

EXECUTIVE COUNCIL

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Responsible Director: Director Central Services

Report Author: Director Central Services

Portfolio Holder: The Hon. Ian Hansen MLA

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For policy decision
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List of Documents: Appendix A – Survey results 2014, 2015 and 2016

1. Recommendations

Honourable Members are recommended to:

- (a) Note the high customer satisfaction levels and improvements/changes made since the inception of the outsourcing contract for Post Office and Philatelic Bureau;
- (b) Confirm the execution of an option for a two year extension to the Post Office and Philatelic Bureau outsourcing contract beyond the end of the initial three year period;
- (c) Note the minor revisions to the agreement highlighted in this paper;
- (d) Note that options following the five year contract will need to be assessed in early 2018 and a proposal bought back to ExCo for provision of Post and Philatelic Services beyond August 2019.

2. Additional Budgetary Implications

None

3. Executive Summary

- 3.1 The outsourced contract for the Post Office and Philatelic Bureau was agreed in July 2014 to run for a period of three years (until August 2017) with an option to extend by a further two years based on mutual agreement between FIG and FPS Limited.
- 3.2 Since the commencement of the contract, FPS has delivered a number of improvements in service which has been reflected in very positive customer satisfaction survey results. Consequently, it is recommended that the option to extend the contract by the additional two years is executed.
- 3.3 Following a review of the service conducted between FIG and FPS, there are no proposed changes to the management fee (in real terms) or schedule of services. However, it is proposed that an adjustment is made to the profit sharing agreement to attribute more accurately the source and control of revenues.

4. Background

- 4.1 The Government transferred responsibility for provision of Post Office and Philatelic Bureau services to the private sector in August 2014 following a competitive bidding process. The successful bidder, FPS a local company owned and operated by FITT, was awarded a three-year management contract with an option for a two-year extension based on performance. Statutory responsibility for the role of Postmaster was retained by FIG and is held by Treasury.
- 4.2 The decision to outsource, taken as part of the Government's long term strategy for partnership with the private sector, was approved in June 2014 (ExCo Paper 137/14). It is in line with the Economic Development commitment in the 2014-2018 Island Plan. The expectation from outsourcing the service was that there would be significant improvements in customer service with no or marginal additional cost. The contract was structured to incentivise FPS to increase revenue from philatelic sales.
- 4.3 The services provided by FPS in the contract are to operate the post office and philatelic bureau of the Falkland Islands (including specified functions on behalf of the Governments of South Georgia & the South Sandwich Islands and the British Antarctic Territory) including:
 - Collection of mail from its collection points in the Falkland Islands both domestic e.g. post boxes, Stanley Airport (FIGAS), and other collection points and international;
 - Sorting and distribution of mail;
 - Sale of stamps, first day covers and related merchandise and
 - Collection of all income and accounting to FIG for the same (clearly identifying the income due to the sale of items on behalf of other Territories).

All the above to be completed to agreed service levels which are reported on a quarterly basis.

- 4.4 Ten service enhancements were built in to the contract including restructuring and reorganisation of the Post Office staff and facility, increased access, redesigned website and introduction of internet sales facility. Some additional possible enhancements were also identified for discussion in year three of the agreement.
- 4.5 A six-month review presented to ExCo in February 2015 (ExCo Paper 028/15) noted that FPS were delivering services in line with key performance indicators and had made progress with priority service enhancements. It was noted that despite initial teething problems there had been a number of major improvements. These included longer opening hours, remodelled interior, improved marketing display and merchandise including Sure top-up and Wi-Fi cards, plus same day collection of mail from MPA .
- 4.6 Subsequent improvements have included 24/7 access to and increased availability of post boxes, expansion of post office service at MPA from 2 hours per week to 6 days per week and the introduction of EPOS (Electronic Point of Sale) integrated with the new web sales system.

5. Review of Service Levels

- 5.1 A summary of performance against KPIs is provided in Table 1.

