

## **The organisation of the Post Office and its letter post operations**

### **History**

2.1. For over 300 years the Post Office was a Department of State but in 1969 the Post Office Act established it as a separate public corporation, with statutory powers, a financial remit and a ministerially appointed Chairman and Board. At that time the Post Office still remained responsible for telecommunications as well as for postal and other affairs but the British Telecommunications Act 1981 formally separated it into two independent corporations, with British Telecommunications assuming a separate corporate identity. Thus the Post Office was left on 1 October 1981 with the duty of providing postal and counter services and, through its banking arm National Girobank, banking and money remittance services.

2.2. The 1981 Act reduced the Post Office's exclusive privilege over the conveyancing of letters. The statutory monopoly thus does not now cover the conveyance of letters for which a consideration of not less than £1 is paid, the delivery of Christmas cards by charities, document exchanges, conveyance by air courier, the conveyance and delivery to the Post Office of prepaid letters, correspondence flowing between different parts of a body corporate and its wholly-owned subsidiaries, the conveyance and delivery of banking instruments from one branch to another or from a bank to a Government department, and electronic mail.

### **Organisation**

2.3. The Post Office Board consists of a Chairman, a Deputy Chairman who is also Managing Director of National Girobank, five full-time executive members and four part-time members. One of the full-time members is Managing Director of the newly integrated Counters business and member for Corporate Services. Others are the member for Royal Mail Operations, the member for Royal Mail Marketing, the member for Personnel and Industrial Relations and the member for Finance. The last named was a new appointment on 11 June 1984. The part-time members collectively represent a wide range of outside expertise and experience. The Chairman's Executive Committee consists of the Chairman, Deputy Chairman, and the five executive members and normally meets twice a month. Its functions are to consider the more detailed issues affecting any or all of the three businesses (ie Royal Mail, Counters and National Girobank) and matters referred to it by the Board.

2.4. The pattern of Board responsibilities which was introduced on 20 January 1984 represents the first move in a change to a product-oriented type of organisation which the Post Office told us it intended to implement. This is all part of the Post Office's developing drive to increase its commercial approach, efficiency, competitiveness and responsiveness to the needs of its customers. The Regions will remain as the field executive arm with fewer but stronger HPO operating units. There will be more devolution to both levels and sharpened accountability. The Post Office gave us the chart at Appendix 2A to illustrate the new structure and approach.

2.5. The Post Office told us that under the new organisation at PHQ the Royal Mail Operations Department and the Marketing Department are to have separate sections to deal with letters, parcels and overseas mail. The Finance Department, as well as developing management information systems, will be responsible for corporate planning and, on behalf of the Chairman, for the negotiation of 'contracts' for particular functions with the other Board members who, in turn, will be responsible for corresponding arrangements with Regions and HPOs. Counters will be a separate department with a Board member as Managing Director and with its own budgets.

### Manpower

2.6. Labour costs represent some two-thirds of postal business expenditure. At mid-1983-84 the total number of employees was 176,237, counting approximately 11,600 part-time employees each as one half and excluding sub-postmasters, of whom there are approximately 21,000. The distribution of staff was as follows:

	<i>Numbers</i>	<i>Percentage of total</i>
Mails operations	124,154	70.4
Counters and administration	32,285	18.3
Support and other staff	19,798	11.3

*Source: Post Office.*

More detailed information is at Appendices 2B and 2C.

### The Regions

2.7. The present structure at Regional and HPO levels may be changed consequent upon the reorganisation of the Board. It was designed for the support and control of a widespread network providing standard services throughout the United Kingdom, which, for these purposes, is divided into ten administrative Regions (see map at Appendix 2D). Some of these, like the London Postal Region (LPR) are headed by a Regional Director (RD). Other Regions have a formal Postal Board and the head of the Regional organisation is known as the Chairman. The Regions which include the three HPO areas with which we are concerned viz Glasgow, Belfast and Cardiff, all have such Boards.

2.8. The RDs and Chairmen report directly to the Post Office Chairman. They have separate budgets and are accountable for the performance of their Regions through annual stewardship reviews by the Post Office Chairman or other nominated Board members. The arrangements mentioned in paragraph 2.5 represent a new departure and another new feature will be the 'staff' lines responsibility reaching down from the specialist head at PHQ to the specialists at Regional Headquarters (RHQ) and below in parallel with the existing line management's responsibilities.

