

# MIS case study - background and assessment.



“The Post Office should not, and can not, ever be an entirely commercial concern”  
Post Office Prospects, Cmnd 2931 March 1966.

“... the government believe that ... The Post Office must be given complete  
commercial independence.” John Stonehouse, House of Commons, 1968.

This case study consists of:

1. Some background material on Royal Mail
2. Some press cuttings about Royal Mail
3. Some transcriptions of interviews with Royal Mail staff.

Analyse the events described in this case study using the frameworks for organisational change discussed in the second and third workshops. Using any other relevant material, your own experience, your reading and from the workshops, write a report of about 3500 words on:

- a. What were the organisational impacts of the LAN and how well were they managed?
- b. How successful were the Royal Mail in managing the implementation of the LAN?
- c. How might the introduction of the LAN change the organisation?

Your report should contain appropriate references to the material covered in course and your reading outside the course. Your report should also contain a full bibliography in the standard format.

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## Case study background

### Overview

The Post Office is a group of 3 core businesses that form the UK's national postal system. It operates as a public corporation and is owned, but not managed, by the Government. Its businesses are: Royal Mail<sup>1</sup>, the letters business, Post Office Counters Limited<sup>2</sup>, the retail business and Parcelforce<sup>3</sup>, the parcels business. It also runs Subscription Services Limited, which provides a portfolio of services to UK businesses.

The group as a whole has recorded a profit for the last 19 years, and is one of the few national postal administrations to operate without government subsidy. In 1994, following a review set up two years earlier, the Government published a discussion paper that set out proposals for the future of The Post Office. Following a prolonged and intense public debate the Government decided, in 1995, to drop plans for Royal Mail/Parcelforce privatisation from its then current legislative programme but in the following year announced it was relaxing some of the financial restraints to allow The Post Office businesses to compete for new business.

The material for this case study was gathered at a time when public announcements regarding privatisation were confused and often contradictory, although internally, plans for a move to the private sector were well under way.

### A brief history of the Post Office

The origins of the Post Office can be traced back to 1482 when couriers carrying "pacquets" (royal messages) were granted the power to requisition horses and guides. By 1660 control of "The Post" had passed from the monarch to Parliament with the creation of the post of Postmaster General. From the introduction of the uniform penny post in 1840 the Post Office grew and took on new responsibilities until by the 1950's about 1/3 of all civil service staff were employed by the Post Office.

In October 1969 the Post Office ceased to be a government department and became a corporation. The responsibility for the day to day management passed from the Postmaster General to the board of the newly constituted corporation, although the new Minister for Posts and Telecommunications still retained control of the Post Office's budget. The argument behind the change was that this would allow the Post Office greater freedom to set prices and tariffs and make it "a more forward looking, go ahead, public service industry" (Post Office Prospects, Cmnd 2931 March 1966)

Further reform followed in 1981 when post and telecommunication were separated and The Post Office Corporation was divided into The Post Office (responsible for postal services and National Giro Bank) and British Telecom (responsible for telephones and telecommunications). Again the argument behind this change was that it would make the Post Office more suited and responsive to the needs of the commercial modern world.

The Post Office delivery services survived the mass privatisation's of the 1980's. However, British Telecom was privatised in 1984 followed by the National Girobank in 1989. Although

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<sup>1</sup> The Royal Mail is the letters division of the Post Office. It is obliged to provide a universal service at a uniform price. This is achieved through cross subsidisation of more costly services by less costly and a monopoly on deliveries of letters costing less than £1.00. The Royal Mail has a network of approximately 100,000 post boxes and employs approximately 80,000 postmen.

<sup>2</sup> Post Office Counters Ltd is a network of approximately 20,000 sub post-offices. They are mostly privately owned and run by agents (sub-postmasters), many are also shops. They sell stamps and provide other services such as pensions, etc.

<sup>3</sup> Parcelforce is an independent division of the Post Office that operates without a monopoly and in direct competition with a number of private sector companies. Parcelforce employs approximately 13,00 staff, has 165 depots and a fleet of approximately 9000 vehicles.

government ministers were still ruling out wholesale privatisation as late as January 1992 (see FT, 16 Jan 1992) it was clear that there was growing pressure to privatise all or part of the remaining operations of The Post Office.

1482	Relays of messengers established to carry Royal Dispatches.
1660	Post Office Charter - Office of Postmaster General and Comptroller of The Post Office created.
1840	First postage stamps issued. Post could be sent, at a uniform rate for delivery, to anywhere in the UK.
1870	Post Office takes over telegraph services.
1881	Postal Orders introduced.
1884	Parcel Post introduced.
1912	Post office takes over most telephone services from private operators.
1969	Post Office Act 1969 - Post Office Corporation formed
1981	British Telecommunications Act 1981 - Post Office corporation split into the Post Office (Postal services and National Giro Bank) and British Telecom (telecommunications)
1982	Private couriers granted licences to deliver letters if cost of delivery exceeds £1.00.
1984	British Telecom privatised.
1986	Post Office restructured into four businesses: Letters, Parcels, Counters and Girobank.
1989	Girobank privatised.
1990	Royal Mail Parcels becomes an independent division: Parcelforce.

