health Card or fishing licence - or obtain forms or information about these		
Apply for passport or licence online	26.6%	3.7
Phone or write to request forms, and send application by post	16.5%	4.5
Print off forms from internet, and send application by post	15.2%	4.0
Visit organisation (eg Passport Agency, DVLA local office) to apply in person	5.1%	4.8
Don't know/refused	1.9%	4.7
None of these	0.8%	4.1
Other	0.1%	4.0
Total	66.3%	4.1

	% of all households ¹	Average importance of post office over alternative ²
Savings products/accounts		
Open an account with another bank or building society	7.1%	3.7
Always use cash	0.8%	5.0
None of these	0.4%	4.0
Other	0.3%	3.7
Don't know/refused	0%	
Total	8.7%	3.8
Access bank accounts for withdrawing cash		
Use an ATM (cash machine)	11.0%	3.5
Use cashback service at local supermarket or shop	2.8%	3.8
Use cashier service at a bank or building society branch	1.7%	4.0
None of these	0.2%	3.0
Don't know/refused	0.2%	2.0
Other	0.1%	4.0
Total	16.0%	3.6
Access bank accounts for paying in		
Use cashier service at a bank or building society branch	9.3%	3.4
Send cheques by post to bank / building society	2.3%	4.4
Make online transfers/ use online banking facilities	1.9%	3.4
Use deposit machine at a bank or building society branch	1.3%	3.1
None of these	0.3%	3.0
Other	0.2%	1.0
Don't know/refused	0.1%	5.0
Total	15.5%	3.5
Buy first and second class stamps		
Buy from another retailer	84.4%	3.9
Use Royal Mail online service to pay for postage and print label	4.0%	4.0
None of these	0.7%	5.0
Don't know/refused	0.7%	4.8
Other	0.4%	4.5
Total	90.1%	3.9
Check postage costs or use other postal transactions		
Use the alternative places provided by Royal Mail	42.7%	4.6
Use Royal Mail online service to pay for postage and print label	20.5%	4.0
Use an alternative postal provider such as at larger branches of WHSmith/Staples	12.3%	4.5
Don't know/refused	5.1%	4.5
None of these	2.6%	4.0
Other	2.3%	4.9
Total	85.6%	4.4

	% of all households ¹	Average importance of post office over alternative ²
Post packets or parcels		
Use the alternative posting places provided by Royal Mail	47.7%	4.7
Use an alternative provider by taking it to a special counter at somewhere like larger branches of WHSmith or Staples	11.2%	4.5
Use a parcel collection service from home, accessing it via the internet or telephone at a possible extra cost	10.2%	4.4
Buy the item online and have it sent direct by the supplier	7.2%	4.1
Don't know/refused	3.0%	4.6
None of these	2.8%	4.5
Other	2.1%	4.7
Deliver it yourself	1.7%	4.2
Total	85.9%	4.5

Source: NERA/Accent

1. Adding the proportion of households preferring each alternative may not give the exact total due to rounding.
2. For each service, this is the average importance to households using the service and preferring each alternative to be able to access the service at the Post Office rather than use the alternative. It is measured on a scale of 1 to 5, where 1 is "Not at all important", 2 is "Not very important", 3 is "Neither important nor unimportant", 4 is "Fairly important" and 5 is "Very important".

Table 4.10
Preferred Alternatives to Post Offices: SMEs

	% of all SMEs¹	Average importance of post office over alternative²
Renew car tax		
Apply for new tax disc online	33.2%	3.6
Apply for new tax disc by phone	5.0%	3.8
Apply for new tax disc by post	4.0%	3.7
Apply in person at local DVLA office	3.3%	3.5
None of these	1.7%	5.0
Don't know/refused	1.0%	4.5
Total	48.2%	3.6
Pay utility bills		
Direct debit or standing order	8.0%	2.7
Online payment via debit card, credit card or bank transfer	4.7%	3.7
Pay with cash at PayPoint or Payzone terminal	2.0%	4.2
In person at any bank, by cash, cheque, debit card or credit card	1.3%	2.3
By post via cheque, debit card, credit card or bank transfer	1.3%	4.8
None of these	1.3%	
Telephone payment via debit card, credit card or bank transfer	0.7%	5.0
Don't know/refused	0.7%	1.0
Total	19.9%	3.3
Savings products/accounts		
Open an account with another bank or building society	6.6%	2.6
None of these	1.7%	5.0
Don't know/refused	1.7%	2.0
Always use cash	0.3%	2.0
Total	10.3%	2.6
Access bank accounts for withdrawing cash		
Use an ATM (cash machine)	10.0%	2.9
Use cashier service at a bank or building society branch	4.0%	3.6
None of these	2.7%	4.2
Don't know/refused	1.6%	3.0
Use cashback service at local supermarket or shop	1.0%	4.3
Other	0.3%	5.0
Total	19.6%	3.3
Access bank accounts for paying in		
Use cashier service at a bank or building society branch	11.0%	3.5
Make online transfers/ use online banking facilities	3.0%	2.8
Use deposit machine at a bank or building society branch	2.0%	2.7
Send cheques by post to bank / building society	2.0%	4.3
Don't know/refused	1.3%	1.0
None of these	1.0%	
Total	20.3%	3.3

	% of all SMEs ¹	Average importance of post office over alternative ²
Buy first and second class stamps		
Buy from another retailer	57.5%	3.7
Use a franking machine	12.6%	3.2
Use Royal Mail online service to pay for postage and print label	10.3%	3.6
Use a mail service other than Royal Mail	3.0%	4.2
Open a business account with Royal Mail	2.3%	3.7
None of these	1.3%	5.0
Don't know/refused	1.3%	5.0
Other	0.3%	3.0
Total	88.7%	3.7
Check postage costs or use other postal transactions such as international mail or Special Delivery		
Use Royal Mail online service to pay for postage and print label	33.6%	3.7
Use the alternative places provided by Royal Mail	28.2%	4.2
Use an alternative postal provider such as at larger branches of WHSmith/Staples	10.3%	4.2
Don't know/refused	6.3%	4.3
Other	4.0%	4.1
None of these	2.3%	5.0
Total	84.7%	4.0
Post packets or parcels		
Use the alternative posting places provided by Royal Mail	38.2%	4.1
Use a parcel collection service from home, accessing it via the internet or telephone at a possible extra cost	18.9%	3.9
Use an alternative provider by taking it to a special counter at somewhere like larger branches of WHSmith or Staples	10.3%	4.0
Buy the item online and have it sent direct by the supplier	7.3%	4.0
Don't know/refused	3.7%	4.5
Deliver it yourself	3.0%	4.3
Other	2.3%	3.4
None of these	2.3%	5.0
Total	86.0%	4.1

Source: NERA/Accent

1. Adding the proportion of households preferring each alternative may not give the exact total due to rounding.
 2. For each service, this is the average importance to SMEs using the service and preferring each alternative to be able to access the service at the Post Office rather than use the alternative. It is measured on a scale of 1 to 5, where 1 is "Not at all important", 2 is "Not very important", 3 is "Neither important nor unimportant", 4 is "Fairly important" and 5 is "Very important".

4.6. Costs and Benefits to Taxpayers of the Post Office Network Providing Services Compared with Alternatives

We were asked to provide an estimate of the cost savings or extra costs incurred by taxpayers as a result of providing services through post offices, compared with the alternatives. In addition to the Network Subsidy Payment, which was £150 million in 2007/08, there may be

additional costs for taxpayers if public sector bodies make services available through post offices when there are cheaper alternatives available. Equally, however, there might be some taxpayer-funded services for which the post office is a less expensive way of providing the service compared to some of the alternatives that customers would use instead.

We have considered two main types of impact on taxpayers:

- § direct impacts – these occur when an organisation incurs higher or lower costs as a result of making services available through post offices, and this results in a net increase or decrease of taxpayer funding. The main services affected are pension, tax credit and benefit payments, either from central government or local authorities, and the collection of council tax payments by local authorities;³⁷
- § indirect impacts – these occur when a switch from post offices to certain alternatives causes knock-on effects for other taxpayer-funded services. The main indirect impact relates to subsidised bus travel. In England, for example, over-60s qualify for free off-peak bus travel, for which bus operators receive compensation from government. If the provision of services through post offices means that fewer bus journeys are undertaken by over-60s (for example, because they can use their local post office rather than a bank that is further away), this will result in a cost saving for taxpayers.

When considering the possible direct impacts, we have been careful to distinguish between public sector organisations that recover their costs through user fees, and those that are funded through general taxation. The former group includes organisations such as the Driver and Vehicle Licensing Agency (DVLA) and the Identity and Passport Service (IPS). If IPS enjoys cost savings, for example because it is cheaper to distribute application forms through post offices rather than send them directly to individual applicants, we would expect this to be reflected in lower passport application fees rather than reduced funding of IPS from general taxation. This is because IPS is required to set its fees at a level that covers its ongoing costs.³⁸ There is no direct impact on taxpayers, therefore, from the services that DVLA, IPS and similar organisations provide through post offices.

Our overall estimate is that providing services through post offices results in an **extra cost of £96 million per year for taxpayers**. This is the net impact of an extra cost of £122 million per year from paying benefits and pensions through post offices, offset by net savings of £8 million from receiving council tax payments through post offices and £18 million from there being less free bus travel. Therefore, the estimate mainly reflects the provision of the Post Office Card Account (POCA), which allows households without bank accounts to receive benefits and pensions through the post office. If POCA did not exist, the Government would

³⁷ Postal services are not affected because we assume that, if the Post Office did not exist, Royal Mail would have to pay for any alternative arrangements and recover these costs from users of postal services rather than taxpayers. This means there is no direct saving or extra costs for taxpayers associated with postal services.

³⁸ IPS' Business Plan 2008 states that "IPS has two distinct and separate funding streams. The resource costs of today's activities are recovered from fees (e.g. the passport fee, our PVS service charges and later the charge for the identity card). These are levied in line with HM Treasury fees and charges guidance or HM Treasury/legally approved variations of them. The fees also contain an element for funding the consular services provided to British citizens while overseas. Resource and capital expenditure requirements for the set-up of the NIS including both second biometric passports and identity cards are funded from central Home Office funds. Capital investment is funded through the Home Office and recovered by making capital charges over the useful life of the assets".

need to provide (and pay for) an alternative means of paying pensions and benefits to households without bank accounts.

4.6.1. Direct impacts

The main cost savings or extra costs for taxpayers associated with providing services through post offices relate to:

- § pension, tax credit and benefit payments, either from central government or local authorities. Although many pensions and benefit payments are made directly to recipients bank accounts, the Post Office Card Account (POCA) was established in 2003 to provide an easy way for those without bank accounts to receive their benefits or pensions in cash at post offices. As noted in Section 6.4, some local authorities also allow housing benefit to be paid through a cheque that can be cashed at post offices;
- § many, though not all, local authorities allow council tax to be paid by cash, cheque or debit card at post offices. The other possible forms of payment vary from council to council. Although payment by direct debit is usually strongly encouraged, other alternatives offered include payment in person at council offices, payment through PayPoint or Payzone terminals, online or telephone payment by credit or debit card, or postal payment by cheque.