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<sup>1</sup>This is the term used by the Post Office to describe certain internal relationships under the new system.

2.9. Each of the ten Regions is divided into a number of smaller areas, which may be large cities with their environs, or wide, sparsely-populated rural areas each with an HPO as the administrative centre. The Head Postmasters (HPMs) of these areas are accountable to their RD or Chairman. LPR is different from all the others in that the ten separate districts in the Inner London area each has a District Office as the administrative centre with the 109 sub-districts falling under their control. Each district has a District Postmaster or Postmaster Controller in charge.

### **The reference Regions**

2.10. *Scotland* has a Postal Board (SPB) with a Chairman and seven members. Three have full-time Regional Office responsibilities. The HPMs of Glasgow and Edinburgh act as Board members and there are two part-time members from outside the Post Office.

2.11. *Northern Ireland* also has a Postal Board (NIPB) with a Chairman and one other member who has full-time Regional Office responsibilities.

2.12. The *Wales and the Marches* Postal Board (WMPB) consists of a Chairman and four members—two Regional Controllers, the HPM Cardiff and one part-time member from outside the Post Office. We understand that another part-time member is currently being sought.

2.13. The *London Postal Region*, headed by an RD, is divided into an Inner Area, comprising the numbered Postal Districts, and an Outer Area. It is only to the Inner Area that our terms of reference direct us. The RHQ is organised on a functional basis rather than between Inner Area and Outer Area.

2.14. The Regional Board, covering the whole of LPR, has a larger membership than the three Postal Boards mentioned above. It includes the RD, two Deputy Directors, six members with full-time Regional Office responsibilities and the Postmaster Controllers of the Mount Pleasant and King Edward Building offices.

### **The responsibilities of Head Postmasters, Postmaster Controllers and District Postmasters**

2.15. HPMs, Postmaster Controllers and District Postmasters are responsible to their RDs or Chairmen for the proper and economical performance of the letter post operations in their areas. In detail the following responsibilities fall to them:

- (a) *Control of overall expenditure* within budget limits.
- (b) *Mails*—circulation arrangements, all delivery and collection arrangements, siting of post boxes and boundary and address changes within the local area, security of mails, compensation of customers up to £100, and general maintenance of quality of service performance.
- (c) *Personnel*—recruitment to basic grades (Postman, Postal Officer (PO), Postal Assistant (PA), cleaner); promotion locally to Postman Higher Grade (PHG), and to the supervisory Postal Executive grades, PED,

PEC, PEB and PEA (but not to Assistant Head Postmaster (AHP)); retention of staff (except Senior Salary Staff) beyond normal retiring age (60); retirement of staff on medical grounds; and dismissal of basic grades on attendance or disciplinary grounds.

- (d) *Control of expenditure* on schemes included within their capital programmes and of maintenance work within specified limits. (This does not apply to Belfast in respect of capital expenditure.)

The Post Office told us that under the new organisation the authority, responsibility, competence and accountability of HPMs, particularly of the larger units, are to be increased.

#### **The 4 areas**

2.16. The Glasgow HPO covers an area of 440 square miles reaching up to Loch Lomond in the north, East Kilbride in the south and Cumbernauld in the east, with a population of over 1.3 million, more than 2,300 collection points and nearly half a million delivery points. The HPM is supported by three AHPs in charge respectively of operations, planning (including buildings services) and of personnel and finance, including counters.

2.17. Glasgow acts as a Distribution Office for much of western Scotland, as a General Forwarding Office for most of that area, as the inward Office of Exchange (OE) for air and surface mails containing letter post items for Scotland, as the outward OE for Scottish postings of airmail and 'All-up' (despatching direct to all the major countries) and as a surface mail OE for Scottish postings to Europe, North America and New Zealand. At present, with the exception of facing and segregating, its postal operations are carried out manually but it is scheduled to become an MLO in May 1985.