#### **A brief description of the case study**

The case study consists of a number of interviews conducted in a period when there was considerable public debate about the privatisation of the Post Office. The interviewees would not comment on this during the interviews although most agreed, 'off the record', that the privatisation of the Post Office was inevitable.

At the time of the interviews the Royal Mail was about to embark on a "business development" - restructuring that would reduce the 64 postal districts that existed then to 9 new geographical divisions. What was then the Newcastle upon Tyne postal district would soon become the North Eastern postal division.

The case study concerns the introduction of a Local Area Network<sup>4</sup> in the Newcastle upon Tyne postal district/North Eastern postal division and consists of interviews with eight members of staff there. All the interviewees were based at the Newcastle upon Tyne office. A Local Area Network (LAN) had been introduced in the Newcastle upon Tyne postal district 18 months earlier and was intended to link together different locations in the Newcastle area and to provide a gateway to other Post Office LAN's nation wide.

Initially use of this system was restricted to senior (board level) managers but with the impending restructuring and expected privatisation use of the LAN was extended to other levels in the organisation. At the time of the interviews there were 37 terminals in the Newcastle area and 6 at 'remote sites'. The Newcastle LAN could also be used to link to another 20 Post Office LAN's in different parts of the country.

The system integrated elements of personnel, administration, recruitment and data on human resource utilisation with data on costings and the volume of business transactions.

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<sup>4</sup> Local Area Networks (LAN's) are computer based communication networks that connect devices within a clearly defined area, such as a single building or a group of adjacent buildings, through a common cabling system. (See appendix for further details of LANs and networks)

### Further reading

- <http://www.uk-po.com/home.htm> (Post Office home page - last visited 3 Feb 1998)
- <http://www.parcelforce.co.uk/default.htm> (Parcelforce home page - last visited 3 Feb 1998)
- The Future of the Postal Services, Robert Albon, The Institute for Economic Affairs, 1991.
- The Postal Service. Competition or Monopoly? Ian Senior, Institute of Economic Affairs, 1970.

### Press cuttings

The following press cutting have been supplied to provide background information on the environment that the Royal Mail was operating in at the time of the case study.

The article from The Independent on Sunday (The big mail grab: moves to increase competition are a growing threat to the Post Office, 10 May 1992) also describes the operation of a typical mechanised letter office.

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### FT 16 JAN 92 / Post Office sell-off ruled out by Lilley. By ROLAND RUDD

MR PETER LILLEY, trade and industry secretary, used an Adam Smith Conference on postal services to make clear yesterday that his proposals to inject more competition into the Post Office did not amount to wholesale privatisation. While restating his determination to liberalise postal services, he frequently referred to the government's commitment to a nation-wide letter service with a uniform, affordable price structure. He later added: 'There are no government plans to privatise the Post Office at present'. Labour said that did not amount to a clear undertaking from the government that rural communities would not suffer from privatisation. Mr Gordon Brown, shadow trade and industry secretary, said: 'I have discovered that both Mr Lilley and Mr Edward Leigh, the minister responsible for the Post Office, have recorded views which show their commitment to privatising Britain's postal services'.

That would mean the closure of hundreds of rural post offices, he said. Mr Lilley attempted to play down the possibility of future privatisation. He said he would only look at proposals to inject more competition

into the Post Office as long as they did not harm the universal letter service. After the minister's speech, Sir Bryan Nicholson, chairman of the Post Office, warned that the government's plans to reform postal services might lead to excessive bureaucracy if there were too many regulatory bodies. The government plans to establish a regulator, Ofpost, to advise it on how low it could reduce the letter monopoly 'floor' level, which at present stands at Pounds 1. The government plans to reduce it closer to the first-class stamp price.

Sir Bryan said: 'We already have the Post Office Users' National Council, the Monopolies and Mergers Commission, the parliamentary select committee on trade and industry and, of course, the secretary of state himself and his officials, not to mention the European dimension. 'We do need to be careful that the new regulator adds value for the customer to the regulatory process rather than just being a layer of bureaucracy building in delay - and cost - to the management process'.

The Financial Times

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**IND 20 MAR 92 / Post Office upgrading to cost 15,000 jobs. By MARTIN WHITFIELD, Labour Correspondent**

THE POST OFFICE is to shed more than 15,000 jobs as a result of increased automation in its sorting offices.

The reductions will cut the number of sorting office staff by a third and will be implemented within the next three years. They are in addition to 2,000 redundancies among middle managers in the past six months. Details of the job losses are incorporated in confidential minutes of the Post Office Board which heard a presentation on the impact of automation by Bill Cockburn, managing director of the Royal Mail. The Post Office confirmed the pounds 250m project to upgrade equipment in the organisation's mechanised sorting offices. It said all job losses would be achieved through natural wastage and denied accusations that it had wanted to keep secret the extent of the cuts until after the election. Staffing reductions will come in two phases, with 6,700 jobs being lost next year and 8,700 to follow further investment in optical character recognition equipment which automatically reads addresses. The minutes, from a meeting late last year, state: 'Among phase one projects was the establishment by 1993 of a state of the art processing centre which would be used as the operational test-bed for the development of new working practices which would then be transferred to other centres'.

Union leaders fear that the reductions could also lead to the closure of a number of the 40 large sorting offices. Workers at three London offices have been warned to expect a decision on their future by the end of next month. The work of at least one, King

Edward's near St Paul's Cathedral, is almost certain to be relocated.