In each of these cases, the ability to receive or make payments through post offices will result in a cost for the relevant government department or local authority. This may result in cost savings or extra costs for taxpayers, depending on whether the use of the post office is more or less expensive than the main alternatives that customers might use instead. Our estimates of these impacts are set out in the next two sections.

4.6.1.1. Pension, tax credit and benefit payments

Of the 901 households covered by our survey, 123 (or 13.7 per cent) reported that they used post offices to collect benefits, pensions or tax credits as cash. Of these, 22 simply used the post office to access benefits, pensions or tax credits that had already been paid into their bank account. In these cases, the cost to the taxpayer will be the cost of the direct payment into the recipient's bank account.

This leaves 101 households, or 11.2 per cent of the sample, that collected their benefits in cash through POCA or similar mechanisms. Payments through POCA are considerably more expensive than direct payments to recipients' bank accounts. A pension or benefit payment through POCA costs 80p, compared with 1p for a direct payment into a bank account.³⁹

We have therefore estimated the extra cost to taxpayers of paying pensions and benefits through POCA as £122 million per year. This is based on assumptions that:

³⁹ Speech by Pat McFadden (Minister for Employment Relations and Postal Affairs) at the Local Government Association seminar on 'The Future of Post Office Services', 18 October 2007. He also noted that payment by girocheque is even more expensive, £1.80 per transaction, and brings an increased risk of fraud.

- § 11.2 per cent of the 26.5 million households in the UK receive pensions, tax credit or benefit payments through POCA or similar arrangements;⁴⁰
- § for each of these households, payments through POCA cost the government £41.60 per year (ie 52 payments costing 80p each), as compared with 52p for direct payments into recipients bank accounts.

4.6.1.2. Payment of council tax

Even though some councils do not offer the ability to pay council tax at post offices, 100 households in our survey (11.1 per cent of the total) reported that they paid council tax at the post office. They were asked how they would pay council tax and utility bills if these could no longer be paid at post offices,⁴¹ and the 96 responses are shown in the table below.

The table also shows the unit costs for different types of payment, as reported in a 2006 Audit Commission report. While direct debit payments are considerably cheaper than payments through post offices, and PayPoint/Payzone payments are slightly cheaper, payments involving credit cards or the operation of cash offices by councils are more expensive.

Table 4.11
Alternatives to Paying Council Tax at Post Offices

	No. of respondents choosing this alternative to post office payments	Cost (pence per transaction)
Post office	-	42 – 64
Cash payment at PayPoint or Payzone terminal	24	38 – 43
Direct debit or standing order	31	1 – 4.5
Online payment via debit card, credit card or bank transfer	10	130 – 350 ¹
Telephone payment via debit card, credit card or bank transfer	11	130 – 350 ¹
In person at council offices	15	93 - 98
In person at a bank	1	
By post	4	
Total (excluding don't know / other)	96	

Source: NERA analysis; Audit Commission, "Improving Income Collection", May 2006.
(1) Cost is for credit card payments. Some councils pass this charge on to customers.

⁴⁰ For comparison, information from the Department for Work and Pensions indicates that around four million people receive benefits or pensions through POCA, including approximately two million pensioners.

⁴¹ Note that the question about alternative forms of payment relates to both council tax and utility bills. However, Table 4.11 shows the responses only from interviewees who said that they use post offices to pay council tax.

On the basis of this evidence, we have estimated that allowing payment of council tax through post offices leads to a net cost saving to taxpayers of £8.3 million per year. This is based on assumptions that:

- § 11.1 per cent of the 26.5 million households in the UK pay council tax at post offices, making 10 payments a year in this way;
- § if payments could not be made at post offices, they would use the alternatives listed in Table 4.11 in the same proportion as the responses shown in the table;
- § the costs per transaction are the mid-point of the range shown in Table 4.11, and payments in person at a bank or by post cost the same as payments at post offices (so there is no extra cost or cost saving in these cases).

This may be an over-estimate of the likely cost saving. It will be lower than £8.3 million if some of those opting for online or telephone payments would use debit cards rather than credit cards, or if some councils use extra charges to recover some or all of the cost associated with credit card payments from those choosing to pay in this way.

However, we also note that this estimate does not take account of other benefits to councils that might result from an increased take-up of direct debit payments. These include better collection rates and prompt receipt of payments, and cost savings because of reduced debt collection activity.

4.6.2. Indirect impacts

To estimate the change in subsidised bus travel, we have examined the survey responses of those aged 65 or over who do not have a car and who use post offices.⁴² This group accounts for just over 20 per cent of all the interviewees aged 65 or over. The responses from these interviewees suggest that:

- § some of those who collect pensions and benefits in cash from post offices would use ATMs instead.⁴³ This would involve similar or shorter journeys compared with a trip to the post office, and could even lead to a slight reduction in the number of bus journeys;
- § others would collect pensions and benefits from bank or building society branches. The average increase in their journey (compared to the post office) is just over two miles. This could well generate additional bus journeys;
- § of those who pay council tax or utility bills at the post office, half would chose an alternative (direct debit or post) that involved less travel, some would chose alternatives with similar travel compared with post offices (PayPoint or Payzone), and 37.5 per cent would chose an option likely to involve more travel (pay at council office or bank);

⁴² Of the 217 interviewees aged 65 or over, 166 either have a car or live in a household with a car. Of the remaining 51, six do not use post offices at all. This leaves 45 responses from individuals aged 65 or over who do not have a car and who use post offices. This group's response rate to individual questions was very high.

⁴³ This included some respondents who currently receive pension or benefits through POCA. Whether they would be able to do this, without opening a bank account, would depend on the nature of any alternative arrangement the government might introduce if POCA no longer existed.

- § almost all who apply for passports, driving licences, etc at post offices would use an alternative method involving no travel at all (applying online or by post);⁴⁴
- § more than 75 per cent of the group use post offices to send parcels and other postal services (eg to check postage costs or send items by special deliveries). Of those who nominated an alternative, 16 per cent chose a way of sending parcels that would avoid any extra journeys (buying from online retailer who will deliver directly, or having the parcel collected). But 8 per cent said they would deliver the parcel themselves, which would probably involve an extra journey (possibly quite a long one), and 76 per cent said they would use either any alternative that Royal Mail provided or a service such as DHL Servicepoint, both of which would probably require a longer journey compared with using a post office.

Based on these findings, we have estimated that the availability of services through post offices results in a cost saving to taxpayers of £18 million a year. The main assumptions used to generate this estimate are shown in Table 4.12 below.

Not all of the alternatives to the post office would generate extra bus trips. We have assumed that non-urgent tasks, such as paying money into a bank or savings account, would not generate any extra trips at all, for example because these can wait until the next convenient opportunity (such as a shopping visit to the town centre). Even in the case of more urgent tasks that might justify an extra trip, it will often be possible to carry these out during a trip that would have taken place anyway (such as regular shopping or social visits). The assumed number of extra trips in Table 4.12 is therefore less than the number of times that each individual might need to use a particular service during the course of a year.

The cost of each additional free bus journey is based on NERA's estimate (65p per trip, or £1.30 for a return journey) of the average additional subsidy paid to bus operators. The precise formula for calculating the amount of reimbursement varies from area to area. In addition, not all of these extra payments will result in an additional cost to the taxpayer. Where bus services are subsidised by local authorities and contracts awarded by competitive tender (for example, in London, or some services in rural areas), an expected change in the operator's revenues (including compensation for free travel) should feed through to higher or lower bids from operators at the next tender, so that the overall impact on taxpayers in such cases will be neutral.

⁴⁴ Only one respondent reported that they would visit the organisation (eg DVLA or Passport Agency) to apply in person.

Table 4.12
Estimated Impact on Cost of Concessionary Fares

Service	% of 60+ population that would make extra trips	No. of extra trips per year	Additional subsidy per trip (£)	Proportion of cost borne by taxpayers	Cost saving to taxpayers from using post offices (£m pa)
Collect pension or benefits	2.3%	25	1.30	75%	7.4
Pay council tax or utility bills	2.8%	5	1.30	75%	1.8
Parcels & other postal services	13.5%	5	1.30	75%	8.8
Total					18.0

Source: NERA analysis.

Note: the current population in the UK aged 60 or over is 13.2622 million (source: Office for National Statistics, "Key Population and Vital Statistics 2007", April 2009).

5. Associated Businesses Attached To Post Offices

A further part of this research was to assess the proportion of post offices that have attached businesses, and of these attached businesses, the proportion which are viable or non-viable. We assessed “viability” using a simple measure of the profit or loss of any associated business and viewing them in isolation (rather than as part of a combined business):

$$\text{Profit} = \begin{array}{l} \text{Gross takings} \\ \text{from associated} \\ \text{business} \end{array} - \begin{array}{l} \text{Cost of} \\ \text{subpostmaster's} \\ \text{input} \end{array} - \begin{array}{l} \text{Cost of} \\ \text{paid staff} \end{array} - \begin{array}{l} \text{Other costs (including stock,} \\ \text{rent, utilities, mortgage,} \\ \text{insurance, rates, building} \\ \text{maintenance and cleaning)} \end{array}$$

There is relatively little information available on this subject. An Ipsos MORI survey for the National Federation of SubPostmasters (NFSP) in 2006 found that 78 per cent of subpostmasters ran another business alongside their post office.⁴⁵ However, this study was focused on subpostmasters’ income, and simply asked survey respondents to report the net profits of their associated business.

To provide information specifically on the viability of associated businesses and to reflect the impact of recent events such as the completion of the recent post office closure programme and the current economic downturn, we carried out a survey of just over 500 subpostmasters. NFSP provided a sample of 5,000 of its members, adjusted only to exclude those attached to branches of supermarket chains or other “multiples”,⁴⁶ and also supplied a letter of endorsement that was sent to the subpostmasters we contacted. We carried out 508 telephone interviews with subpostmasters, drawn evenly from urban deprived, urban and rural areas.

From our analysis of the survey results, **we estimate that 83 per cent of post offices have associated businesses.** Our conclusions on the proportion of these businesses that are profitable depend on decisions about how to allocate costs between the post office and the associated business, and how to measure the cost of subpostmasters’ own input. **Based on our preferred approach, 57 per cent of associated businesses are profitable. Under different assumptions about shared costs and the cost of subpostmasters’ input, we find this proportion varies between 54 per cent and 64 per cent.**

The situation differs slightly between urban and rural areas. Fewer post offices in rural areas (76 per cent) have associated businesses, but a higher proportion of these (62 per cent) appear to be profitable. In contrast, a high proportion of post offices in urban areas (93 per cent) have associated businesses, but only just over half of them (51 per cent) appear to be profitable. The situation in urban deprived areas is closer to the national average – we estimate that 83 per cent of post offices have associated businesses, of which 60 per cent are profitable.