2.18. The Belfast HPO covers an area of 900 square miles from Larne in the north to Downpatrick in the south and between Lough Neagh and the sea, with a population of 650,000, 1,400 collection points and nearly 300,000 delivery points. The HPM has an AHP in charge of postal operations and planning (including buildings) and another in charge of administration, accounts, personnel and counters.

2.19. The Belfast HPO and its sub-offices handle approximately 65 per cent of Northern Ireland's posted traffic. As an MLO it has the whole of the second class mail posted in the province concentrated on it for sorting and onward transmission (some of it back to the originating office for delivery there). However, in order to maintain the quality of service performance much first class mail is sorted manually at its office of origin—even at salaried sub-offices like Bangor in the HPO area—for transmission direct to other places. Belfast acts as a switching office for outgoing overseas mail.

2.20. The Cardiff HPO covers an area of 302 square miles stretching beyond Cardiff to Bargoed in the north and Cowbridge in the west, with a population of 610,000, 1,600 collection points and 184,000 delivery points. The HPM has two AHPs, one dealing with mails and accommodation and the other with personnel, counters and finance.

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<sup>1</sup>System by which letters for Europe are sent by air where this will give earlier delivery.

2.21. As an MLO the Cardiff HPO has concentrated on it the whole of the first and second class mail posted in the Pontypridd and Bridgend HPO areas, except that the Pontypridd and Bridgend offices deal with some of the first class mail which is for delivery in their own areas. Cardiff is a Distribution Office for South Wales and is a switching office for outgoing overseas mail. We were told that the HPO area of Bridgend would be merged into the Cardiff HPO area during 1984 and that Pontypridd would be absorbed similarly early in 1985.

2.22. The Inner London area (LPR(IA)) comprises the ten numbered Postal Districts:

Eastern (EDO) <sup>1</sup>	Postal Areas	E1-E18
Eastern Central (ECDO)	"	EC1-EC4
Northern (NDO)	"	N1-N22
North Western (NWDO)	"	NW1-NW11
South Eastern (SEDO)	"	SE1-SE28
South Western (SWDO)	"	SW1-SW10
Battersea	"	SW11-SW20
Western (WDO)	"	W1 only
Paddington	"	W2-W14
Western Central (WCDO)	"	WC1-WC2

2.23. Each district except Eastern Central is the responsibility of a District Postmaster. All of them except Western, Western Central and Eastern Central have sub-district offices which carry out deliveries and in some cases primary sorting of collections. In Western and Western Central districts all letter operations are carried out from the District Office. ECDO sorts the London element of EC1-EC4 collections and performs all deliveries. It is housed in King Edward Building along with London Foreign Section (FS) (which handles the despatch of overseas mail—see paragraph 11.7), the two units being the responsibility of a Postmaster Controller. The Mount Pleasant complex, also the responsibility of a Postmaster Controller, houses the Inland Section (IS). This sorts the provincial element of the Eastern Central collections and a large proportion of the incoming mail from overseas (see paragraph 11.4). It also includes a small parcel delivery office.

2.24. Typically, a District Postmaster has two Assistant District Postmasters (ADP), one dealing with mails operations, the other with accounts, staff, buildings and counters. The organisation chart at Appendix 2E illustrates this and also gives some idea of the various departments into which any HPO might be divided, though the specific division of duties is left to the discretion of each HPM.

2.25. LPR—and within it LPR(IA)—has a special significance in three distinct ways. First it collects nearly 25 per cent of all letters posted nationally and delivers 20 per cent of the total letter traffic. Secondly because London is the centre of the rail network and is situated close to the two major international airports at Heathrow and Gatwick, the Region is responsible for handling 85 per cent of United Kingdom outward airmail, a high<sup>2</sup> proportion of

<sup>1</sup>The abbreviations used for the District Offices in this report are shown in parentheses.

<sup>2</sup>The exact proportion is not known since the traffic is not counted.

inward airmail and more than half of the other overseas letter mail. Thirdly it deals in transit with a substantial volume of inland letter mail which is neither posted nor delivered in London.

#### **Manpower in the 4 areas**

2.26. The Post Office does not produce separate figures for staff directly employed on letter post (and hence covered by our terms of reference) and parcels work. It is not possible to ascertain the proportions of administrative and support staff engaged in the services covered by the reference. Details of certain staff grades employed nationally and in the 4 areas are at Appendix 2F.