Alan Tuffin, general secretary of the Union of Communication Workers, reacted angrily to news of the planned job losses. He maintained that the union had recently signed an agreement on the introduction of new technology which included a commitment to full negotiations on job losses. The Post Office employs about 170,000 workers. Efforts to cut costs have been concentrated in sorting offices as the door-to-door delivery service to 24 million addresses offers far less scope for major improvement. Modern machinery will be able to recognise hand-written postcodes rather than just typed addresses, as at present.

According to the board minutes, less than 20 per cent of letters can be fully sorted ready for delivery. 'The manpower needed to handle the relevant manual processes was intensive', it says.

The Post Office said yesterday it was a question of 'technology replacing jobs'. The machinery would enable Royal Mail to cope with an expected 18 per cent growth in business in the next five years. It was also expected to improve the quality of service by three percentage points to 93 per cent. Productivity in letter delivery had improved, with a rise of 50 per cent in the numbers of items handled in the past 10 years. The increase in the volume of mail has allowed the Post Office the breathing space to adjust its staffing requirements without the need for any compulsory redundancies.

The Independent

**INS 10 MAY 92 / The big mail grab: Moves to increase competition are a growing threat to the Post Office. By NIGEL COPE**

POSTING a letter in Britain could soon be a very different experience. Instead of popping your letter to Auntie into the nearest red pillar box and waiting for Postman Pat to do his stuff, you could have a choice. You could for example visit your local shopping centre and find that the Royal Mail's red box has been joined by others in yellow, orange and blue. The mail from these boxes would not be collected by Royal Mail staff but by those of a rival network, which would sort and transport the letters to your area where it would be delivered, not by P Pat Esq but by a rival postman, a newsagent or even the milkman.

Business mail could also be different. A large company like British Gas could sort its own mail and arrange for a private company, such as Securicor Omega, to collect, transport and deliver it, by-passing the Royal Mail altogether.

All this is more likely now than it ever has been, for the Post Office is facing one of the biggest challenges in its history. The threat comes from two quarters. First from the Government. The Conservative manifesto said that the Government would increase competition: since 1981, private carriers have been allowed to deliver mail when the charge is more than pounds 1. The manifesto said this would be lowered, and also pledged to consider requests to license specialist services to compete with the Royal Mail. The second threat comes from the European Community, which under a green paper due to be published soon will encourage greater competition both within and between the postal services of the member states. And of course, there is the P-word: will the Post Office be privatised?

The private sector has already started to react. In March, Securicor Omega, which makes no secret of its desire to compete with the Post Office, bought the UK business of Federal Express for pounds 7m. Others are also lining up. Peter Kane, chairman of Business Post, a privately owned mail users' club, says: 'I think

there's a lot of money to be made out of letters at the moment'. The Post Office appears unworried. 'If there was a free-for-all, we'd win', says Sir Bryan Nicholson, the chairman. Britain would not be alone in subjecting its mail services to more competition. The Dutch post office operates at arm's length to the government and is free to diversify, form alliances and invest with very little outside interference. New Zealand has gone down the same route and has milkmen delivering mail in rural areas. Argentina, which has been selling off state industries frantically in recent years, is close to having the first privatised postal service.

Of the twin threats to the Post Office, the planned European green paper is the weaker. The long-delayed paper is expected to end the practice of cross-subsidisation, whereby postal services use profits from parts of the business that are protected by a monopoly to subsidise other parts that are not. This appears not to worry Sir Bryan, who says: 'We're already ahead of the standards the green paper is likely to ask for'. The real threat to the Royal Mail's cosy world is from the UK government, which would introduce competition by three principal routes. It would reduce the present monopoly to a level much closer to the price of a first-class stamp; extend the discount system available to companies which carry out part of the system themselves (sorting, for example) and license more 'niche services' such as document exchange companies, which operate as private post clubs in which members post and collect their mail from a network of boxes. The Government's aim is to achieve all this without jeopardising the two things it holds most dear - the uniform tariff, by which it costs the same to send a letter from Torquay to Newcastle as it does to send one to the next street, and the uniform service, whereby the Post Office has to provide the same level of service in rural areas as it does in cities. Some observers feel that ending the monopoly could cause wild

fluctuations in price and reliability. 'Prices could double in rural areas', says Paul Jackson of Triangle Consultants.

A first glance at the Post Office's figures suggests that despite its monopoly it is remarkably efficient. The Post Office - that is letters, Parcel Force and counters combined - made pounds 153m profit on last year's sales of pounds 4.6bn. Of the three divisions, letters performed best, making pounds 121m. But a closer look reveals a more complex story. The Royal Mail barely breaks even on its inland letter service, making the bulk of its money from philately (sales of what the Post Office now calls 'stamp products'), international mail and premium services such as special delivery.

While Sir Bryan declares himself 'tooth and claw for competition', Parcelforce, the only section of the Post Office that currently competes in the private sector, lost pounds 131m last year. Nick Nelson, its managing director, gave it all up last July to become a teacher. Never the less, research commissioned by the Post Office does show the UK postal service as the best in Europe, with 86 per cent of first-class letters delivered the following day compared with 68 per cent in Germany, 65 per cent in France and 17 per cent in Italy. It is also relatively cheap, a first-class letter costing 38p in Denmark and 35p in Germany and Italy compared with the British rate of 24p.

