

POSTCOMM

The Postal Services Commission

Postal Services Act 2000
Sections 11-13

Licence Granted to Royal Mail Group plc
Condition 16

Requirement to furnish information

May 2004

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Whereas –

(1) Royal Mail Group plc (Royal Mail) is the holder of a licence granted by the Postal Services Commission (Postcomm) on 23rd March 2001 and amended on 1st April 2003 (the Licence).

(2) For the purpose of an investigation into the possible breach by Royal Mail of condition 4 of the Licence it is necessary for Postcomm to be furnished with the information referred to in this requirement.

(3) This requirement is an initial requirement following receipt from Royal Mail of its fourth cumulative report on quality of service for the period April 2003 to March 2004 and further requirements may be made in relation to the issues now referred to and to other issues arising in relation to condition 4 of the Licence.

Now, therefore, Postcomm hereby requires Royal Mail pursuant to condition 16 of the Licence to furnish to Postcomm in the manner and form described in paragraph 1 the information specified or described in paragraph 2 at the place and time specified in paragraph 3.

1. Manner and form

1.1 Royal Mail is required to furnish the information specified or described in paragraph 2 in such a manner as will, in the reasonable view of Royal Mail, best enable Postcomm to achieve a clear understanding of the issue in respect of which the information is sought.

1.2 Information supplied pursuant to this requirement may include a written statement of Royal Mail's response to each of the issues identified in paragraph 2. and shall include copies of all such documents in the possession of Royal Mail as are necessary, in the reasonable view of Royal Mail, to enable Postcomm to establish the understanding referred to in paragraph 1.1 on an informed, true and balanced basis.

1.3 In furnishing the information specified or described in paragraph 2 Royal Mail is required –

- 1.3.1 to respond discretely in respect of each issue,
- 1.3.2 to start the response in respect of each issue on a new page,
- 1.3.3 to provide an index for the response to each issue of the documents provided with it or referred to in it; indexes must specify in relation to each document the date, sender, addressee, other recipients and type of document as well as the promotion to which it relates and whether the documents provided are originals, copies, drafts or final versions; indexes shall be, and documents shall be provided, in chronological order (earliest first),
- 1.3.4 where Royal Mail has information and documents in electronic form, to provide them in that form as well as in printed form,
- 1.3.5 when supplying documents required to be provided in electronic form, to make them available either on CD-ROM or by email addressed to dave.rutter@psc.gov.uk, in either case using recent versions of Microsoft Word for documents comprising text and of Microsoft Excel for spreadsheets.
- 1.3.6 if referring to or producing documents that have been produced previously, to produce all of them again so that there is no possibility of doubt as to Royal Mail's view that a document is relevant to an issue,
- 1.3.7 if referring to or producing electronic mail, to ensure that any attachments to such mail are produced, and
- 1.3.8 if any document hereby required to be furnished is not produced in reliance on Condition 16(3) of the Licence or for any other reason, to identify that document and the reason for withholding it.

2. Information

2.1 General information: The Quarter 4 Cumulative Report of the National Report to Postcomm and Postwatch produced by Royal Mail pursuant to Conditions 4 and 5 of the Licence identifies a number of issues impacting upon full year performance. Those issues are identified as –

- Transport Review
- Single Daily Delivery
- Mail Centre Efficiency Review
- Fire at Northampton Mail Centre
- Industrial Action

In respect of each of these issues Royal Mail is required to answer the following questions, supporting its responses with relevant documentation:

- 2.1.1 For each of the three major change programmes introduced as part of Royal Mail's Renewal Plan, namely Transport Review, Single Daily Delivery and Mail Centre Efficiency Review what was the process adopted by Royal Mail for assessing risks associated with their introduction, including risks associated with the possibility of simultaneous introduction? In its response Royal Mail should include:
- a copy of any risk plan with proposed mitigating actions as at April 2003
 - a copy of any risk plan with proposed mitigating actions as at December 2003
 - a copy of any internal audit reports on the implementation of the programmes and their risk plans made during 2003/04
- 2.1.2 So that Postcomm can understand how the introduction of the three major change programmes affected quality of service in Quarter 4 2003/04 Royal Mail is required to provide an explanation of
- an assessment of the impact on the regulated quality of service targets of each of these programmes in 2003/04
 - whether and to what effect Royal Mail's risk plans were applied with a view to mitigating the impact of the change programmes on quality of service
 - if it proved not possible to introduce the change programmes without an adverse effect on quality of service why this was the case and what could have been done to avoid it
 - what lessons have been learned from each programme and the application of its risk plans for the future introduction of programmes involving change within Royal Mail
- 2.1.3 Because the change programmes and industrial action were recognised as key risks in Royal Mail's Statement of Actions for meeting its 2003/04 Licensed quality of service targets, Royal Mail is required to explain how it dealt with these risks and integrated the programmes as part of its management of the Quality of Service Plan, including:
- whether Royal Mail had a formal or planned process for integration between all elements of its Quality of Service Plan covering all risks as well as the core part of its plan (e.g. the Operational Standards approach) and what it was
 - whether Royal Mail had a separate process to integrate the programmes outwith the Quality of Service plan and if so what it was