#### **Services within the terms of reference**

2.27. The basic inland letter services offered by the Post Office are first and second class mail. The Post Office told us that the intention underlying the basic two-tier system is to offer the customer a choice of service in respect of speed and price. The Post Office aims to deliver 90 per cent of first class mail by the first working day after collection (day B) and 96 per cent of second class mail by the third working day after collection (day D).

2.28. Other letter services within the terms of reference are:

- (a) the Registered Letter Service, for the transmission of money or other articles of intrinsic value (see paragraphs 11.13 to 11.19);
- (b) the Recorded Delivery Service, which provides proof of posting and a signature upon delivery (see paragraph 11.20);
- (c) the Business Reply and Freepost services, under which, for an annual fee in each case of £20, the licensee can offer his customers post-free reply. He pays the postage on items received back plus a premium of 0.5p per item (1p for priority reply). The total volume for these two services doubled over the five years to 1982-83 to over 250 million items per annum;
- (d) the Direct Mail Deposit System, under which a user may protect a future mailing against a possible increase in the postal tariff by paying in advance 25 per cent of the cost of the mailing at the current postal rates;
- (e) the service whereby copies of newspapers posted under special arrangements may be given first class service at the second class tariffs for an annual registration fee of £5; and
- (f) overseas services (see paragraph 11.2 *et seq.*).

We have considered each of these services only in so far as it seemed necessary under our terms of reference.

2.29. Other facilities are offered:

- (a) Postage Paid Impressions (PPI) may be printed by the customer on mailings normally of at least 5,000 identical letter items;
- (b) franking machines may be used by a customer to frank mail on pre-payment of an appropriate amount to cover the postage for a period (this is known as meter post);

- (c) collections of at least 1,000 letters may be made directly from the customer free of charge; and
- (d) a Private Box may be rented by a customer who can then collect his mail as often as he wishes during business hours.

### **Letter post operations**

2.30. The operations on which the letter post service is based are collection, segregation, facing, stamp-cancelling, sorting, preparation and delivery and at various stages transport between the places where these processes are carried out.

2.31. Collections are made, mostly by van, from pillar boxes, Crown offices, sub-post offices and organisations which are substantial posters. The heaviest collections are in the late afternoon and early evening. On arrival at the sorting office the collected mail is segregated into first and second class mail and within these classes into packets, long letters and short letters (in MLOs into 'machinable' and 'non-machinable' traffic). Simultaneously, the mail is 'faced' so that the stamps are all in the top right-hand corner ready for cancellation and the addresses are on the same side ready for sorting. The stamps are cancelled by date-stamping (packets by hand, letters normally by machine). Thereafter first class mail is given priority at all stages over second class.

### **The circulation system**

2.32. The purpose of the circulation system is to direct letters from the office of despatch to the office of delivery. There are 550 despatching offices (known as outward vouching offices—OVO) and about 5,000 delivery offices, but the corner-stone of the delivery and postcode system is the Post Town (inward vouching office—IVO). There are some 1,400 Post Towns each chosen as best fitted to receive mail for delivery or for passing it on to subordinate delivery offices.

2.33. The volume of traffic does not justify a direct bag of mail from every despatching office to every Post Town. For this reason the sorting and routeing processes are designed stage by stage to associate individual items for the same destination until the volume is sufficient for a direct bag—subject to the constraints imposed by the quality of service standards (paragraph 2.27).

### **The sorting process**

2.34 Manual sorting of letters employs frames, each having up to 48 pigeon holes—'selections'. In MLOs machines can sort letters into 140 separate selections. Packets, and large flat envelopes, are normally sorted manually in a frame known as a drop bag fitting usually carrying between 30 and 46 bags. An illustration of a typical MLO is at Appendix 2G.

2.35. The Post Office told us that the economic benefits of mechanical sorting require the concentration of large volumes of mail into MLOs. MLOs therefore take in certain categories of mail from a surrounding area large enough to produce the necessary volume. This may include other HPO areas.

However, manual processing of first class mail is retained in some offices in order to provide the necessary quality of service performance.