John Dowson, a partner with Coopers & Lybrand Deloitte management consultancy, who has been working with the Royal Mail on strategy for over a year, says: 'Other postal services look at the Royal Mail as a benchmark for quality'.

Just why the British rank so high is hard to fathom. It is particularly baffling given that the system is certainly not state-of-the-art. The Nine Elms sorting office - a hangar-like shed built on a grim industrial estate on the south bank of the Thames in London - is an example of the Royal Mail at work.

Though Nine Elms is known in Postalspeak as a mechanised letter office (MLO), the term is relative: even here, much of the sorting is still done by hand. At one end of the sorting area, a dozen people are wedged

together at a conveyor belt separating mail into first and second class and taking out the bulky items. Behind them, sitting on stools and listening to Walkmans, are the postcoders, punching digits into a miniature keyboard (postcoders are supposed to clear at least 1,200 letters an hour). There are machines in various stages of being dismantled as new ones are brought in. Nine Elms has several new machines, although not all are running smoothly. One new machine, called a CFC (colour facer cancelling) and shaped like an outsize tumble dryer, is supposed to do some of the first-stage sorting - dividing letters into first and second class. But there are teething problems and at a small table beside the machine four people sit sorting out the mistakes.

Another recent purchase, an optical character reader (OCR) automatically performs the job of the postcoders, reading printed postcodes and coding them with the small blue dots that appear on every letter. But here, too, there have been problems that have not gone down well with staff. 'I mean, if I bought a big expensive machine like this, I'd make sure it worked properly first', says one.

New technology is one of the Post Office Big Ideas. It has invested pounds 600m in new technology in the last five years and has a plan to increase this to pounds 1.6bn over the next five. Reorganisation is another favourite. Between 3,000 and 4,000 jobs have been lost so far, although some of these people are now working for franchises providing Post Office services.

Business Development, a new restructuring programme which will come into effect in April, will reduce head office numbers from 2,000 to 140, devolve power to the regions and reduce the number of management tiers from nine to six. It will also save 3,500 jobs via voluntary redundancy and natural wastage.

Performance measures and bonus systems have been introduced to make pay relate directly to the performance of the sorting office. The results are published in the sorting offices and in the annual report. Since the 1988 nadir, when a two-week strike over pay supplements brought the



mail to a halt, the service has improved. In 1988, just 72 per cent of first-class mail reached its destination the following day: now it is 86 per cent. Days lost through industrial action have fallen from 300 million in 1988 to 1,200 last year while staff turnover, previously a serious problem in London and the South-east, has fallen from 15 per cent in 1989 to 5 per cent last year.

Some of these improvements must have been as a result of the recession, but even so there are still problems.

One is over-manning. Nine Elms, for example, has 50 more staff than it needs. The other is low wages. Ted, a London postman for 30 years, takes home just pounds 200 a week including bonuses and overtime. Staff morale appears low and worker discontent still seems to be bubbling away beneath the surface. Poor communication is the most common gripe. 'Nobody really knows what's going on and it's becoming stressful', says Irene Farthing, a supervisor, referring to the Business Development restructure. 'People are worried that they might be out of a job. They don't understand it'.

Ted, who with his length of service could do quite well out of early retirement, is one example. 'I don't know if I'll take it yet, because I don't know what the terms will be', he says. But he is clearly unhappy. 'There's no job satisfaction any more', he says 'You're just a number. You get moved about willy-nilly'.

But flaws and all, the Royal Mail's awesome infrastructure would present a significant challenge for any aspirant rival. Indeed, faced with a network of 100,000 pillar boxes and 80,000 postmen delivering 60 million letters a day, one might expect only those a few pence short of a first-class stamp to step forward.

Not so. Some of the largest private courier companies are interested, although not the same ones that were making noises at the height of the 1988 post strike. Back then it was TNT, the aggressive Australian private haulier that said it wanted to put a pillar box on every street and offer a full rival service.

Now TNT has gone strangely quiet. Hit by a group loss last year of Adollars 42m (Adollars 197m including extraordinary items), it may be that while TNT's UK business was profitable last year, TNT does not have the resources to fund the kind of investment that a challenge to the Royal Mail would demand.

'The service offered by the Post Office has improved considerably', says Alan Jones, TNT UK's managing director. 'I don't think there is the same gap in the market that there was three or four years ago'. But it may also be that TNT would actually prefer to tempt the Royal Mail into the joint venture it signed last year with five other postal services from Canada, Germany, France, Sweden and Holland, than compete against it. DHL too is passing up the opportunity: 'We have no intention of taking advantage of a curb in the monopoly', says Peter Davies, managing director. But others would like to. Securicor Omega, the express parcels business which had sales of pounds 220m in the UK last year even before it bought the Fedex business, is the largest player to set its cap at the Post Office. Securicor, with its sky-blue vans, would like to get involved in the collection, consolidation and trunking (transporting) of mail into Royal Mail depots, using the existing postal foot soldiers for delivery. 'I can foresee a situation where you might see a number of different vans on the high street, picking up mail, sorting and trunking it', says chief executive Pat Howes. 'But we're not interested in taking on the Royal Mail and delivering to every address in the UK'.