Description of Service	Target (KPI)	Performance	
		Year 1	Year 2
Availability of Stanley mail within 24hrs of receipt in Post Office	100%	100%	100%
Percentage complaints responded to within 48 hours	Year 1 = 90% Year 2 = 95% Year 3 = 100%	100%	100%
Percentage complaints resolved within 7 days	Year 1 = 70% Year 2 = 80% Year 3 = 90%	100%	100%
Provide customer access to Post Office between 0800 and 1700 Monday to Friday	100%	100%	100%
Provide customer access to Philatelic Bureau between 0800 and 1700 Monday to Friday	100%	100%	100%
Transfer to FIG all sales related income after each month	100%	100%	100%
Provide quarterly management information to FIG in accordance with contract.	100%	100%	100%

Table 1 – Performance KPIs

- 5.2 Prior to outsourcing the contract in 2014 a customer survey was carried out and subsequent surveys have taken place in 2015 and 2016. Representative customer comments from the 2015 survey include “love the fact that it is open after 4:30”, “better opening hours quicker sorting of mail” and ‘the staff are always very helpful and cheerful”.
- 5.3 Levels of satisfaction have increased overall since outsourcing the Post Office with the percentage of people satisfied with the time taken to send and receive post within the Islands increasing from 83% in 2014 to 96% in 2016.

5.4 Overall the level of satisfaction with the service provided by the Post Office staff rose from 87% in 2014 to 97% of customers satisfied in 2015/16. The number of very satisfied customers increased from 22% in 2014 to 44% in 2016. Levels of dissatisfaction have also dropped to very low levels. See below; Chart 2: Level of Satisfaction: Overall with service provided by staff.¹