- a copy of the notes of any meetings regularly held to plan or co-ordinate the overall national integration of the programmes and the quality plan during the period from 1 April 2003 to 31 March 2004
- the rationale for apparently not staggering or phasing the implementation of each of the programmes over a longer time period
- arrangements for managing the risks on industrial relations problems associated with and the introduction of the programmes.

2.1.4 So that Postcomm can understand how Royal Mail was managing the three major change programmes in relation to their potential impact on quality of service Royal Mail is required to furnish:

- a copy of the original benefits plan for each programme (covering anticipated financial, quality and employee benefits)
- an explanation of when the full benefits for each programme originally were expected to be delivered
- an explanation of what each programme actually has achieved as at 31 March 2004 as compared with its original benefits plan and timetable
- if Royal Mail's original expectation of the benefits of or timetable for the implementation of the programmes has changed, details of when each programme is now expected to be completed, what the expected benefit will be and what implications the programme is expected to have for quality of service in terms of the achievement of quality of service targets during the period of implementation and in the longer term.

2.1.5 Where an issue can be described as a strategic or operational programme for change by Royal Mail, to what extent did Royal Mail balance commercial considerations against the achievement of scheduled standards of service (as defined in Condition 4 of the Licence) in the planning and delivery of the programme?

2.1.6 So that Postcomm can understand the managerial and staff background and framework within which the change programmes were introduced, Royal Mail is required:

- 2.1.6.1 To describe the parameters that were monitored for the purpose of the managerial scorecards for the Board, Senior Managers and local managers in Royal Mail in 2003/04.
- 2.1.6.2 To describe the bonus systems for the Royal Mail Board, Senior Managers, local managers and postmen/women in terms of financial targets, quality targets and other targets in 2003/04.

- 2.1.6.3 To outline how these systems have operated in 2003/04 showing the average % achievement against each parameter and the affect this has on bonus entitlement.
- 2.1.6.4 To confirm how many Area General Managers changed or left that role in 2003/04 following their initial appointments pursuant to the Leadership Refresh Programme?
- 2.1.6.5 To confirm the number of other senior managers in UK Operations changed post or left in 2003/04, showing how this compared with the 12 months before Leadership Refresh.
- 2.1.6.6 To advise Postcomm how many project leaders on the key change programmes (Single Daily Delivery, Transport Review and Mail Centre Efficiency Review) changed role or left the business in 2003/04.
- 2.1.6.7 To produce a month by month headcount summary for Royal Mail postmen/women for 2002/03 and 2003/04 showing numbers of permanent full time and part time staff and the number of casuals/ short term contract staff for the each period, if possible be broken down by mail centres, delivery offices and other activities.

2.2 Transport Review:

- 2.2.1 In order for Postcomm to understand any effects the implementation of the Transport Review may have had on quality of service Royal Mail is required
 - to set out the weekly network service failures by product from 12 January 2004 to the end of Q4 2003/04
 - to set out the weekly network service failures for the same period in 2002/03
 - to provide its best estimate (with an explanation of its method of calculation) of the element of daily network service failures in the period from 12 January 2004 to the end of Q4 2003/04 that can be attributed to the implementation of the Transport Review?.
- 2.2.2 Postcomm notes that organisational restructuring has taken place as described in the Q4 and requires Royal Mail to
 - confirm whether or not its organisation structure was identified as one of the project risks in relation to either quality of service or the implementation of the Transport Review, and
 - if so, to explain why it was accepted as a risk rather than being addressed.