Peter Kane, however, would like to do just that. Mr Kane, whose company Business Post currently turns over around pounds 25m operating an express business mail service, believes that in time it will be quite possible to offer a full rival service to the Royal Mail. 'I believe the monopoly should be broken and a number of licensed operators encouraged', he says. While admitting that his pounds 25m business would risk playing David to the Royal Mail's pounds 4bn Goliath, Kane appears unfussed. 'We already have the trunking network in place. We go to every village in the country now. It wouldn't cost us any

more to take a bag of letters'. Business Post, which currently has 12 regional hubs, 55 local depots and a fleet of 500 yellow-and-black vehicles, would aim to compete keenly on price. 'We would have to be competitive in the market-place', explains Kane. 'That would mean 24p or below and discount rates for volume business'. Then there are the specialist services. Britdoc, part of the pounds 600m Hays Group, is the kind of niche operator that the Government mentions in the Citizen's Charter. Its niche is the overnight delivery of time-sensitive mail. Clients, including IBM, British Airways and a large number of legal practices and chartered accountants, pay an annual subscription fee plus a price per letter around a third cheaper than the cost of a first-class stamp. Under the system, members collect and deliver from their nearest document exchange (the company has 1,750) while the company undertakes the sorting and trunking. Mail dropped at the exchange at 5pm on one day is delivered by 9am the following morning.

Britdoc is currently the only private-sector company licensed to carry letters below the cost of the pounds 1 Post Office monopoly, on condition that it handles solely business and not domestic mail. The company would like to expand its network of document exchanges and is confident that it could handle higher volumes.

And how does the Post Office react to the possibility of rivals stalking its patch? Sir Bryan Nicholson is dismissive of those who covet the Royal Mail's crown.

'None of these competitors really has any plan for a mass system', he says. 'What they are interested in is cream-skimming'.

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He has a point. When New Zealand withdrew the government subsidy to the post office as a move to encourage competition, 400 rural post offices were closed down virtually overnight.

Sir Bryan favours 'step by step' deregulation, with the first move to reduce the monopoly to deliveries over 50p. Critics say it should be 24p or nothing.

Mr Dowson of Coopers & Lybrand Deloitte says that if the Government does encourage more competition, it must allow the Post Office to become more entrepreneurial - like the aggressive Dutch mail service. But an Ofpost regulator would both keep an eye on private carriers and, if necessary, keep a restraining hand on the Post Office.

So what will actually happen? Two things can be expected:

More licences granted to niche operators, like Britdoc, which will concentrate on the handling of business mail;

The encouragement of 'downstream access' where rival companies like Securicor undertake part of the mail process, such as collection, sorting and trunking, then access the Post Office network by leaving final delivery to the Royal Mail postal workers.

Some observers, such as Paul Jackson of Triangle, are relaxed about the implications: 'I don't expect a revolution', he says. Peter Rickard, a former Royal Mail director of planning and now a consultant with the researchers Rickard Johnson, adopts a more ominous tone: 'I wouldn't rule anything out'.

The Independent on Sunday

**IND 16 JUL 92 / Post Office parcels service to be sold off. By STEPHEN GOODWIN, Parliamentary Correspondent**

THE GOVERNMENT is to privatise Parcelforce, the parcel delivery arm of the Post Office.

Announcing the intended sale yesterday Michael Heseltine, President of the Board of Trade, said he could see no reason why Parcelforce should remain in public hands when most of its work was targeted at business users. Parcelforce, with a workforce of 13,500, delivers 750,000 parcels a day and has a turnover of pounds 500m. It has lost pounds 155m over the past two years, though it recovered to operate profitably in the second half of the last financial year.

In a statement Mr Heseltine said an essential requirement would be a continued universal parcel service at a uniform and affordable tariff. 'This is not negotiable', he told MPs. But in subsequent exchanges he suggested the responsibility could be passed to the Royal Mail. Pressed by opposition parties over the future of services to uneconomic rural areas, Mr Heseltine replied: 'I don't say Parcelforce will have to provide a universal service. What I am saying is that the Government will ensure there is a universal service'.

The Independent

**FT 30 JUL 92 / Heseltine puts Post Office sale on agenda. By ROLAND RUDD**

THE POST OFFICE may be privatised after a wide-ranging review of its organisation and structure which was announced yesterday by the government. In a departure from previous policy, Mr Michael Heseltine, trade and industry secretary, put privatisation of the Post Office firmly on the political agenda.

Mr Heseltine reiterated the government's commitment to the proposals in the Citizen's Charter on the Post Office. At the moment the Post Office has a monopoly on letters under Pounds 1. The Citizen's Charter suggested lowering the threshold to a level closer to the price of a first class stamp, currently at 24p.

The Citizen's Charter, however, made no mention about the possibility of changing the ownership of the Post Office.

'We want to see if there are ways the Post Office can be given a bigger opportunity to raise money, compete more effectively and offer shares to their own workforce', Mr Heseltine said.

'I am not suggesting a management-employee buy-out is my preferred solution but I would be very surprised if we didn't hear from people coming forward from within the Post Office making suggestions of that sort'. He said the Royal Mail title would be kept and disclosed that two companies had expressed interest in the possibility of bidding for Parcelforce, the parcel division. The government's commitment to a nation-wide delivery network within a uniform and affordable price was 'non-negotiable', he said.