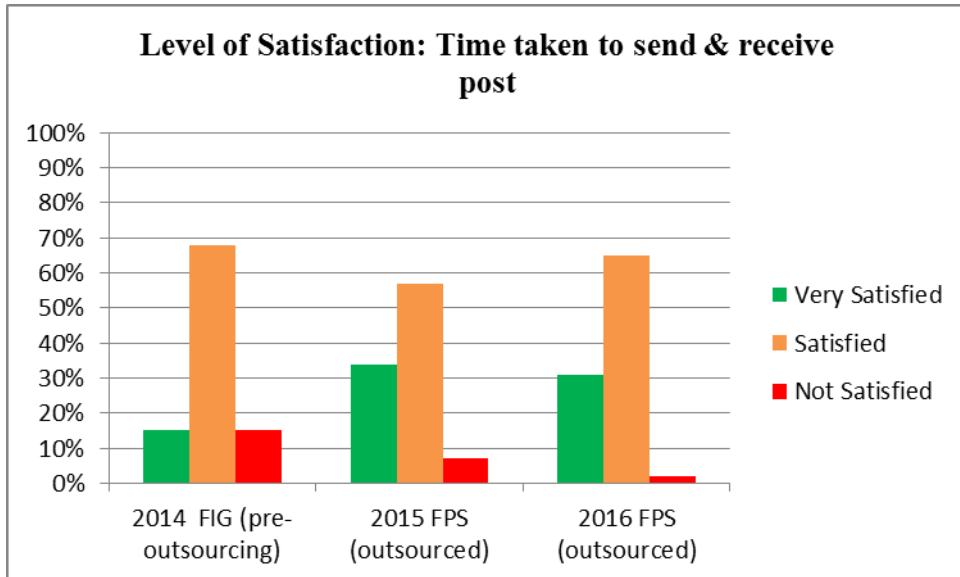


Chart 1: Level of Satisfaction: Time taken to send & receive post

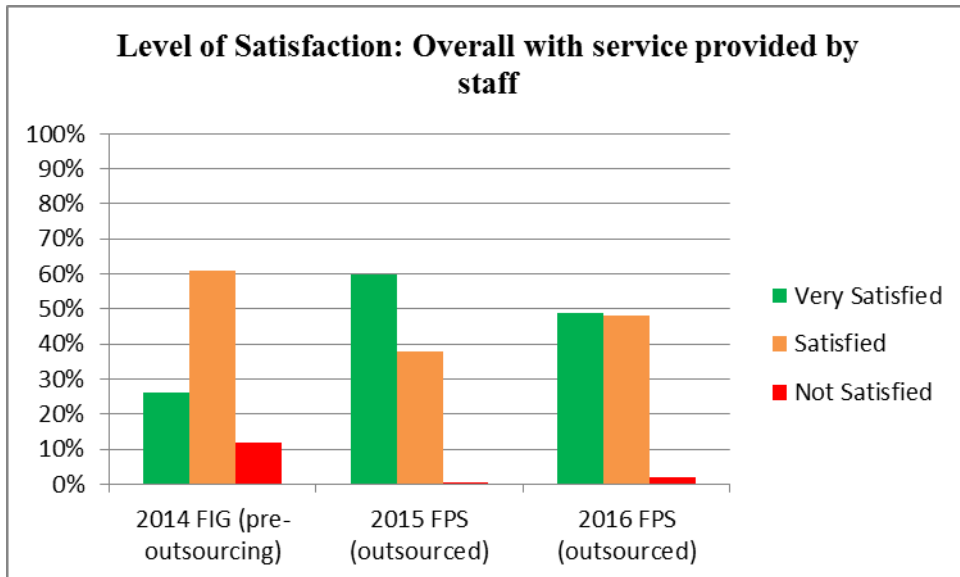


Chart 2: Level of Satisfaction: Overall with service provided by staff

¹ Neutral and blank returns are not included in these data.

6. Future Service Enhancements

- 6.1 The contract set out future enhancements for discussion in year three of the agreement and the first of these to be actioned will be the Generic Stamp issue. This has a positive benefit for both the Post Office and for local businesses.
- 6.2 Following a review of a possible home delivery service as a future enhancement it has been concluded that this would be an expensive service for which there is not a huge demand. The capital cost to implement home delivery would be £25,000 in reorganising the post room and operating costs per annum would be £33,500 for staffing and running costs of a vehicle. If these costs were to be passed onto customers, it would equate to an additional 35p being added onto the price of the current 31p stamp.² In addition there would also be a cost to householders in providing a means of delivery i.e. a mail or letterbox per delivery address.
- 6.3 The 2016 survey asked whether customers would be in favour of a home delivery service instead of post boxes: 59% of customers were against home delivery and comments in the survey referred to the loss of a community meeting place if the essence of the post office was changed. It is noted that the two options; home delivery versus post office mail boxes; are mutually exclusive. However, it is recognised that there is limited space within the post office building for additional post boxes, and cost-effective solutions are being developed to address this future issue.
- 6.4 24 hour access to mailboxes was successfully introduced in the last quarter of 2015. The 2016 survey indicated that 99% of customers who use the 24 hour access to the Post Office are satisfied with the service with almost a third of Post Office users regularly accessing the 24 hour access facility. Chart 3 below indicates the number of times per quarter the out of hours access was used.

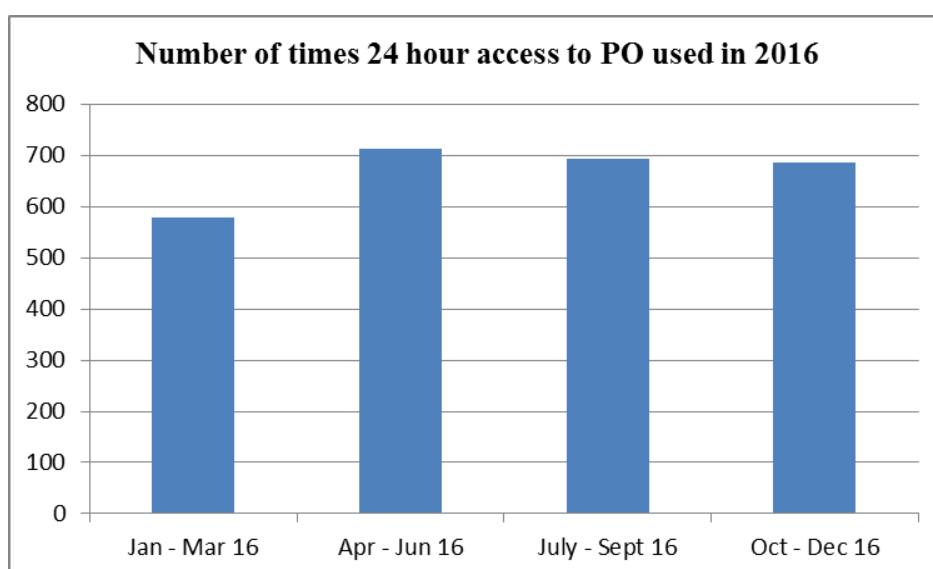


Chart 3: Number of times 24hr access used outside PO opening times

² This calculation assumes the capital cost was amortised over a five year period