⁴⁵ Ipsos MORI, *SubPostmaster Income Wave 3*, Research Study Conducted for the National Federation of SubPostmasters, February-March 2006.

⁴⁶ Post offices attached to multiples are generally organised in a different way with some functions undertaken by the chain and some subpostmasters being more like appointed managers than independent retailers. Therefore information provided by individual subpostmasters might not represent the true economic situation of the business associated with the post office.

The main findings from this survey and our interpretation of the results are summarised in the rest of this section, and further details are provided in Appendix H. We also compare the results from this subpostmasters survey with questions about post offices and associated businesses that were included in the main survey of households and SMEs.

5.1. The Survey

The questionnaire that was used for the survey of subpostmasters included:

- § questions about the nature of the associated business, opening hours and the number of hours worked (by the subpostmaster, partner/spouse and other staff) in each of the businesses, and the approximate proportion of floorspace taken up by the associated business. These questions provide general information, and also possible bases on which shared costs could be allocated;
- § questions about the revenues and costs of the associated businesses. Respondents were sent a pro forma in advance of the interview giving details of the information requested. This included gross takings, personal drawings, other staff costs, and other costs (the pro forma stated that “other” costs might include some or all of the cost of stock, rent, utilities, mortgage/loan payments, insurance, rates, building maintenance and cleaning costs). If they were unable to provide separate cost information for the associated business, respondents were asked to provide costs for the post office and associated business combined;
- § a small number of questions about the interaction between the two businesses, and on future prospects. These were intended for information only.

Each question in the first and third categories above was answered by at least 96 per cent of relevant respondents. However, almost 40 per cent of those respondents with associated businesses were unable or unwilling to answer at least some of the financial questions. Just over 230 respondents gave us sufficient financial information to allow the viability of the associated business to be assessed. This is still a reasonable sample size, though our findings will inevitably be less reliable than they would have been with a higher response rate. In addition, as noted above, our findings depend on assumptions about the allocation of costs between the post office and the associated business, and the approach used to measure the cost of subpostmasters’ own inputs to the business.

5.2. Number and Nature of Associated Businesses

Our estimate of the proportion of post offices with associated businesses is based on the recruitment of potential survey respondents (ie the first contact with subpostmasters).⁴⁷ Table 5.1 shows the last status report available for the time during which potential

⁴⁷ This is because subpostmasters without associated businesses were asked a much smaller number of questions and the interview was therefore completed during the same first telephone call. In contrast, potential respondents with associated businesses were sent material by post or e-mail, and a subsequent time arranged for the full interview. Shortly after 100 interviews with subpostmasters with no associated business had been completed, Accent ceased recruiting further interviewees in this category and, for the remaining interviews, focused exclusively on following up contacts with subpostmasters with an associated business.

interviewees were being recruited regardless of whether or not they had an associated business.

As shown in the table, and broadly consistent with the previous Ipsos MORI survey, we found that 83 per cent of subpostmasters also ran a non-post office business. The proportion is highest in (non-deprived) urban areas, and lowest in rural areas (though it is still more than 75 per cent).

Table 5.1
Prevalence of associated businesses – based on recruitment of potential interviewees

	Associated business		No associated business	
	Number	%	Number	%
Rural	150	76	48	24
Urban	202	93	16	7
Urban deprived	156	83	33	17
Average - all areas		83		17

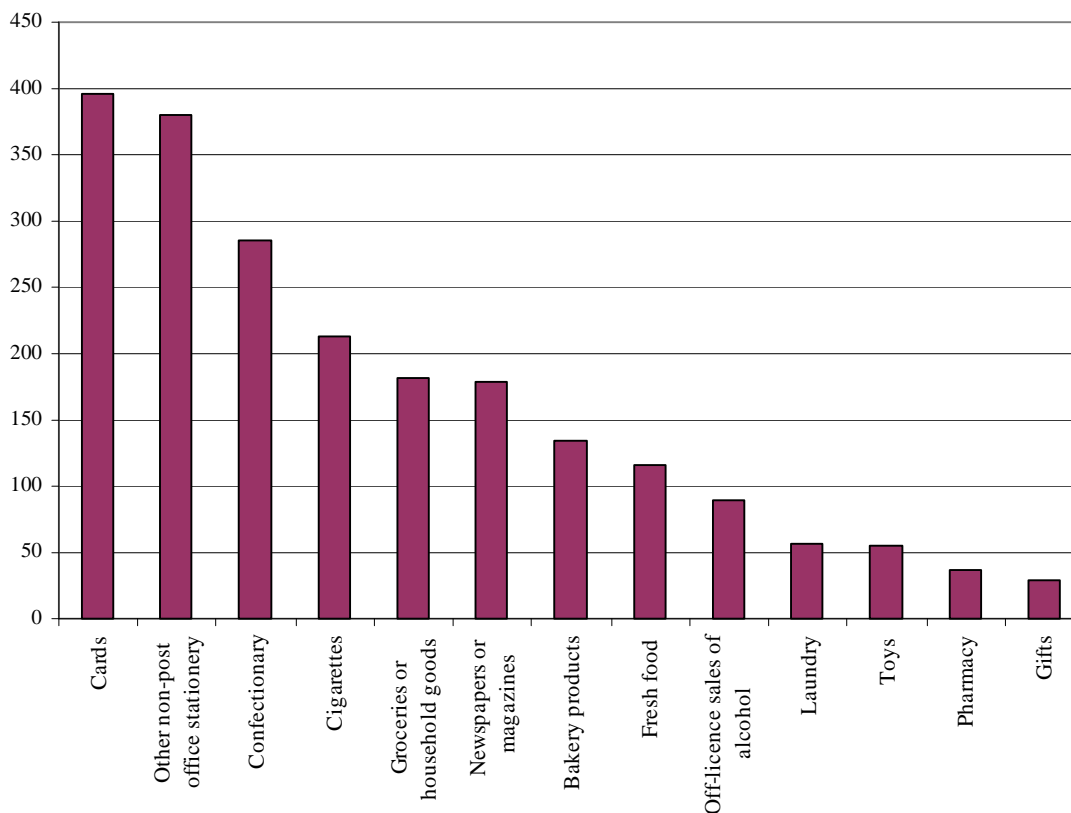
Note: Results for all areas are weighted averages, based on the proportion from each type of area included in the sample of 5000 subpostoffices provided by the NFSP.

Figure 5.1 summarises the main categories of goods that are sold by the associated businesses. A very high proportion of the 402 associated businesses eventually surveyed sell stationery, and almost all sell greetings cards. There is a high degree of overlap between the other categories shown in Figure 5.1. Many sell tobacco, confectionary and newspapers, though most of these also sell other grocery products. In total:

- § 194 of the sample sell general groceries, fresh food or bakery products;⁴⁸
- § a further 102 sell tobacco, confectionary and newspapers, but not groceries, fresh food or bakery products;
- § all of the 106 that do not sell any of the above sell stationery and/or greetings cards.

⁴⁸ The proportion of associated businesses selling groceries (other than confectionary) varies by type of area. 60 per cent of associated businesses in rural areas sell groceries, compared with 48 per cent in urban deprived areas and 39 per cent in urban areas. However, expressed as a proportion of all post offices (including those with no associated business), the differences are less pronounced. 46 per cent of post offices in rural areas have an associated business that sells groceries, compared with 40 per cent in urban deprived areas and 36 per cent in urban areas.

**Figure 5.1
Goods Sold by Associated Business**



Note: Based on responses from 401 subpostmasters with associated businesses. Includes all categories with at least 20 positive responses.

5.3. Profitability of Associated Businesses

5.3.1. Sample size and adjustments to data

As noted above, the survey included questions about the revenues and costs of the associated business. Just over 230 respondents gave answers to enough of these questions that we could derive a meaningful estimate of the profit or loss of the associated business.

Only 120 of these respondents provided cost information relating to their associated business alone. The other 112 provided cost data covering both the post office and the associated business. For these cases, we estimated the costs for the associated business alone by:

- § allocating staff costs (including personal drawings where relevant) in proportion to the hours worked in each business; and
- § allocating other costs in accordance with respondents' estimates of the proportion of floor space taken up by the associated business.

We checked that this approach yields plausible results by considering the relationship between gross takings and profits where we have allocated costs on the basis described above, and comparing this with the results for those subpostmasters who provided separate cost data for their associated business. We also considered other possible cost allocation methods, which did not perform as well as our preferred approach described above.

A further problem affected some of the responses where subpostmasters had provided separate costs for their associated businesses, as some operate “combi counters” that serve both businesses. Many of the respondents with combi counters had allocated all staff costs to either the post office or the associated business. We therefore adjusted staff costs in these cases by taking the average split of hours between the post office and the associated business for those respondents who do not operate combi counters (or those who operate combi counters but still provided us with separate estimates for each business), and applying this split to those who allocated combi counter hours to just one of the businesses.⁴⁹

The adjustments described above were sufficient to allow us to estimate profits for the 232 associated businesses for which respondents had provided most or all of the financial information requested. However, we were concerned that this might provide an unreliable indication of the underlying profitability of the associated business, in particular because of the way that the cost of subpostmasters’ own inputs to the business are measured (and also those of the subpostmaster’s spouse or partner, where they are not paid a separate wage). For example, profits could be understated if owners make relatively high drawings from a strongly profitable business. Equally, the profitability of the business could be overstated if owners work long hours with little or no reward. These concerns are supported by the fact that, for some responses, reported drawings appear relatively high or low compared with the hours worked by the subpostmaster (and their spouse or partner, where relevant). This is consistent with some subpostmasters viewing personal drawings as a reward for running a profitable business, rather than a simple wage cost.

In addition to the estimates of profitability based on subpostmasters’ personal drawings, therefore, we calculated an alternative measure of profitability based on an alternative (or “imputed”) cost of labour. This imputed cost was calculated by multiplying the number of hours worked by subpostmasters (and their spouses or partners, if not paid a separate wage) by the national minimum wage. The results shown in the rest of this section are based on this approach, which is our preferred measure. Results based on personal drawings rather than the imputed labour costs are included in Appendix H, along with results based on alternative cost allocation methods.

5.3.2. Findings

Overall, we estimate that 83 per cent of post offices have associated businesses. Of these associated businesses, we estimate that 57 per cent are profitable. As a proportion of all post

⁴⁹ For those respondents who allocated all staff costs to the post office business, and therefore reported zero or very low staff costs for the associated business, we assumed their staff costs per hour were in line with the average for the rest of the sample. Some early respondents were not asked whether or not they operated combi counters. However, the average split of hours reported by this group between the post office and the associated business is very similar to the average for those respondents who do not operate combi counters, so we did not consider any further adjustment necessary.

offices (including those without associated businesses), this suggests that 47 per cent have a profitable associated business, and a further 36 per cent have an unprofitable associated business.

