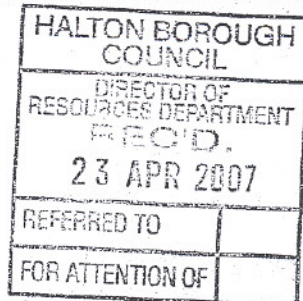


7/6/07

Branch change

David Parr - Chief Executive
 Halton Borough Council
 Chief Executive's Directorate
 Municipal Building
 Kingsway
 WIDNES
 WA8 7QF



18 April 2007

Dear Mr Parr

Post Office® Runcorn Shopping City branch
 118 River Walk, Halton Lea, Runcorn, WA7 2BZ

I am very pleased to announce our intention to extend our existing partnership with WHSmith and transfer a number of Post Office branches across the UK to their stores, including Runcorn Shopping City Post Office branch currently located at the above address.

At a time when Post Office Ltd is losing £4m a week, partnerships such as these enable us to continue offering Post Office services in the heart of Runcorn. Without them, we simply cannot safeguard high street branches or the services they provide.

At present, Post Office Ltd own and manage the above Post Office branch. Our intention is for WHSmith to manage Runcorn Post Office branch on behalf of Post Office Ltd from their existing premises at 88 Forest Walk, Halton Lea, Runcorn, WA7 2GX, 120 yards away from the current site. In partnership with us, WHSmith will continue to provide the high standard of service and range of products currently available at Runcorn Shopping City Post Office branch. The new branch will be carefully integrated into their nearby store, and will remain fully accessible for customers, with open plan, level access into the branch.

The transfer of this branch follows the successful trial of six Post Office branches last year. I am pleased to say that feedback from customers has been good, with customers welcoming the pleasant environment, high standard of service and improved opening hours on offer at the new branches. WHSmith is one of the UK's leading retail groups, who currently operate more than 540 high street stores and around 130 travel stores at airport, station and motorway service locations nationwide, selling a wide range of newspapers, magazines, stationery, books and entertainment products. As one of the UK's leading retail groups, we are confident that WHSmith have the customer focus, appropriate knowledge and retail experience to enable them to continue to provide a high standard of service to our customers in Runcorn. This has been clearly demonstrated by the success of the trial branches and furthermore we are confident that the extensive range of stationery and associated goods that WHSmith offers complements the wide range of main Post Office services that will continue to be available following the transfer.

Enclosed with this letter is a summary of what the newly franchised Runcorn Post Office branch will offer and answers to frequently asked questions as to why Post Office Ltd franchise branches.

We have an agreed Code of Practice on how we deal with a range of branch network change with Postwatch, our independent consumer council. As part of that Code of Practice, Postwatch recognise that the decision to transfer a Post Office branch to a franchise partner is a commercial decision to be taken solely by Post Office Ltd and is, therefore, not subject to public debate or consent. However, it is important to us that our customers and local community representatives like yourself, understand the rationale behind our decision and that you also have the opportunity to comment on the facilities that will be available at the new branch.

In view of this, we are inviting feedback from yourself and from customers who regularly visit Runcorn Shopping City Post Office branch, on the following areas:

- (i) the proposed opening hours at the new branch;
- (ii) access arrangements into the new branch;
- (iii) the facilities that are planned for the new branch.

It is important to understand that we are not proposing the removal or downgrading of the Post Office service provided in Runcorn. On the contrary, our partnership with WHSmith will help us to continue to provide a main Post Office branch in the heart of the town. As you can see from the enclosed documents, customers will benefit from significant financial investment in the new Post Office.

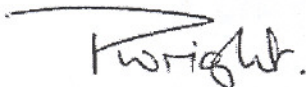
You may also wish to share this information with those you believe may have an interest in this matter.

Please note, exceptionally in this instance we have extended public consultation by two weeks to allow for the forthcoming local elections. If you wish to give us any feedback on the facilities at the new branch, please ensure that we receive this by close of business on 14 June 2007. I will write again, after this date, to update you on any comments we have received on our plans, and to confirm the arrangements we have made for Runcorn Post Office branch.

Among other local interest groups, we are also contacting the consumer council, Postwatch, and you may wish to consider copying your response to them at the following address: Postwatch, 22 Grosvenor Gardens, London, SW1W 0TT. You are under no obligation to do so and any correspondence sent to us will be treated in the strictest confidence.

Thank you for giving me the opportunity to explain our position.

Yours sincerely



Philippa Wright (Mrs)
National Consultation Manager
Post Office Ltd, c/o National Consultation Team
PO Box 2060, WATFORD, WD18 8ZW

Telephone: 08457 22 33 44 Email via our website: www.postoffice.co.uk

The Post Office[®] is able to supply customers with this information, free of charge, in an alternative format for people who are visually impaired. To obtain a copy, call the Post Office[®] helpline on 08457 22 33 44 or textphone 08457 22 33 55.