Sir Bryan Nicholson, Post Office chairman, said the board would discuss how the corporation could take advantage of the government's review. 'Every effort should be made to give the employees a share of the action', he added.

Labour swiftly condemned the planned review. Mr Robin Cook, shadow trade and industry secretary, said: 'The danger is that the review will sniff out the profitable parts of the Post Office and skim them off for the private sector'.

The Financial Times

**FT 04 DEC 92 / Post Office workforce to fall by 16,000 in five years. By ROLAND RUDD**

THE Post Office said yesterday it would reduce its workforce by more than 16,000 over the next five years, in the biggest reduction to date. The move to scale down the corporation comes only weeks before the government is expected to announce its conclusion of the review of the Post Office's structure, which may lead to privatisation. Mr Bill Cockburn, the Post Office's recently appointed chief executive, denied that the planned job losses had anything to do with the government's future plans for the corporation.

He said the Post Office wanted to set in motion a 'virtuous spiral' of greater efficiency, improved services and low prices. However, Mr Robin Cook, shadow trade and industry secretary, said: 'It is also a dire warning of things to come if the government's so-called review of the Post Office leads to privatisation'.

The Post Office said it intended to reduce its 200,000 strong workforce by voluntary measures.

An official said 7,000 job losses last year were achieved with the agreement of the workforce.

About 15,000 jobs will disappear from Royal Mail, the Post Office's letters division, with a further 1,200 from Post Office Counters, which handles social security payments and sell post office

stationery. In London, where the Post Office has suffered more severely in the recession, 2,100 jobs will go next year, leading to a total reduction of around 5,300 by March 1996.

Mr Cockburn said the Royal Mail job cuts were designed to increase efficiency and secure the organisation's future.

The job cuts at Counters were aimed at driving out red tape, he said. 'What this is about is rationalising the overhead area to drive out red tape and bureaucracy. It doesn't affect the number of post offices. That network will be maintained'.

The number of Counters' administrative offices will be cut from 32 to seven. The Welsh administrative office will be merged with one of the English centres, but the Post Office will maintain its Welsh headquarters in Cardiff.

The Parcelforce division has already gone through a major rationalisation programme. The Post Office does not expect any 'dramatic' job losses in that business.

Mr Cockburn said that the Post Office was planning on a growth rate in mail deliveries of about 8 per cent or 9 per cent over the next five years.

The Financial Times

**IND 04 DEC 92 / Post job cuts 'will not hit services': Michael Harrison reports on the Post Office's 'drive for efficiency'. By MICHAEL HARRISON**

THE POST OFFICE pledged yesterday that the 16,200 job cuts would not lead to lower standards of service, the closure of local post offices or reduced letter deliveries.

Bill Cockburn, chief executive, said: 'The drive for efficiency will not in any way have an adverse effect on the services we provide to customers'. Labour and the unions said services were bound to be impaired. Peter Hain, the Labour MP for Neath, who is sponsored by the Union of Communication Workers (UCW), said: 'These job losses will result in reduced quality of service to the public'.

The Post Office maintained that the 15,000 job losses in Royal Mail were aimed mainly at reducing overcapacity in sorting offices. London, which will bear the brunt of the cuts, has the capacity to process 6 million letters a day but is only handling 3.5 million.

The same number of postmen would still be needed for deliveries, the Post Office said, but the goal was to be able to machine-process all letters in sorting offices by 1995 as part of a pounds 1bn investment programme. All the 1,200 jobs being shed in Post Office Counters will be among managerial and administrative staff. The restructuring would have no impact on the 20,000-strong network of post offices or staff working in them. The Post Office

added that it would be spending pounds 2m to recruit additional staff for post offices across the country. Mr Cockburn also pledged that increased efficiency levels would help keep prices down. The cost of first and second-class stamps has been frozen since September 1991, and will not rise until March.

Mr Cockburn said there might be scope to extend the price freeze further through cost savings.

Mr Hain said the job cuts were the result of the Post Office being slimmed down for privatisation. Michael Heseltine, President of the Board of Trade, is expected to announce the go-ahead for the sale in the new year. However, Post Office executives maintain that standards of service and the rural post office network will be under greater threat if the Post Office is kept in the public sector and prevented from expanding services. The Post Office estimates that up to 3,000 rural outlets could be forced to close unless it is given the freedom to sell a wider range of goods and services. It has been given approval to bid for the right to manage the National Lottery and sell tickets, but it also wants to be allowed to provide other services such as insurance.

The Independent

**Sunday Times 25 April 1993. Red letter day for green post boxes . By Michael Prescott, Political Correspondent.**

GREEN post boxes are set to spring up all over Britain by the time of the next general election, planted by a private firm competing with the traditional red pillar boxes of the Royal Mail. Stamps printed by the company will be sold at shops and the letters bearing them and posted in the green boxes will be delivered nation-wide by a new generation of staff, competing with the Royal Mail to achieve a cheaper, faster and more reliable service. Success in winning custom would be richly rewarded: the Royal Mail made a profit of Pounds 266m last year. The detailed proposal for a rival postal network landed last week on the desk of Edward Leigh, the trade minister in charge of mail privatisation. His department refuses to disclose which company has drawn up the plan, but confirms that Leigh is studying the bid with "great interest". One source said: "This scheme is visionary. It talks of green pillar boxes from Land's End to John O'Groats, a parallel network to the red post boxes we have at the moment". Leigh believes the proposal is feasible, and has told colleagues that it will allow ministers to guarantee competition when the planned Post Office privatisation goes ahead. The private firm which has contacted Leigh claims it can set up its new postal business within a year and operate within the constraints that will apply to the Royal Mail even after privatisation: a uniform stamp price structure for the entire country, with delivery guaranteed to any address in the land.