Table 5.2 below summarises our estimates for each geographical area, along with the weighted average across all areas. These have been calculated with jointly reported costs allocated on the basis of hours worked and floorspace, and with the cost of subpostmasters' own hours calculated using the minimum wage (rather than reported drawings).

There is a noticeable difference between the results for rural and urban areas. A high proportion of sub-post offices in urban areas (93 per cent) have an associated business, but a relatively high proportion of these (almost half of associated businesses) appear to be loss-making. In contrast, fewer sub-post offices in rural areas (76 per cent) have associated businesses, but where these exist then a higher proportion (62 per cent of associated businesses) appear profitable. The results for urban deprived areas are closer to the national average – we estimate that 83 per cent of post offices have associated businesses, of which 60 per cent are profitable.

**Table 5.2
Summary of Findings**

	Rural	Urban	Urban deprived	All areas
	%	%	%	Average (%)
No associated business	24	7	17	17
Profitable business	47	47	50	47
Unprofitable business	29	46	33	36
Total	100	100	100	100

Note: Results for all areas are weighted averages, based on the proportion from each type of area included in the sample of 5000 subpostoffices provided by the NFSP.

Appendix H shows the results for associated businesses based on different cost allocation methods, and using drawings as reported by survey respondents rather than imputed labour costs. Depending on the method adopted, the proportion of associated businesses in all areas that are profitable varies from 54 to 64 per cent, compared with 57 per cent in the results shown above.

The findings for rural and urban deprived areas are less sensitive to changes in cost allocations and the measurement of labour costs – the proportion of profitable associated businesses varies between 61 per cent and 68 per cent in rural areas (compared with 62 per cent implied by Table 5.2) and between 57 per cent and 65 per cent in urban deprived areas (compared with 60 per cent in the results shown above). In urban areas, however, the

proportion of profitable businesses varies from 45 per cent to 60 per cent (the results in Table 5.2 suggest 51 per cent).⁵⁰

5.4. Other Results

Appendix H provides details of some of the other results generated from the survey. In summary, we note that:

- § most associated business are open for between 30 and 60 hours a week. However, just over 30 per cent of associated businesses are open for more than 60 hours a week, compared with fewer than 1 per cent of post offices;
- § among those respondents with associated businesses, almost half of them estimated that the proportion of customers visiting the associated business who also use the post office was 60 per cent or higher. 78 per cent thought that, were the post office to close, then the sales of their associated business would fall by more than 30 per cent.⁵¹ A very similar number (76 per cent) reported that, if the post office were to close, the outlook for the associated business would deteriorate and it too would be forced to close;
- § these findings are supported by the results of the main survey. 63 per cent of consumers who use a post office with an associated business said that they would use the associated less if the post office were to close. In contrast, 96 per cent of the same group said that, if the associated business were to close, their use of the post office would either remain the same or increase;
- § fewer than 20 per cent of subpostmasters thought that the financial outlook for their associated business was likely to get worse over the next five years, and 26 per cent thought it was likely to improve. However, these views were based on the assumption that their post office remains open.

⁵⁰ For associated businesses in urban areas, cost allocations based solely on floorspace seem to lead to substantially higher costs and therefore a noticeably lower proportion of profitable associated businesses.

⁵¹ When asked where customers would go instead, more than half of the respondents thought that sales would be lost to other local businesses (newsagents, garages, banks, convenience stores, etc).

6. Case Studies of Alternative Provision of Services Currently Provided by Post Offices

The following case studies aim to provide an overview of organisations that provide some of the same services as post offices. This overview consists of a description of how other organisations provide the services, drawing out similarities and differences with post offices. In particular, the case studies assess the relative cost and convenience of post offices and other providers.

Some of the case studies focus on particular organisations providing some of the same services as post offices, for example parcel delivery or bill payment. These case studies cover DHL Servicepoint, PayPoint and community shops. Other case studies provide an overview of alternative access methods for a particular service, including the relative advantages and disadvantages of each. These case studies cover basic bank accounts, receiving housing benefit and accessing DVLA services (in particular car tax).

6.1. DHL Servicepoint

DHL Servicepoint provides an alternative to the post office for small-scale users to access a package and parcel delivery service. The delivery service is provided by DHL. Post offices can currently only accept packages and parcels to be sent by Royal Mail or Parcelforce.

DHL Servicepoint is available in selected retail outlets, where customers are able to pack their items into a DHL box and arrange delivery. The service is offered for six DHL envelope and box sizes, each of which has an indicative maximum weight ranging from 0.2 kilograms to 25 kilograms.⁵² It is possible to arrange UK or international delivery, with four price bands; UK, the EU, USA and Canada, and the rest of the world.

6.1.1. Convenience

DHL Servicepoint is available in Staples, Safestore, selected branches of WH Smith and independent retailers. There are more than 850 outlets across the UK,⁵³ concentrated in towns and cities. Many offer convenient parking.

Opening hours vary across type of outlet. For example, branches of WH Smith tend to be open during standard business hours from Monday to Saturday, for example 9.30am until 5.30pm, and shorter hours on Sunday. In contrast, branches of Staples tend to have longer opening hours from 8am until 8pm from Monday to Friday (and are also open on Saturday and Sunday), and some independent stores are open for even longer hours, in some cases

⁵² Size, weight and price details for each DHL product are provided in Table 6.2 to Table 6.6. DHL has informed us that information about weights is provided for guidance only, and that prices are determined by size of box rather than weight.

⁵³ Source: DHL Servicepoint.

from as early as 7am until 10pm or later.⁵⁴ While parcels may be posted during weekends, they will not be collected until the next business day.

In comparison, there are around 11,500 post offices in the UK across both urban and rural areas. As with DHL Servicepoint, there is convenient parking for some post offices. In urban areas, opening hours tend to be 9.00 or 9.30am until 5.00 or 5.30pm Monday to Friday, and Saturday mornings (with collections each of these days). In rural areas, some post offices are open for reduced hours or for fewer days. Sunday opening is rare.⁵⁵

Post offices offer a higher number of outlets and greater geographic dispersion, compared with DHL Servicepoint, but tend to have shorter opening hours, with more limited opening in evenings and at weekends.

The table below shows the distance by road to the nearest DHL Servicepoint and post office for 20 randomly selected postcodes in urban, urban deprived, rural and remote rural areas.⁵⁶

- § For 19 out of the 20 selected postcodes, there is a post office closer than a DHL Servicepoint.
- § The road distance to a DHL Servicepoint tends to be significantly higher in rural and remote rural areas than in urban areas.
- § In rural and remote rural areas, the size of the difference in distance between the nearest post office and DHL Servicepoint is much larger, increasing the inconvenience of using DHL Servicepoint in comparison with a post office.

⁵⁴ Source: DHL Servicepoint Locator, DHL Servicepoint website

⁵⁵ Some Post Office outreach services, for example, offer longer opening hours. Partner outreach services are situated in retail outlets and are available as long as the retail outlet is open. In addition, Post Office Essentials, a new type of outreach service, is being piloted in 20 retail outlets across the UK (see <http://www.berr.gov.uk/whatwedo/sectors/postalservices/postofficenetwork/typesofpostoffice/page28881.html>).

⁵⁶ For Scotland, the remote rural definition is based on drive time to a larger settlement. For England and Wales, remote rural definition is based on ONS/Defra rurality definitions, where remote rural areas are defined as villages, hamlets and isolated dwellings with sparse population, and hamlets and isolated dwellings with less sparse population. Other area definitions are the same as those used for the main survey.

Table 6.1
Accessibility: DHL Servicepoint

Postcode	Country	Classification	Road distance (miles)	
			Nearest Post Office	Nearest DHL Servicepoint
CO4 3EE	England	Urban	1.4	1.9
TW15 3HW	England	Urban	1.2	4.4
KT23 4JJ	England	Urban	0.4	3.4
NE63 9BL	England	Urban deprived	0.2	6.4
E3 2TS	England	Urban deprived	0.3	1.6
BD6 2JB	England	Urban deprived	0.2	4.4
BB7 4RX	England	Rural	4.6	17.9
DE6 3EU	England	Rural	0.1	13.8
TR2 5JT	England	Rural	2.9	12.3
TN30 6QR	England	Rural	0.9	0.6
NE49 0EW	England	Remote rural	0.5	22.2
TR16 6EZ	England	Remote rural	0.5	8.5
PE24 5BE	England	Remote rural	2.9	8.0
ME9 8HY	England	Remote rural	1.6	1.8
DG2 9HU	Scotland	Urban	0.5	1.3
PH9 0LD	Scotland	Remote rural	0.4	22.7
CF24 3FS	Wales	Urban deprived	0.3	0.8
LL49 9HR	Wales	Rural	0.5	19.0
BT18 9SS	Northern Ireland	Urban	1.6	7.8
BT78 1DW	Northern Ireland	Urban deprived	0.3	2.9

Source: www.postoffice.co.uk, www.dhlservicepoint.co.uk, www.multimap.com

6.1.2. Price comparison

The tables below show DHL Servicepoint prices for parcels of a given size compared with two Royal Mail/Parcelforce prices for parcels posted at post offices, which we have defined as “basic” and “enhanced”:

- § the “basic” Royal Mail price is for the cheapest service for each size and weight.⁵⁷ Delivery times are generally longer than DHL Servicepoint, sometimes by a substantial margin (especially for parcels over 2 kg sent outside the EU). The DHL price also includes packaging, tracking and a signature on delivery;
- § the “enhanced” Royal Mail price is for the service most comparable to DHL Servicepoint in terms of delivery time.⁵⁸ The DHL price also includes packaging, tracking and a

⁵⁷ Second Class mail, Standard Parcels or Parcelforce 48 for UK deliveries; and air mail, surface mail, Parcelforce International Standard (EU) or International Economy (non-EU) for overseas deliveries. Delivery times vary by country, for example International Standard offers 5-7 day delivery to Italy, while International Economy offers 30-36 day delivery to Canada.

⁵⁸ First Class mail and Parcelforce 48 for UK deliveries; and air mail or International Datapost for international deliveries. Delivery times vary by country, for example International Datapost offers 2 day delivery to Italy and 2-3 day delivery to Canada.

signature on delivery. Tracking and signature on delivery are also included in the Parcelforce prices (which apply to UK deliveries above 20kg and overseas deliveries above 2kg), along with guaranteed delivery times and a pick-up service for online bookings, but not the Royal Mail First Class or air mail prices.⁵⁹

These price comparisons are for illustration only and not exhaustive. Customers should not rely on this information and should verify prices directly with Royal Mail/Parcelforce and/or DHL Servicepoint.