2.3 Single Daily Delivery:

- 2.3.1 What advice was given to Delivery Offices on manpower planning for the change to Single Daily Delivery?
- 2.3.2 When were staff reductions/redundancies made in relation to the deployment of Single Daily Delivery in Q4, e.g. were they made before, after or on the day that the change was introduced? If after, how long after?
- 2.3.3 To what extent were casuals used to cover delivery absences and vacancies during Q4 of 2003/04? How does this compare with Q4 in 2002/03?
- 2.3.4 As at the end of March 2004, how many Delivery Offices had achieved the payment for meeting their financial and quality targets for 4 consecutive weeks and how many of these have sustained this subsequently?
- 2.3.5 What were the average monthly Wave 4c clearance percentage achievements by delivery office for each month during 2003/04? What were the total national delivery arrears for the whole of Q4? What element of these arrears was attributable to Single Daily Delivery? How did the national delivery arrears for that period compare with the same period in Q4 2002/03?
- 2.3.6 Following the end of the official industrial action in October 2003, did any of the return to work arrangements involve the introduction of Single Daily Delivery?
- 2.3.7 If so, of the 133 delivery units involved in official industrial action, how many have successfully deployed Single Daily Delivery?
- 2.3.8 For those offices that have not, what are the causes of the delay and what is Royal Mail's plan to deal with them?
- 2.3.9 Of the 200 or so offices that have not, so far, deployed Single Daily Delivery successfully, if deployment is behind its original schedule, what were the causes for delay, what now is the timescale for deployment and what is the new plan (if any) to ensure that the new timetable is adhered to?

2.4 Mail Centre Efficiency Review:

- 2.4.1 What volumes of letters (outward and inward separately) were delayed or otherwise affected by mail centre failures in Q4 2003/4 and in Q4 2002/03?

2.4.2 What proportion of the letters so affected in Q4 of 2003/04 is attributable to the Mail Centre Efficiency Review programme?

2.5 Fire at Northampton Mail Centre:

2.5.1 Were any security lapses or inadequate building security identified by the police or Royal Mail's own investigators in the course of their investigations if this incident and if so what were they?

2.5.2 What plans did Royal Mail require their Territorial and Area General Managers to have in anticipation of the permanent loss of a mail centre or a delivery office?

2.5.3 Have these plans been revised in the light of the Northampton fire? If so what new advice has been given, how will the efficacy of the plans be assessed and how will they be kept up to date?

2.6 Industrial Action:

2.6.1 For the two days of official industrial action (1 and 16 October 2003) which Mail Centres and Delivery Offices were affected and how long did it take for operations to return to normal in each of these affected units?

2.6.2 Postcomm understands that Royal Mail intended not to allow strikers to make up lost pay with subsequent overtime and requires Royal Mail –

- to confirm whether this was Royal Mail's aim or not,
- what were the target dates and plans for returning to normal service, and
- whether and to what extent Royal Mail's aim and target date were achieved.

2.6.3 At what dates did the unofficial industrial action start and on which dates did it finish in the different locations where it took place? What is Royal Mail's understanding of the reasons for the unofficial industrial action? What were Royal Mail's objectives in responding to it?

2.6.4 Was a risk assessment done of the likelihood of unofficial industrial action starting? Does Royal Mail have a standard contingency plan for dealing with unofficial industrial action? If not, what alternatives were considered and used?

2.6.5 Royal Mail is required to provide its explanation of how the dispute was concluded, with a copy of the return to work agreement, and to confirm whether and to what extent Royal Mail achieve its objectives in dealing with the unofficial action.

- 2.6.6 How long did it take for the operation to return to normal in each of the units affected?
- 2.6.7 Royal Mail is required to provide details of all local working practices in all locations that may have an adverse impact on quality of service, identified by type and by office with details of how many units are affected and Royal Mail's plans and for addressing them.
- 2.6.8 Royal Mail is required to provide a statement of total days lost due to industrial action for each of the last 4 years, broken down between official and unofficial action with a list of the offices or postcode areas involved in each year showing how many occasions in each year each office or postcode area was involved in industrial action?

3. Place and time

3.1 The information hereby required to be furnished to Postcomm pursuant to paragraph 2 shall be provided at Hercules House, 6 Hercules Road, London SE1 7DB no later than 5.30 pm on 14 June 2004.

Martin Stanley
authorised for the purpose by
the Postal Services Commission

28 May 2004