7. Review of threshold of Profit Share

- 7.1 The original contract was structured to include a management fee and a share of profits from expected revenue based on revenue calculated in FIG's 2014/15 budget book. The purpose of the profit share threshold was to incentivise FPS to maximise sales and thereby increase the revenue for both FPS and FIG.
- 7.2 Having the benefit of hindsight, it is now apparent that there are certain revenue lines in the original profit formula that are outside the influence of FPS. Through discussion between FPS and FIG it is now proposed to exclude such items from the profit-sharing agreement. The revenue from such items will come to FIG in their entirety; with a concomitant reduction in the revenue threshold for the profit share with FPS.
- 7.3 The items proposed for removal from the profit formula are as follows:
- Terminal Dues (this is a payment for delivery of mail posted to the Falklands from overseas);
 - Overseas Agency sale of stamps;
 - Radio Licences (now handled in-house by FIG);
 - Reimbursement from British Antarctic Territory/South Georgia & South Sandwich Islands (BAT/SG&SSI).
- 7.4 Overseas philatelic sales have been processed by a separate long-standing contract with an established agency called Pobjoy, the agency sell Falkland Island stamps on behalf of the FIG around the world largely through internet sales as well as with existing customers. This contract arrangement is due to be reviewed by FIG in parallel with the Post Office contract at the end of the existing contractual period.
- 7.5 It is also worth noting that revenue from the Philatelic Bureau is largely dependent upon regular high-quality stamp issues which in turn rely on an active pipeline of future stamp issues from the Stamp Advisory Committee.
- 7.6 The proposed changes to the revenue threshold are shown in Table 2 below:

<i>Existing Revenue Threshold</i>	<i>£</i>	<i>Proposed Revenue Threshold</i>	<i>£</i>
Sale of Stamps - Stanley & MPA	£152,800	Sale of Stamps - Stanley & MPA	£152,800
Philatelic Sales - Stanley & MPA	£90,500	Philatelic Sales - Stanley & MPA	£90,500
Sale of Stamps - Fox Bay	£1,500	Sale of Stamps - Fox Bay	£1,500
Philatelic Sales - Fox Bay	£1,800	Philatelic Sales - Fox Bay	£1,800
Other Revenue	£5,360	Other Revenue	£5,360
Overseas Agencies - Philatelic sales	£80,000	Proposed Threshold	£251,960
Radio Licences	£1,200		
Reimbursement BAT/SG&SSI	£55,000		
Terminal Dues	£60,000		
Subtotal	£448,160		
Less Philatelic postage	-£16,000		
Original Threshold Calculation	£432,160		

Table 2 – Revenue Threshold

8. Future Strategy

- 8.1 This paper recommends an extension to the existing arrangements with minor modifications to the agreement. However, it is important that the management contract is reviewed again in early 2018 and a proposal brought back to ExCo for provision of Post and Philatelic Services for the period beyond August 2019. Future service enhancements will be reviewed again at that point.

9. Resource Implications

9.1 Financial Implications

None. There is no net change on projected revenue or costs for FIG.

9.2 Human Resource Implications

None

9.3 Other Resource Implications

None

10. Legal Implications

- 10.1 Contract will need an amendment to include revised revenue calculation.

11. Environmental & Sustainability Implications

- 11.1 None

12. Significant Risks

- 10.1 None

13. Consultation

- 13.1 Director Central Services, Postmaster and FPS have been in discussions regarding service levels and threshold calculation. Portfolio Holder has been briefed.

14. Communication

- 14.1 Not required.

2014 Post Office Satisfaction Survey

Q1) How often do you visit the PO?