The equivalent Royal Mail prices for each DHL Servicepoint product are given for the maximum weight of parcel in each category, and for DHL Servicepoint are based on a package that fits in the relevant sized box.⁶⁰ As the prices for Royal Mail are based on a higher number of weight categories, the table below shows the highest equivalent price and we note that smaller parcels are likely to be less expensive. For example, a 15kg parcel in a 420x480x310mm box would need to be sent by DHL XX Large at a cost of £19.75, whereas the cheapest Royal Mail service (Standard Parcels) would cost £14.26. The Royal Mail prices for a 20 kilogram parcel are shown for comparison, as this is the maximum weight of parcel that can be sent by Royal Mail.

Table 6.2 shows the comparison for UK parcels. For smaller parcels up to 5 kilograms, DHL Servicepoint is more expensive than both the basic and enhanced Royal Mail service, although the DHL service includes free packaging, tracking and signature on delivery. Prices become more aligned for 5 kilogram and 10 kilogram parcels if using the enhanced Royal Mail service. For a parcel of 20 kilograms, the maximum weight for Royal Mail, DHL Servicepoint is more expensive than the basic Royal Mail service (which has a longer delivery time), but significantly cheaper than the enhanced Royal Mail service (First Class mail). Heavy parcels over 20 kilograms posted at post offices are delivered by Parcelforce. In this case, DHL Servicepoint is the cheapest service.

⁵⁹ For air mail services, for example, Air Sure offers tracking and confirmation of delivery for £4.50 in addition to the air mail price and can be used to send mail to 30 countries.

⁶⁰ DHL has informed us that maximum weights are provided for guidance only, and that prices are determined by size of box rather than weight.

Table 6.2
UK Parcel Price Comparison

Product	Parcel size	Maximum weight	DHL Servicepoint price	Basic Royal Mail price	Enhanced Royal Mail price
Envelope	275x350mm	0.2kg	£5.95	£1.24	£1.62
Small	245x185x70mm	1kg	£8.75	£2.49	£3.25
Medium	330x310x95mm	2kg	£10.75	£4.41	£6.55
Large	330x310x175mm	5kg	£12.75	£9.58	£11.02
X Large	420x345x280mm	10kg	£14.75	£12.61	£16.62
No DHL equivalent		20kg	£19.75	£14.69	£30.62
XX Large	420x480x310mm	25kg	£19.75	£32.99	£32.99

Source: www.dhl-servicepoint.co.uk, www.royalmail.com, www.parcelforce.com

Post Office prices are for the maximum weight in each category, smaller parcels will be less expensive.

The "Basic" Royal Mail price is for a service with longer delivery times than DHL Servicepoint.

Prices in bold relate to Parcelforce services. For the enhanced price, Parcelforce will pick up the parcel if booked online.

Table 6.3 and Table 6.4 compare prices for the EU and North America. For the EU, DHL Servicepoint is much more expensive than both the basic and enhanced Royal Mail service for parcels of 2 kilograms and below. For parcels of 10 kilograms and 25 kilograms, the DHL Servicepoint price is between the basic and enhanced Parcelforce prices. For parcels of 5 kilograms, DHL Servicepoint offers the cheapest service.

For North America a similar picture emerges. DHL Servicepoint is more expensive than the basic and enhanced Royal Mail services for parcels up to 2 kilograms, between the two Parcelforce prices for parcels of 10 kilograms, and is the cheapest service for parcels of 5 kilograms and 25 kilograms.

Table 6.3
EU Parcel Price Comparison

Product	Parcel size	Maximum weight	DHL Servicepoint price	Basic Royal Mail price	Enhanced Royal Mail price
Envelope	275x350mm	0.2kg	£19.95	£1.53	£1.82
Small	245x185x70mm	1kg	£22.75	£6.29	£6.29
Medium	330x310x95mm	2kg	£24.75	£11.29	£11.29
Large	330x310x175mm	5kg	£34.75	£36.49	£64.49
X Large	420x345x280mm	10kg	£57.75	£44.49	£89.49
XX Large	420x480x310mm	25kg	£97.75	£55.99	£154.49

Source: www.dhl-servicepoint.co.uk, www.royalmail.com, www.parcelforce.com

Post Office prices are for the maximum weight in each category, smaller parcels will be less expensive.

The "Basic" Royal Mail price is for a service with longer delivery times than DHL Servicepoint.

Prices in bold relate to Parcelforce services. For the enhanced price, Parcelforce will pick up the parcel if booked online.

DHL Servicepoint prices quoted apply to all countries in Europe.

Parcelforce prices quoted are for zone 8; Italy, Spain, Portugal and Greece.

Table 6.4
USA and Canada Parcel Price Comparison

Product	Parcel size	Maximum weight	DHL Servicepoint price	Basic Royal Mail price	Enhanced Royal Mail price
Envelope	275x350mm	0.2kg	£24.95	£1.53	£2.94
Small	245x185x70mm	1kg	£27.95	£6.42	£12.26
Medium	330x310x95mm	2kg	£29.95	£12.17	£23.26
Large	330x310x175mm	5kg	£44.95	£55.19	£73.19
X Large	420x345x280mm	10kg	£84.95	£75.19	£102.19
XX Large	420x480x310mm	25kg	£114.95	£135.19	£174.19

Source: www.dhlservicepoint.co.uk, www.royalmail.com, www.parcelforce.com

Post Office prices are for the maximum weight in each category, smaller parcels will be less expensive.

The "Basic" Royal Mail price is for a service with longer delivery times than DHL Servicepoint.

Prices in bold relate to Parcelforce services. For the enhanced price, Parcelforce will pick up the parcel if booked online.

Table 6.5 and Table 6.6 show similar comparisons for parcels sent to the Far East and Australia, and to the rest of the world. As above, DHL Servicepoint is more expensive than both Royal Mail services for parcels of 2 kilograms and below. For the Far East and Australia, the DHL Servicepoint price for larger parcels is between the Royal Mail enhanced and basic prices (and offers similar delivery times to the enhanced service). For the rest of the world, moreover, DHL Servicepoint's prices for larger parcels are broadly comparable to the price of Royal Mail's basic service, which offers very substantially longer delivery times than DHL Servicepoint.

Table 6.5
Far East and Australia Parcel Price Comparison

Product	Parcel size	Maximum weight	DHL Servicepoint price	Basic Royal Mail price	Enhanced Royal Mail price
Envelope	275x350mm	0.2kg	£29.95	£1.53	£2.94
Small	245x185x70mm	1kg	£38.95	£6.42	£12.26
Medium	330x310x95mm	2kg	£46.95	£12.17	£23.26
Large	330x310x175mm	5kg	£68.95	£65.49	£94.49
X Large	420x345x280mm	10kg	£125.95	£91.49	£132.49
XX Large	420x480x310mm	25kg	£197.95	£160.49	£241.49

Source: www.dhlservicepoint.co.uk, www.royalmail.com, www.parcelforce.com

Post Office prices are for the maximum weight in each category, smaller parcels will be less expensive.

The "Basic" Royal Mail price is for a service with longer delivery times than DHL Servicepoint.

Prices in bold relate to Parcelforce services. For the enhanced price, Parcelforce will pick up the parcel if booked online.

Table 6.6
Rest of the World Parcel Price Comparison

Product	Parcel size	Maximum weight	DHL Servicepoint price	Basic Royal Mail price	Enhanced Royal Mail price
Envelope	275x350mm	0.2kg	£29.95	£1.53	£2.94
Small	245x185x70mm	1kg	£38.95	£6.42	£12.26
Medium	330x310x95mm	2kg	£46.95	£12.17	£23.26
Large	330x310x175mm	5kg	£68.95	£71.59	£117.19
X Large	420x345x280mm	10kg	£125.95	£111.59	£171.19
XX Large	420x480x310mm	25kg	£197.95	£199.59	£326.19

Source: www.dhl-servicepoint.co.uk, www.royalmail.com, www.parcelforce.com

Post Office prices are for the maximum weight in each category, smaller parcels will be less expensive.

The "Basic" Royal Mail price is for a service with longer delivery times than DHL Servicepoint.

Prices in bold relate to Parcelforce services. For the enhanced price, Parcelforce will pick up the parcel if booked online.

6.2. PayPoint

6.2.1. Services available

It is currently possible to pay several types of bills at the post office, a service which is also provided by other companies such as PayPoint. PayPoint offers the facility to pay utility bills, make payments to housing associations, pay council tax and rent, buy a TV licence, top up mobile phones and e-money cards, buy bus tickets in some areas and make a variety of other payments by cash only.⁶¹ In the year to 30 March 2008, PayPoint processed over 515 million transactions, including around 150 million mobile top ups.⁶²

⁶¹ Bill payment services are not available for all utility companies, housing associations and local authorities.

⁶² Source: PayPoint.

Table 6.7
PayPoint services available

Type of service/organisation	Participating companies/organisations ¹	Payment methods	Customer fee?
Electricity/gas/water	27	Cash only	No
Housing associations	544	Cash only	No
Credit unions	115	Cash only	No
Local authorities	223	Cash only	No
TV licensing/cable/telephone	4	Cash and debit card for TV licensing, cash only for cable and telephone	No
Mobile phone top ups	27	Cash only	No
International calling cards	6	Cash only	No
E-money top ups	14	Cash only	No
Bus tickets	45	Cash only	No
Central London congestion charge	1	Cash only	No
Catalogue/prepaid debit cards/other leisure and financial services	19	Cash only	No

Source: PayPoint, correct as of April 2009

(1) Participating companies/organisations are companies on whose behalf PayPoint collects payments

In contrast to Paypoint, many bill payments at post offices can be made by cheque or debit card as well as cash. However, some bill payments at post offices may attract a customer fee.⁶³

6.2.2. Convenience

There are more than 21,500 PayPoint outlets⁶⁴ in the UK in convenience stores, off licences, newsagents, supermarkets and petrol forecourts. These outlets are situated in both urban and rural areas. Outlets are well dispersed, with 98.9 per cent of households being within one mile of a PayPoint outlet in an urban area and five miles in a rural area. In urban deprived areas, 95.8 per cent of the population live within 0.5 miles of a PayPoint outlet. Opening hours vary between outlets but tend to be long, from 8.00 am or earlier until 10.00 pm or even later in many cases. The outlets also tend to be open at weekends and public holidays.

Compared to the post office, there are a greater number of PayPoint outlets that tend to be open longer, including evenings, weekends and public holidays. Some post offices with attached businesses, however, have paystation terminals located on the retail side of the

⁶³ Source: <http://www.postoffice.co.uk/portal/po/jump1?catId=86500737&mediaId=20900329>

⁶⁴ PayPoint Press Release, *No Need For Bank Holiday Blackouts*, 23 April 2009.

business, which gives the potential for them to be used for the same opening hours as the attached business.

The following table shows the distance by road to the nearest PayPoint outlet and post office for a selection of 18 postcodes in England, Scotland and Wales.

- § In general, the distance to a PayPoint outlet is similar to the distance to a post office.
- § For eight postcodes the nearest PayPoint outlet is closer than a post office. For six the distance is equal and for four postcodes a post office is closer.
- § The postcodes which are the furthest distance from a PayPoint outlet tend to be in rural and remote rural areas.