Current Runcorn Shopping City Post Office[®] branch located at;

118 River Walk
Halton Lea
Runcorn
WA7 2BZ

Franchise partner;

WHSmith

New Runcorn Post Office[®] branch, located at;

88 Forest Walk
Halton Lea
Runcorn
WA7 2GX

Distance from current site;

120 yards along level terrain

What will the new Runcorn Post Office[®] branch offer?

- Extended opening hours as follows;

Mon – Sat 09.00 – 17.30

- The same wide range of main Post Office services currently available at Runcorn Shopping City Post Office branch including; personal banking; financial services; car tax renewal; Post Office card account; passport application checking and foreign currency services, but with the exception of stamp vending machines.
- Ten serving positions, comprising of eight open plan and two traditional style positions designated primarily to Bureau de Change/Giro business banking that has the flexibility to be utilised for all other Post Office transactions, during busy periods.
- WHSmith is keen to ensure there is continued good access to Post Office services. There will be open plan, level access into the branch. The Post Office counter area will be carefully integrated into the current store, providing adequate room for Post Office and retail customers alike.
- Low level writing desk and serving counter, plus an induction hearing loop for those customers with hearing difficulties.
- Car parking facilities will remain the same.
- Public transport services are available to and from the surrounding residential areas.
- The new branch will be integrated into the existing WHSmith store, providing customers the opportunity to purchase an extensive range of newspapers, magazines, stationery, books and entertainment products under one roof.

Planned month of transfer: August 2007

Franchising

A Partnership approach to providing main Post Office® services

**POST
OFFICE**

If you have difficulty reading this leaflet please call

08457 22 33 44

Frequently Asked Questions

Why franchise Post Office® branches?

There are currently over 14,000 Post Office® branches in the UK. The vast majority of these - some 96% - are not directly operated by Post Office Ltd but are run by agents on our behalf.

The larger Post Office® branches in high street locations have however often been run by staff employed by Post Office Ltd. The cost of running these branches is very high, and we don't make enough money in the branches to cover their costs. We have experienced a steady decline in customers, due largely to the loss of some of our most traditional areas of business, for example pension and benefit payments. We are working hard to replace this lost business with income from new products and services such as the new Post Office® credit card, Car and Home Insurance and our very successful Post Office® HomePhone service.

Post Office Ltd is therefore actively looking at ways of maintaining services in the most cost effective way possible. One option is to transfer the management of more of our larger Post Office® branches to franchisees. This has many advantages for the business, while at the same time preserving a main Post Office® presence in the locality.

Franchise partners usually look to operate a Post Office® alongside their own retail offer. This improves the viability of Post Office® branches, as both the Post Office® and retail business can be operated from the same location. Equally, both the Post Office® and retail business can benefit from the regular customer footfall visiting the store; all of which helps to secure a viable and sustainable Post Office® and retail store for our customers in the longer term. Coupled with this, franchisees put significant investment into their branches, which Post Office Ltd simply cannot afford to do.

The savings we make from transferring a branch to a franchise partner are invested in such areas as the development of new products and services, which help to sustain our wider Post Office® network and therefore benefit all of our customers in the longer term. We, therefore, see franchising as a very positive step in modernising our network and maintaining our ability to continue to provide customers access to reliable and high quality services and products.

How will you ensure service standards are maintained at the franchised branch?

Post Office Ltd will train all customer advisors at the new branch to the same standards as our own employees. They will also be supported within the first few weeks of the branch transferring to our franchise partner. Inevitably, there will be a settling in period as the franchise staff adjust to their new roles. Experience shows, however, that following this initial period, our franchise branches achieve good standards of customer satisfaction, as measured independently by an external company, whilst at the same time offering a sustainable service to customers into the long term future. Additionally, as with any other Post Office® branch, a local Post Office Ltd Manager monitors service standards on an ongoing basis.

How are franchised branches staffed?

All customer advisors working at franchised branches are directly employed by our franchisee. A dedicated branch manager would also be appointed by the franchisee to run the branch on a day to day basis, similar to in branches directly managed by Post Office Ltd.

Naturally, concerns are sometimes expressed by customers about the future of the staff working at the current Post Office® branch. The decision to franchise a branch is not made lightly, and Post Office Ltd values the hard work, commitment and loyalty provided by our staff at directly managed Post Office® branches. We do however have to take difficult commercial decisions that, regrettably, will have implications for individuals. All staff will be given the opportunity to state their personal preferences for future employment within the organisation and whenever possible, we will try to ensure these preferences are met.

How are franchise partners selected?

All of our partners, whether they are independent business people or companies, are carefully selected. We only enter into agreements when we are entirely satisfied with their suitability to operate a Post Office®.

When considering the suitability of a future partner our criteria include, financial status; commercial and retail awareness; previous good employment record; motivation and excellent customer focus.

How long are franchise contracts for?

WHSmith are contracted to provide Post Office® services for seven years, with an option to continue at the end of that period. If the agent decides to relocate to alternative premises within this time, this must be agreed beforehand with Post Office Ltd. Any subsequent change of management would be with the agreement of Post Office Ltd and the appointment criteria applied would be the same as for any other franchisee at that time.

Registered in England number 2154540

Registered office: 80-86 Old Street, London EC1V 9NN

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