Leigh may not draw the line at just this one firm: if others put in similar bids, a profusion of differently-coloured letter boxes could spring up as a free market in postal delivery takes root. "There could be a duopoly, even a triopoly," another source said. "That kind of thing will probably be left up to the regulator established for the

industry after privatisation. There is no way we are going simply to replace the existing state monopoly of letter deliveries with a monolithic private monopoly". The last Tory election manifesto committed the government to attacking the Post Office monopoly, stating: "We believe that further benefits to consumers would flow from additional competition". Leigh and other right-wingers in the government will use the proposal for an alternative postal network to bolster their arguments in favour of a Pounds 1 billion Post Office privatisation before the next election. Ministers say that a bill to privatise the Post Office will not be included in this autumn's Queen's Speech, because of John Major's desire to avoid too much controversial legislation after the Maastricht debate; but the project's backers are battling to ensure a commitment for the parliamentary session starting in autumn 1994. Under plans drawn up at the trade and industry department, the Royal Mail would be privatised as a going concern, with shares available to the public and to its 166,000 employees. They would be taking a stake in a business which operates 120,000 post boxes, delivers 61m letters every working day, and last year turned over Pounds 3.9 billion.

Parcel Force and Post Office counters would be sold off separately. Tory back-benchers fear this could lead to sub post office closures in rural areas; but supporters of privatisation argue that the move would leave even small post offices with unprecedented business opportunities. Each week, 28m people one in two of the population visit a post office. Forced to "go it alone," Tories in favour of privatisation argue that even small sub post offices would take advantage of their position to start selling a broader range of goods and financial services.

**IND 04 JUN 93 / Special Report on Courier and Express Services: A private package to open up competition: Paul Gosling on the effects of Post Office de-regulation. By PAUL GOSLING**

THE European Commission's Green Paper on postal services will gradually lead to a more integrated European postal market, in which the Post Office will be a leading participant. It is proposed that there will be a free market for direct mail, international post and for publications and express mail. But the European market would still be characterised by the currently state-owned postal businesses retaining their dominant positions within restricted national markets.

In Britain, the Royal Mail, one of the three constituent companies within the Post Office umbrella (the others are Parcelforce and PO Counters), would continue to offer a universal service at a universal price. The existing cross-subsidy arrangements, where the profits from high volume routes keep the prices down for more far flung destinations, would remain. To protect the universal service, private sector competitors are subject to a pounds 1 minimum tariff. The Post Office suggests that this is reduced to 50 pence, but no lower for the time being at least. Whether they get their way depends on the review of the British postal monopoly currently being conducted for the DTI by Kleinwort Benson and Peat Marwick. It is expected that they will recommend the privatisation of the Post Office, possibly in separate parts, with the Royal Mail retaining a restricted market.

Martin Kitchener, managing director of the Parcelforce division, admits that the continuing questions over ownership are unsettling. 'It is very frustrating not knowing what the future holds', he said. He added that with agreed contracts in place between Post Office divisions, there would not be a problem if the divisions were privatised separately. 'We already operate within the Post Office at arm's length, with commercial arrangements in place. We use the Royal Mail to deliver in the highlands and islands, for example.

Parcelforce is already competing head-on with the private sector. We're effectively a privatised company that just happens to be publicly owned. Our market is totally unregulated, and has excess capacity and fierce competition, which benefits the consumer'.

Parcelforce sees its future growth tied into warehousing developments. Mr Kitchener explained: 'Our business is about connecting customers, getting involved in warehousing, and electronic solutions for proof of delivery. It is a very heavy part of our investment programme. The provision of information is almost as important as the distribution itself'. The main development in the mail industry is the growth in bulk, or direct, mail, which is very lucrative, and compensates for reduced volume in personal and business letter writing. The Post Office opposes the Green Paper's proposed deregulation of the market, but at the same time stresses that it sees itself as a potential centre for European multinationals' direct mailing operations. Private sector companies, such as the Australian owned TNT, are keen to have the opportunity to compete. TNT would like the Post Office's monopoly broken in the way that British Telecom's was, with TNT in the role of Mercury. Alan Jones, chief executive of TNT Express UK, said: 'We are not happy that the Post Office should have a monopoly. There should be competition, which is a separate issue to that of privatisation. The Post Office is right to say delivering 60 million letters a day gives them economies of scale, which does allow them to have a low unit cost. But the price for a letter today is higher than it was 40 years ago ... there should be two carriers, each handling 30 million letters a day. We can beat post offices for price all over the world'.

The Independent

**IND 14 DEC 93 / Post Office in 'crisis' over Tory delay. By MICHAEL HARRISON**

THE GOVERNMENT came under a barrage of criticism yesterday over the year-long delay in deciding whether to privatise the Post Office, writes Michael Harrison.