Table 6.8
Accessibility: PayPoint

Postcode	Country	Classification	Road distance (miles)	
			Nearest Post Office	Nearest PayPoint outlet
CO4 3EE	England	Urban	1.4	0.6
TW15 3HW	England	Urban	1.2	0.9
KT23 4JJ	England	Urban	0.4	0.3
NE63 9BL	England	Urban deprived	0.2	0.2
E3 2TS	England	Urban deprived	0.3	0.2
BD6 2JB	England	Urban deprived	0.2	0.3
BB7 4RX	England	Rural	4.6	2.7
DE6 3EU	England	Rural	0.1	4.7
TR2 5JT	England	Rural	2.9	2.7
TN30 6QR	England	Rural	0.9	0.9
NE49 0EW	England	Remote rural	0.5	0.5
TR16 6EZ	England	Remote rural	0.5	0.5
PE24 5BE	England	Remote rural	2.9	3.0
ME9 8HY	England	Remote rural	1.6	1.0
DG2 9HU	Scotland	Urban	0.5	0.2
PH9 0LD	Scotland	Remote rural	0.4	4.3
CF24 3FS	Wales	Urban deprived	0.3	0.3
LL49 9HR	Wales	Rural	0.5	0.5

Source: www.postoffice.co.uk, www.paypoint.co.uk, www.multimap.com

Note: Accessibility information is not provided for Northern Ireland because the PayPoint branch locator does not accept these postcodes in full.

6.2.3. Similar services

Payzone offers a similar selection of services to PayPoint through over 30,000 outlets in the UK. The services Payzone provides include bill payment, online shopping, mobile top-up, international calling cards, pre-paid debit cards and Payzone worldwide money.

6.3. Basic Bank Accounts

Basic bank accounts were introduced by the UK government in 2000 and were intended to improve financial inclusion. There are 17 basic bank accounts on offer in the UK.⁶⁵ These accounts can be accessed at the post office for cash withdrawals and in some cases to pay in cash and/or cheques.⁶⁶ The accounts can also be accessed at bank branches where a wider range of services may be available. Table 6.9 below shows the accessibility of basic bank accounts.

- § For most basic bank accounts, a full range of services is available at the bank branch, including withdrawing cash, paying-in and balance enquiries (subject to a few exceptions indicated in the table).
- § A smaller range of services is available at post offices, although this varies by basic bank account.
- § Telephone and internet banking are available for almost all basic bank accounts, and a small minority also offer postal banking.
- § For the Halifax Bank of Scotland (HBOS) group, a counter service is not available in bank branches but cash withdrawals can be made at post offices for customers who want face-to-face contact.
- § For customers of some banks, it is possible to access a limited range of services at other banks within the same group, for example for customers of NatWest and Royal Bank of Scotland.

⁶⁵ Some banks do not operate across the whole of the UK. For example, the Bank of Ireland Basic Cash Account is available only in Northern Ireland

⁶⁶ The Post Office does not offer its own current account at present. However, the managing director of POL, Alan Cook, stated in his evidence to the House of Commons Business and Enterprise Committee (21 April 2009) that the post office has an aspiration to launch a current account in 2010.

Table 6.9: Access to Basic Bank Accounts

Bank	Account name	Debit card	Direct debits and standing orders	Branches	Post Office				Other access to account			
					Withdraw cash	Pay-in cash	Pay-in cheques	Balance enquiry	Branch	Post	Phone	Internet
Abbey	Basic Account		ü	712	ü			ü		ü	ü	
Alliance and Leicester	Basic Cash Account		Direct debits only	254	ü	ü	ü	ü	ü	ü	ü	
Bank of Ireland	Basic Cash Account (NI only)		ü	254	ü	ü	ü	ü ²		ü	ü	
Bank of Scotland	Easycash	ü	ü	1002 ¹	ü			ü ³		ü	ü	
Barclays	Cash Card Account	ü	ü	2014	ü			ü		ü		
Clydesdale Bank	Readycash	ü	ü	154	ü	ü	ü	ü		ü	ü	
The Co-Operative Bank	Cashminder	ü	ü	93	ü	ü	ü	ü		ü	ü	
First Trust bank	Basic Bank Account		Direct debits only	44	ü			ü		ü	ü	
Halifax	Easycash	ü	ü	1002 ¹	ü			ü ³		ü	ü	
HSBC	Basic Bank Account		ü	1492	ü			ü		ü	ü	
Lloyds TSB	Cash Account	ü	ü	1844	ü	ü	ü	ü		ü	ü	
Nationwide Building Society	Flex Cash Card		ü	750	ü			ü	ü	ü	ü	
NatWest	Step Account	ü	ü	1629	ü			ü	ü	ü	ü	
Northern Bank	Northern Personal Access	ü	ü	95	ü			ü ⁴		ü	ü	
The Royal Bank of Scotland	Key Account	ü	ü	647	ü			ü		ü	ü	
Ulster Bank	Step Account	ü	ü	267	ü			ü		ü	ü	
Yorkshire Bank	Readycash	ü	ü	190	ü			ü		ü	ü	

Source: FSA (2008), "Just the facts about basic bank accounts"; www.postoffice.co.uk; www.bba.org.uk; www.moneysupermarket.com; www.uswitch.com

1. The number of branches listed for Halifax and the Bank of Scotland is the total for both banks, 1002.
2. Withdrawals can be made at any Bank of Ireland (NI), First Trust or Ulster Bank, and at Northern Bank ATMs all over Ireland.
3. No routine enquiries, or paying-in at branch counters, and only withdrawals over £300 are possible at counters.
4. Up to 13 free cash withdrawals over the counter per quarter, 70p per withdrawal thereafter.

6.3.1. Convenience

There are around 11,500 post office branches in the UK, which is roughly equal to the total number of branches for all banks offering basic bank accounts. However, bank branches are much less dispersed than post offices, as there are branches of most major high street banks in the majority of town centres, and significantly fewer in rural areas. As shown in the table above, the bank with the largest number of branches (Barclays) has only around 2,000 branches. Bank branches will typically handle accounts for that particular bank (or sometimes other banks within the same group).

The following table shows the distance by road to the nearest branch of a major high street bank, ATM (cash machine) and post office for a selection of 20 postcodes. Some of the ATMs listed in this table may charge per transaction.

- § For the majority of postcodes, the nearest ATM is either closer or the same distance as the nearest post office (an ATM is closer for 12 postcodes, the same as a post office for seven postcodes, and further away for only one postcode).
- § For banks, for most (12 out of 20) postcodes the nearest bank and nearest post office are a similar distance away, but in rural and remote rural areas the nearest bank is often much further away. Rural and remote rural areas are better served by ATMs than banks.
- § It is easy to access cash at ATMs, as for 15 out of 20 postcodes the nearest ATM is less than one mile away.

Table 6.10
Accessibility: banking

Postcode	Country	Classification	Road distance (miles)		
			Nearest Post Office	Nearest high street bank	Nearest ATM
CO4 3EE	England	Urban	1.4	0.9	0.9
TW15 3HW	England	Urban	1.2	0.9	1.1
KT23 4JJ	England	Urban	0.4	0.3	0.3
NE63 9BL	England	Urban deprived	0.2	0.8	0.2
E3 2TS	England	Urban deprived	0.3	0.4	0.2
BD6 2JB	England	Urban deprived	0.2	1.2	0.2
BB7 4RX	England	Rural	4.6	4.6	2.7
DE6 3EU	England	Rural	0.1	5.1	6.6
TR2 5JT	England	Rural	2.9	8.0	0.7
TN30 6QR	England	Rural	0.9	0.7	0.8
NE49 0EW	England	Remote rural	0.5	0.5	0.5
TR16 6EZ	England	Remote rural	0.5	2.1	0.5
PE24 5BE	England	Remote rural	2.9	4.5	2.3
ME9 8HY	England	Remote rural	1.6	1.6	0.7
DG2 9HU	Scotland	Urban	0.5	0.8	0.2
PH9 0LD	Scotland	Remote rural	0.4	5.1	0.4
CF24 3FS	Wales	Urban deprived	0.3	0.4	0.3
LL49 9HR	Wales	Rural	0.5	0.5	0.4
BT18 9SS	Northern Ireland	Urban	1.6	1.6	1.6
BT78 1DW	Northern Ireland	Urban deprived	0.3	0.1	0.1

Source: www.postoffice.co.uk, branch locators of banks offering basic bank accounts, www.multimap.com

6.4. Receiving Housing Benefit

The post office offers the facility to receive some social benefits and the state pension through the Post Office Card Account (POCA) or in some local authority areas by cashing benefit cheques. This case study focuses on housing benefit and in particular, alternative payment methods for private tenants receiving housing benefit.⁶⁷ It is not possible to receive housing benefit through POCA.

The table below describes the options for private tenants for receiving housing benefit in a random selection of 45 local authorities across England, Scotland and Wales, and in Northern Ireland.⁶⁸ In almost all cases, it is possible to have housing benefit paid by direct payment into the claimant's bank account. This method of payment is encouraged by many local authorities and is the most widely advertised payment method. Many local authorities give details of how to open bank accounts. As can be seen in section 6.3, a number of basic bank accounts are available.

⁶⁷ In August 2007, approximately 60 per cent of housing benefit recipients were non local authority tenants (Department of Work and Pensions, "Housing Benefit & Council Tax Benefit Quarterly Summary Statistics: August 2007")

⁶⁸ The councils considered in England, Scotland and Wales were selected and contacted in March 2009, and therefore this process did not reflect local government changes made on 1 April 2009. In Northern Ireland housing benefit is distributed centrally by the Northern Ireland Housing Executive.

Over half of the local authorities surveyed also allow housing benefit to be paid by cheque, although in many cases this is only available as a one-off. A smaller number of local authorities give an alternative location to a bank account for cashing cheques. In most cases this is a post office, although for a small minority of councils it is possible to cash housing benefits cheques at other locations, such as specified local bank branches or local council offices.⁶⁹

For those benefit recipients with bank accounts, the ability to cash a housing benefit cheque at a Post Office offers little or no advantage over direct payment of the benefit into a basic bank account.⁷⁰ The recipient will still be able to obtain cash at post offices, but will also enjoy the other options (including use of ATMs) that basic bank accounts offer.

However, for those without bank accounts, who currently receive a cheque that they can cash at post offices, there may be few alternatives readily available. If councils make no alternative arrangements, and the recipient is either unable or unwilling to open a basic bank account, they may even be forced to use informal or commercial cheque cashing services. But where such recipients do open bank accounts, they should then have equivalent (or better) access to their cash and also enjoy the other benefits associated with bank accounts.