Daily	97	22%
2-4 times p/w	167	37%
Weekly	106	24%
Fortnightly	8	2%
Less Frequent	63	14%
Blank	5	1%
TOTAL	446	100%

Q2) If you do not have a post box, would you like a post box?

Yes	101	23%
No	52	12%
Blank	293	66%
TOTAL	446	100%

Q3) How often do you receive post in error?

Always	6	1%
Frequently	43	10%
Occasionally	283	63%
Never	104	23%
Blank	10	2%
TOTAL	446	100%

Q4) Do you find the current opening hours convenient?

Yes	319	72%
No	114	26%
Blank	13	3%
TOTAL	446	100%

Q5) If no, what changes would you like to see?

See comments attached...

Q6) Is your main residence in...

Stanley	398	89%
East Falkland	26	6%
West Falkland	19	4%
Outer Islands	3	1%
TOTAL	446	100%

Q7) How satisfied are you with the time taken to send and receive post within the Islands?

Very satisfied	50	11%
Satisfied	225	50%
Neutral	108	24%
Unsatisfied	43	10%
Very unsatisfied	9	2%
Blank	11	2%
TOTAL	446	100%

Q8) How satisfied are you overall with the service provided by the staff at the post office?

Very satisfied	98	22%
Satisfied	226	51%
Neutral	70	16%
Unsatisfied	34	8%
Very unsatisfied	11	2%
Blank	7	2%
TOTAL	446	100%

Question 1	How often do you visit the Post Office?	
Daily	62	
Weekly	53	
2-4 times p/w	84	
Fortnightly	3	
Less Frequent	20	

Returns

222

20 % returned

Question 2	How often do you receive post in error?	
		%
Always	3	1
Frequently	11	5
Occasionally	121	55
Never	86	39

Question 3	How Satisfied are you with the service provided by FPS Ltd over the past 6 months?	
		%
Very Satisfied	127	57
Satisfied	92	41
Not Satisfied	1	0

Question 4	Do you find the current opening hours convenient?	
		%
Yes	206	93
No	11	5

Question 6	Is your main residence in	
Stanley	200	
Camp East	12	
Camp West	5	
Outer Islands	4	

Question 7	How satisfied are you with the time taken to send and receive post within the Islands?	
		%
Very Satisfied	64	29
Satisfied	108	49
Neutral	34	15
Unsatisfied	8	4
Very Unsatisfiec	6	3

Question 8	How satisfied are you overall with the service provided by the staff at the Post Office?	
		%
Very Satisfied	128	58
Satisfied	81	36
Neutral	11	5
Unsatisfied	1	0
Very Unsatisfied		0

Q1) How often do you visit the Post Office?		
		%
Daily	61	23
Weekly	86	32
2-4 times p/w	72	27
Fortnightly	8	3
Less Frequent	27	10
Blank	11	4

Returns

265

22 % returned

Q2) How often do you receive post in error?		
		%
Always	4	2
Frequently	8	3
Occasionally	115	43
Never	105	40
Blank	33	12

Q3) How Satisfied are you with the service provided by FPS Ltd over the past 6 months?		
		%
Very Satisfied	116	44
Satisfied	115	43
Unsatisfied	2	1
Very Unsatisfic	3	1
Blank	29	11

Q4) Do you use the 24 hour access service?		
		%
Yes	85	32
No	179	68

Q5) If yes are you satisfied with this service?		
		%
Yes	84	32
No	1	0
Blank	180	68

Q6) Is your main residence in		
		%
Stanley	239	90
Camp East	16	6
Camp West	8	3
Outer Islands	2	1

Q7) How satisfied are you with the time taken to send and receive post within the Islands?		
		%
Very Satisfied	66	25
Satisfied	135	51
Neutral	54	20
Unsatisfied	5	2
Very Unsatisfic	1	0
Blank	4	2

Q8) Would you be in favour of home delivery		
		%
Yes	96	36
No	156	59
Blank	13	5

Q9) How much would you be prepared to pay		
		%
31p	56	21
36p	28	11
41p	24	9
46p	2	1
51p	10	4
Blank	145	55