The attack was led by Mike Heron, the Post Office chairman, who warned that ministerial indecision had produced a 'sense of crisis' within the organisation.

Unless the Post Office was delivered from the highly damaging uncertainty, it faced a 'slippery slope of decline' and under-investment. Mr Heron was backed by the

former Post Office Minister, Edward Leigh, sacked from the Government in May, who accused ministers of a 'political funk' in not privatising the Royal Mail.

Michael Heseltine, President of the Board of Trade, announced his review into the future ownership of the Post Office 18 months ago and had been due to reach a decision last Christmas. It is widely thought that the Government has opted not to privatise the whole of the Post Office because of fears of a backbench rebellion.

The Independent

**IND 02 FEB 94 / Post Office privatisation put back on the agenda. By MICHAEL HARRISON, Industrial Editor**

FULL-SCALE privatisation of the Post Office is still on the political agenda, Michael Heseltine said last night.

Appearing before the Commons Trade and Industry Select Committee, the President of the Board of Trade said there was an 'immense case' for moving the Royal Mail and the other divisions of the Post Office into the private sector. But the steps needed to achieve that were 'extremely controversial'. Mr Heseltine's comments would appear to put the sale of the Post Office back on the political map after it had been shelved by the Cabinet in the face of opposition from ministerial colleagues.

Mr Heseltine told the MPs: 'In economic terms there is a very powerful case for privatisation of the Royal Mail. But that doesn't mean to say we will do it because there are powerful restraints'.

However, he refused to bow to demands from the committee and the Post Office's own management to end the uncertainty by

reaching a decision within the next month. 'I will not give an artificial date that I am not sure the Government can deliver', he said.

Earlier, senior Post Office managers had warned the committee that unless the business was given more freedom, it could mean higher postal charges, lower investment, the closure of rural sub-post offices and heavy job losses.

Michael Heron, chairman of the Post Office, told MPs that the rate of return required of the Post Office because of the EFL had been the driving factor behind last year's rise in letter charges. Mr Heron said the Post Office was looking for a decision on the privatisation review 'within weeks rather than months'. He said there was now 'a sense of crisis' within the organisation. Unless the it was allowed to exploit the window of opportunity which existed now, it would turn out to be a lost opportunity.

The Independent



## **Appendix - Networks**

### **What is a network?**

A 'network' is a generic term for any computer based communications system that links together a number of computers and other devices. A network may be called a LAN (Local Area Network) or a WAN (Wide Area Network). LAN's are networks that connect several devices, usually through a single cabling system, within a clearly defined area such as a single building or a group of adjacent buildings. WAN's on the other hand are networks used to distribute data around sites that may be scattered across or single country or the entire world. WAN's may be composed of interlinked LAN's and may use a number of different communications links (e.g. satellite and telephone lines) to join their component parts.

Networks may take many forms although, conceptually, they only consist of two parts.

### **Networking software**

The networking software defines the "logical" structure of the network: it controls and coordinates certain activities in a group of otherwise independent processors (network stations). At the heart of each network is the fileserver. The fileserver treats the network stations as if they were storage peripherals (e.g. disk drives) while the network stations treat the fileserver as if it were a hard disk - reading from it and writing to it as required. To each machine it appears as though the data had simply come from a disk drive.

### **Communications software and the "physical" link**

Both the network stations and the fileserver run communications software to send data to each other through the physical link. The physical link, i.e. cabling system, defines the physical structure of the network while the communications software carries the data along the physical link; together these two things act as a medium for the communication between fileserver and network station.

## **Some advantages of networks**

### **Security and ease of management**

Networks, by their nature, impose restrictions on certain actions by certain users at particular times (e.g. two users can not write to the same file at the same time). This greatly simplifies file management and can provide several layers of additional security, e.g. passwords and or access only via dedicated terminals. Networking software can also provide alarms and audit trails to assist dealing with security problems if they do occur.

### **Resilience**

Networks are virtually unaffected by local damage. If a network station breaks down it can be simply removed without any disruption to the other users. If the data has been backed up then no data need have been lost; the user can simply move to another network station. The fileserver on the other hand is the hub of the network; if this ceases to function the whole network stops. However, once again, if all the data has been backed up and good recovery procedures exist networks can even survive a fault at the fileserver.

### **Efficient use of resources**

Networks make a more efficient use of resources as they allow the apparently simultaneous use of one application by several users. The most obvious example of this is the shared use of programs such as word processors and spreadsheets. These will only need to be installed once on a file server and can then be used on any number of machines. Networks also allow

the cost of expensive but infrequently used items, such as specialist printers or tape drives, can be shared between a large number of users. Similarly old, unusual or otherwise obsolescent equipment can also be made use of in this way.

**As medium for communication**

In a sense the 'raison d' être' for a network is communication: its job is to control and co-ordinate the activities of a group of otherwise independent machines. However networks can facilitate communication between people as well as machines. Electronic mail, diaries and teleconferencing facilities can be used as a medium for communication, control and co-ordination between people. For example, e-mail allows asynchronous communication between individuals or groups and also enables the efficient distribution of text based memos or messages to a group, or groups, of recipients.