For local authorities, in contrast, there are clear advantages from paying as high a proportion of benefits as possible directly into bank accounts. They will save on the costs of issuing and posting cheques. And they will not have to make arrangements to deal with claims of lost or stolen cheques, to process change of recipients' addresses, or other administration associated with paying benefits by cheque.

⁶⁹ All information on options for receiving housing benefits was provided by local authorities over the telephone.

⁷⁰ A new "Validate" service is being trialled in certain areas. This uses post offices to allow benefit recipients to report changes in circumstances and thereby ensure that they receive the correct benefits. However, this is a more general service, not necessarily connected to the payment of benefits through post offices.

**Table 6.11
Access to housing benefit**

Council	Country	Housing benefit options			
		Bank account	Cheque	Cheque cashing locations	Other
Herefordshire County Council	England	P	P	None	
Epping Forest District Council	England	P	P ²	None	
West Lindsey District Council	England	P	P	None	
Fylde Borough Council	England	P ¹	P	Post Office	
Rushcliffe Borough Council	England	P			
North East Derbyshire District Council	England	P			
Sedgemoor District Council	England	P			Claimant in person or an appointee
Richmondshire District Council	England	P	O	None	
Manchester City Council	England	P			
Cheltenham Borough Council	England	P			
Boston Borough Council	England	P			
Redbridge London Borough Council	England	P	O	Post Office	
Spelthorne Borough Council	England	P			
Maidstone Borough Council	England	P	P	None	
Teignbridge District Council	England	P	O	Post Office	
Brighton & Hove City Council	England	P	P	None	
Caradon District Council	England	P	O	None	
Barking and Dagenham London Borough Council	England	P			
Three Rivers District Council	England	P			
Christchurch Borough Council	England	P	P	None	
Newark and Sherwood District Council	England	P	P	None	
Tewkesbury Borough Council	England	P	P	None	
Sutton London Borough Council	England	P			
Derbyshire Dales District Council	England	P	O	None	
Stevenage Borough Council	England	P			
New Forest District Council	England	P	P ³	Post Office	
Hart District Council	England	P	O	Barclays	
Fenland District Council	England	P	P	None	
Portsmouth City Council	England	P	P	Post Office	
Hammersmith and Fulham London Borough Council	England	P			
Chiltern District Council	England	P			
Cannock Chase District Council	England	P			
Sandwell Metropolitan Borough Council	England	P			
South Ribble Borough Council	England	P	P	None	
North Cornwall District Council	England	P	P	NatWest in North Cornwall	

Council	Country	Bank account	Housing benefit options		
			Cheque	Cheque cashing locations	Other
Stirling Council	Scotland	P	P	None	
Orkney Islands Council	Scotland		P	None	
Perth and Kinross Council	Scotland	P			
Angus Council	Scotland	P	P	None	
East Ayrshire Council	Scotland	P			
Wrexham County Borough Council	Wales	P			
Merthyr Tydfil County Borough Council	Wales	P			
Cardiff Council	Wales	P	P	Post Office	
Ceredigion County Council	Wales	P	P	Local offices of the council	
Denbighshire County Council	Wales	P			
Northern Ireland Housing Executive	Northern Ireland	P	P	Northern Bank branches	

Source: Information was provided by local councils over the telephone

O: One-off in the absence of a bank account

1. Currently being implemented
2. Possible following application in writing stating the reason
3. Under special circumstances

All councils will pay the benefit straight to the landlord if the claimant is unable to manage their own finances or is 8 weeks in arrears.

On 7 April 2008 Local Housing Allowance (LHA) was introduced, a new way of calculating housing benefit for privately rented housing. The ways the benefit can be paid remained unchanged except that LHA must always be paid to the claimant (and not to the landlord).

6.5. DVLA services

Approximately 4,600 post offices currently offer services for the Driver and Vehicle Licensing Agency (DVLA) which allow customers to pay car tax and declare their vehicle off road. Around 750 post offices also offer a premium checking service for driving licence application forms. Furthermore, in March 2009, Post Office Limited signed a contract with DVLA for a new service for renewing photocard driving licences. At 750 post offices around the county, this will allow drivers to have their application scanned, their picture taken and their signature captured electronically at the counter.

Table 6.12 and Table 6.13 below provide a summary for each access method including post offices, showing the documents required and payment methods available for car tax renewal and provisional driving licence applications.

The following sections describe the main advantages and disadvantages of the alternative ways of accessing these services, including through the post office.

6.5.1. Online and telephone

Most vehicle owners can pay their car tax online or by telephone, and receive the new tax disc by post. Drivers can also apply for a provisional driving licence online, though they may

also need to send photographs and identification documents by post. All DVLA forms can be ordered by telephone, and almost all can be downloaded from DVLA's website.⁷¹

For many customers, the online service is convenient as it can be accessed at any time of day and at any internet access point, for example in the customer's home or workplace. While the service is less convenient for those without easy internet access, car tax can still be paid by telephone (though in this case the customer will incur the cost of a national rate telephone call).

There are some customers, however, for whom the online or telephone service is less attractive, including:

- § those without a credit or debit card, as these are the only payment methods available;
- § those who cannot use the online or telephone car tax renewal service, for example because their electronic insurance or MOT certificate details have not yet been updated;
- § those who need to obtain forms, but do not have an easy or reliable means of printing documents;
- § those who prefer face to face contact, for example because they are worried about the security of credit/debit card details, dislike automated telephone services, or prefer to collect the tax disc in person; and
- § for driving licence applications, those who need to supply photographs and identification documents, and would prefer not to send these to DVLA by post.⁷²

For DVLA, there are clear advantages from the online or telephone services. Even with the extra cost of sending tax discs by post, the cost of online or telephone transactions is significantly lower than the cost of processing car tax renewals through post offices. There are also some important practical advantages to DVLA from the online and telephone services:

- § they promote improved compliance, as online and telephone services are more convenient for certain customers (eg those who find it difficult to get to post offices during opening hours);
- § they ensure that customers always use the most up to date forms.

DVLA is currently promoting the online and telephone options for renewing car tax. In addition to a national advertising campaign and prominent promotion of these services in car tax renewal documents, customers using these options gain automatic entry into a free prize draw to win a car.

⁷¹ The only exception is driving licence application form D1, which includes a clear adhesive section where a photograph should be attached.

⁷² Applicants who do not hold a UK digital passport must send a photograph and an identity document by post. For UK digital passport holders, the photograph and proof of identity can be captured from the Identity and Passport Service.

6.5.2. Post

Driving licence and car tax renewal applications can also be submitted by post. In addition, there are certain applications that can only be made by post (or, some cases, in person at a local DVLA office), such as a change of name on a driving licence, removal of endorsements from a driving licence, or change of details on a vehicle registration certificate. Where additional forms are required for these services, they can be ordered by telephone, downloaded from the internet (except form D1) or obtained from post offices (though not all forms are available at all post offices).

The advantages and disadvantages of postal applications, or the distribution of forms through the internet or DVLA's telephone ordering service, are similar to those noted in the previous section. Postal applications can also be paid for by cheque, which may be attractive for consumers who mistrust remote payment systems or are worried about the security of their credit or debit card details. There is a small additional cost, however, as customers must pay for postage.

6.5.3. In person at a post office

Many DVLA services can be accessed through post offices, including:

- § renewal of car tax (or SORN declaration)⁷³ – customers receive their new tax disc immediately. 120 post office branches also offer a postal vehicle relicensing service, but the volume of transactions is very small;
- § collection of forms – a selection of DVLA forms are available from 4,600 post office branches. Other smaller post offices carry a smaller range of forms;
- § premium checking service – this service is available for a small fee (payable by applicants, currently £3.91) at around 750 post offices. Application forms are checked for accuracy and completeness at the post office and identity details are gathered.

For customers, the advantages of post offices include face to face contact, the ability to pay by cash or cheque, possible help with filling in forms and the availability of the premium checking service. A car tax disc can be issued immediately without the need to send off documents or wait for the tax disc to be sent by post. Disadvantages include the possible cost and potential waiting time involved with a trip to a post office, and the fact that services can only be accessed during post office opening hours.

For the DVLA, there are both advantages and disadvantages from providing services through post offices. Advantages include:

- § promoting compliance - post offices provide a convenient alternative for customers without credit or debit cards (who therefore cannot use the online or telephone services) or who are uncomfortable with online or telephone transactions. And the high footfall through post offices helps to ensure that a wide range of forms is easily available;

⁷³ Statutory Off Road Notification.

§ the premium checking service reduces rejections, though DVLA pays POL for the checks that it carries out, and this service is now used less frequently as more people have digitised passports (and therefore do not need to send identity documents to DVLA).

An important disadvantage is the extra cost to DVLA of providing services through post offices. DVLA pays POL for each car tax renewal or SORN declaration and for each application checked, and also pays an annual fee for its forms to be distributed to and made available at post offices across the UK. In addition, it can be more difficult for DVLA to ensure that the forms available through post offices are always the most up to date versions, which may to some extent undermine DVLA's continuing efforts improve its forms. There is also a cost penalty associated with distributing forms through a national network, as some degree of wastage is necessary to ensure that sufficient forms are available at all locations.

6.5.4. In person at DVLA office

DVLA operates a network of 39 local offices. These are mainly in large towns and cities, and many are situated in out of town locations. All the services available through post offices can be accessed at DVLA offices, and this provides a convenient facility for customers who live or work closer to these offices than a suitable post office.

In addition, DVLA offices offer access to more specialised services that are not available through post offices. Many of the customers using DVLA offices are specialists (eg motor trade, cherished licence plate dealers or HGV operators) rather than general customers. For some changes, the vehicle may need to be inspected at the DVLA office.

A small number of DVLA offices offer other specialised services, such as driving licence applications from customers already holding a licence from another EU country.

**Table 6.12
DVLA: Renew car tax**

Access method	Requirements						Receive tax disc		Payment methods					
	Available	Reminder reference number	Reminder form	Insurance certificate	MoT certificate	Vehicle registration document	Restrictions	In person	By post	Cash	Cheque	Debit card	Credit card	Other
Online	P	P ¹					May not be available for customers who have recently renewed, updated or changed their insurance policy or had an MoT. Not possible to change keeper.		P			P	P ²	
Phone	P	P ¹					May not be available for customers who have recently renewed, updated or changed their insurance policy or had an MoT. Not possible to change keeper.		P			P	P ²	
Post	P ³		P ⁴	P	P	(P) ⁵			P	Applications by post can be made to either a post office or DVLA local office, where the corresponding payment methods apply.				
In person at DVLA office	P		P ⁴	P	P	(P) ⁵		P		P	P	P	P ²	Motor Vehicle Licence saving stamps, Postal Order, sterling travellers cheques
Post office	P		P ⁴	P	P	(P) ⁵	Only selected post offices issue car tax discs	P		P	P	P		Post Office saving stamps, Postal Order, sterling travellers cheques

Source: www.direct.gov.uk, DVLA

1. Without a reminder, the reference number on the vehicle registration certificate is needed.
2. Credit card payment incurs a £2.50 fee
3. Applications by post can be made to either a post office or DVLA local office, where the corresponding payment methods apply
4. Without a reminder, a vehicle licence application form is needed, available online, or from a DVLA local office or post office
5. Only required for customers without a reminder form.

Table 6.13
DVLA: Apply for provisional licence

Access method	Apply for provisional driving licence										
	Available	Requirements		Notes	Receive licence		Payment methods				
		Application form D1	Send identification by post		In person	By post	Cash	Cheque	Debit card	Credit card	Other
Online	P		(P) ¹			P			P	P	
Post	P	P	(P) ²			P		P			Postal order
In person at DVLA office	P	P	(P) ³	Offers premium checking service for fee.		P	P	P	P	P	
Post office	P	P	(P) ³	Offers premium checking service for fee, only available at some post offices		P	P	P	P	N	

Source: www.direct.gov.uk DVLA

1. Applicants that do not hold a UK digital passport must send a photograph and an identity document by post. For UK digital passport holders, the photograph and proof of identity can be captured from the Identity and Passport Service.

2. Applicants that do not hold a UK digital passport must send an identity document by post. For UK digital passport holders, proof of identity can be obtained from the Identity and Passport Service.

3. For applications at a post office or DVLA local office, identity documents may need to be sent to DVLA Swansea by post.

6.6. Community Shops

In response to the closure of essential amenities, community buyouts are becoming more common.⁷⁴ This includes community-owned rural shops, of which there are close to 200 in the UK, with four opening in March 2009 alone.⁷⁵ These shops often open in response to the closure of a village shop or post office, and provide a variety of goods and services. Section 6.6.2 below describes one example - the Brockweir and Hewelsfield Village Shop, which provides an alternative to a post office and shop, and acts as a hub for the community.

6.6.1. Sources of advice and funding

Establishing and running a community shop requires funding. The Plunkett Foundation is a national charity and exists to promote and support co-operatives and social enterprises in rural communities worldwide.⁷⁶ In particular, one of its activities “Rural Community Shops” offers support and advice specifically to community-owned shops.⁷⁷ The Plunkett Foundation has helped the majority of the community-owned shops in the UK. Various types of assistance are available, including advice and grant programmes.

There are several other sources of funding and advice for community-owned shops, ranging from national organisations or central government to local and regional government or charities.⁷⁸ On a national level, the Village CORE Programme (a joint funding venture between the Plunkett Foundation, the Esmee Fairbairn Trust and Co-operative and Community Finance) is an important source of funding and will provide a start-up grant of up to £20,000 under certain conditions. Other national sources include Awards for All (a Lottery grant scheme) and Co-operative and Community Finance.

Regional or local level funding sources include regional development agencies, local authorities and a variety of local charities. For example, Heart of England is a grants scheme to support grassroots community projects in Coventry and Warwickshire.

6.6.2. An example of a community shop - Brockweir and Hewelsfield Village Shop

6.6.2.1. Background

The Brockweir and Hewelsfield Village Shop opened in 2004.⁷⁹ It is located close to the village of Hewelsfield. Around 500 people live in the area in around 250 houses. Following the closure of the local post office the shop opened to satisfy a local requirement, as it is more than three miles by road to the nearest post office, and three miles to the next shop in the

⁷⁴ “Last orders? Locals fight back”, Guardian money, 21/03/09

⁷⁵ Plunkett Foundation, cited in “Last orders? Locals fight back”, Guardian money, 21/03/09

⁷⁶ <http://www.plunkett.co.uk/aboutus/index.cfm>

⁷⁷ Rural Community Shops as previously known as ViRSA

⁷⁸ <http://www.plunkett.co.uk/whatwedo/rcs/resources/Resource.cfm>

⁷⁹ Sources for this case study include www.virsa.org/pdf/Brockweir.pdf and the Plunkett Foundation Shop Directory

nearest village. The shop is open 8.30am-6pm Monday to Saturday, and 10am-4pm on Sundays and bank holidays, slightly longer hours than the average post office.

6.6.2.2. Community response

Residents in the village took action to establish the shop in response to the closure of the post office and only shop in Brockweir in 2000, and the later closure of the post office in Hewelsfield. ViRSA (now Rural Community Shops) provided help for residents to secure funding from a number of sources, including grants and community donations.⁸⁰

The community shop is housed within a building that was purpose-built with a low-energy design to satisfy objectives of social, economic and environmental sustainability. It is staffed by more than 40 volunteers working in 3.5 hour shifts; some volunteers work up to a few times a week and others only once a month. There is also a paid manager who works full-time.

6.6.2.3. Services provided

The shop offers a variety of goods and services. It stocks a convenience store range of products along with some fresh produce and local goods, greetings cards, CalorGas, has a regular ordering service for newspapers and magazines, and offers photocopying and fax services. The shop provides a home delivery service, cashback with purchases over £5 and some postal services. It was unable to have a Post Office counter, and so instead offers postal services as a business customer of Royal Mail. This means that the shop has a daily Royal Mail collection and is able to send First and Second Class letters and parcels inland, overseas packets and parcels, Recorded First and Second Class inland mail and Special Delivery items. It has scales and stamps, and so customers can work out postage, and leave their items in a secure post box in the shop, ready for collection.

In addition to the shop, the building houses a café, a small commercial office space, a conference and IT facility, and eight computer workstations with internet. The internet facility is available for customers to access other services such as car tax, passport applications and internet banking, and there is a trained member of staff to help. There is also a community book exchange and a community notice board.

6.6.2.4. Impact

The Brockweir and Hewelsfield Village Shop filled an important role in its community following the closure of the previous village shop and post office. It provides a large number of the facilities available at a post office, including access to basic post services (for example stamps, parcels and special delivery), access to cash, access to government services via the internet, and social benefits such as a meeting place and centre of the community.

⁸⁰ Funding was obtained from DEFRA's Rural Enterprise Scheme, the Countryside Agency's Vital Villages Programme, the Forest of Dean District Council, the Energy Savings Trust (for the photo-voltaic roof), SEED programme (for the photo-voltaic roof), Scottish Power's Green Energy Trust (for the photo-voltaic roof), community donations, a community bond and contributions in kind.

There is anecdotal evidence that the shop plays a key role in the local community. The project manager of the community shop has emphasised the social value of the shop and the role of the café as an “informal social hub”. One of the volunteers at the shop in 2005 was in her eighties, and has stated that she would have had to leave the area without the community shop.⁸¹

⁸¹ http://www.thisismoney.co.uk/small-business/article.html?in_article_id=400386&in_page_id=10

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Annex: Peer Review

Comments by Professor Ian J. Bateman, 12 July 2009

The study seeks to estimate the social value of the post office network in its entirety. Further it attempts to decompose this value into the portion arising from the ‘services of general economic interest’ (SGEIs) provided by the post office (which include the processing of social benefit payments, the processing of licensing services, the processing of bill payments, the provision of banking and government saving services, and the provision of postal services) and the wider social benefits provided by the continued existence of the network (e.g. as a community focus and support network).

The study has been carried out to a high degree of quality throughout. The implementation of each valuation exercise has been carefully constructed and indicators such as careful questionnaire development and piloting, pre-sampling preparation, sample size, sample characteristics and the approach to the analysis all point toward this being a high quality piece of work.

The study also provides an analysis of the costs of providing services via post offices and a consideration of the characteristics of businesses associated with post offices. This element of the study has been well thought out and conducted. Comparison of costs and benefits suggest that the post office network delivers excellent net social value.

Further interesting and potentially useful data are gathered in the course of the survey. These include analyses of the drivers of post office use suggesting that convenience is a major benefit for customers. This also highlights the finding that, for a sizeable portion of the population, the post office provides services which are not readily available through alternative outlets.

The major interest of the study is likely to be in terms of the estimates of the various benefits generated by the post office. There is no perfect technique for valuing non-market benefits such as the social value of the network as a whole. However, given that some of these values are unlikely to be reflected in the direct use of the network, the consultants have appropriately adopted variants of the stated preference (SP) approach to valuation. These involve surveys of a sample of the population who are presented with hypothetical choices or valuation tasks concerning the good under evaluation. The most commonly applied of these techniques is the contingent valuation (CV) method which, for example, attempts to directly estimate an individual’s willingness to pay for a given service. The consultants have prudently chosen to employ two variants of the CV approach, one of which (payment card contingent valuation; PCCV) provides lower bound estimates of value, while the other (dichotomous choice contingent valuation; DCCV) is known to yield upper bound estimates. The study yields values for the estimated social value of the post office network for households and SMEs of between £2.3 billion and £10.2 billion per year using these respective methods. The report emphasises a midpoint (of £6.3 billion p.a.) between these two (p.ii). However, there is no clear reason why these values should be distributed symmetrically around the true mean value. Given this then the use of a single point estimate may give a false sense of accuracy

and it seems more prudent to use the range of values and, if a single point is needed, adopt the lower bound as a conservative value estimate.⁸²

A different SP method was used to estimate the value of the SGEIs provided by the post office. These services were valued using the discrete choice experiment (DCE) approach. As implemented in this study, this approach asks respondents to choose between two states which are differentiated by different levels of SGEIs and different costs to the individual. By varying the services available and their costs, the choices made by respondents reveal the values placed upon each service. This approach yields estimates the social value of SGEIs for households and SMEs of between £0.9 billion and £4.4 billion per year.

Taking these various results together then the value of the wider social benefits was calculated as the difference between the value of the post office network as a whole and the value that can be attributed to specific services. This approach implies that the social value of non-SGEI services for households and SMEs is between £1.3 billion and £5.8 billion per year. Again a midpoint value is emphasised (£3.6 billion per year) but again we see no particular justification for adopting such a value.⁸³

The authors of the study are well aware of the limitations of this approach and make them clear in the report. Nevertheless it is worth emphasising these. The value of the entire network is estimated using variants of the contingent valuation method applied within a scenario which posits the closure of the entire postal network. In contrast the value of SGEIs is estimated from using a different methodology, DCE, within a scenario in which specific SGEIs are lost but the overall network is retained. While the difference in scenario is necessary for estimating the various values under investigation and isolate the non-SGEI value of the network, the switching of methodologies risks somewhat confounding this valuation. While it may well be that the degree of confounding is minor, we cannot accurately quantify any such effect.

Taking these caveats together we therefore have a relatively wide range of potential values for the overall network and have to exercise some caution regarding the disaggregation of this sum into the SGEI benefits provided and the wider social benefits of the network. However, while these ranges are indeed wide, nevertheless the study provides a useful estimate of such values which may well prove sufficient for decision making purposes and clearly indicates that network benefits far outstrip costs. The clear conclusion of the study is therefore that the post office network provides a major net social benefit to the UK population.

⁸² The midpoint estimates have been removed from the final version of the report.

⁸³ The midpoint estimates have been removed from the final version of the report.

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