2.36. The equipment at present in use falls into three categories:

- (a) handling equipment, including conveyors for mail bags and trays of letters;
- (b) automatic and semi-automatic segregation, facing and stamp cancelling machinery, which separates packets from letters, divides first from second class letters, rejects for manual sorting those which are too large or too thick to be sorted by machinery, arranges the letters so that all the addresses are on the same side with the stamp in the top right-hand corner and cancels the stamps; and
- (c) coding desks and sorting machines; used in association with the post-code, which consists of five to seven mixed letters and numerals in two groups. The first group, known as the 'outward' code, normally designates the office from which the letters will be delivered, while the second group or 'inward' code designates one address or a group of addresses, perhaps 20 neighbouring houses, in the delivery area. Every address in the United Kingdom is provided with a postcode except those in rural areas of County Fermanagh, Northern Ireland. The code therefore allows mechanised sorting both for outward mail and for delivery.

2.37. There are three stages in the mechanised sorting of letters:

- (a) coding;
- (b) pre-sorting; and
- (c) sorting.

Letters are coded by imprinting on them phosphor dots which can be read electronically by the subsequent sorting machinery. One row of dots at the bottom of the envelope corresponds to the first part of the postcode, and another row, higher up, to the second part. The coding is carried out at banks of coding desks where the operators key the appropriate code into the machine as the letters pass on a display unit in front of them. The equipment automatically imprints the corresponding dots on the envelope. If the letter is not postcoded the operator keys either a two letter 'short' code laid down for the major towns or an 'extract' code normally comprising the first three and last two letters of the Post Town in the address. The equipment will then imprint the bottom line of the code on the letter. The coded letters are fed into a pre-sorting machine which sorts them into up to four (six or eight in the latest machines) pre-determined selections. Letters bearing a code which the machine cannot recognise are passed to one of these selections for diversion to manual sorting. The third stage—sorting—is carried out by automatic sorting machines capable of sorting to 140 destinations or roads.

2.38. When the mechanisation programme is complete changes in the circulation system may be required (see Chapters 6 and 7). At present manual and mechanical sorting follows broadly similar patterns of work which are described in the following paragraphs.



2.39. The first process, 'outward primary sorting', involves sorting to specific Post Towns where the volume justifies it, or to groups, known as 'roads' or 'divisions', which cover a number of Post Towns or counties. Further sorting of the roads or divisions is known as 'secondary sorting'. The concentration of mail in an MLO justifies direct bags for more Post Towns than would be the case in the smaller despatching offices. But where the volume for a particular Post Town does not justify a direct despatch the mail is sorted to a Distribution Office or a General Forwarding Office (GFO). This is known as distribution or forward traffic. Distribution Offices and GFOs may be mechanised offices.

2.40. There are 37 Distribution Offices and they amalgamate correspondence from all parts of the country and make up direct mails to each Post Town in their distribution area (ie the counties which they serve) to connect with each delivery.

2.41. If the volume is insufficient to justify a direct mail to a Distribution Office then circulation to a GFO is required. There are 12 GFOs, large offices with numerous outlets to many Distribution Offices and Post Towns to which they can sort according to the relevant volumes. Obviously the more links there are in the circulation chain the more risk there is that quality of service performance will suffer. Appendices 2H and 2I illustrate the circulation system diagrammatically.

2.42. An additional option is the use of a Travelling Post Office (TPO). A TPO is a train including one or more railway carriages fitted out as a mobile sorting office, travelling over a particular route according to a specified timetable. Mail is loaded and unloaded at stations on its route, and the TPO acts as a Distribution Office for counties through which it passes. Some TPOs also act as GFOs. Because sorting is done on the move instead of transporting and then sorting, TPOs can give most letters a better service than stationary Distribution Offices and GFOs.

2.43. At the Post Town (IVO) mail is given an inward primary sortation and is then either retained for delivery in the area served directly by the IVO or distributed to subordinate delivery offices within the surrounding area as the address requires. When the mail reaches its destination delivery office, it is sorted into postmen's walks. Each postman then 'sets in' his mail into the order of his walk. Where the Post Town is an MLO, the primary and walk-sorting processes may be performed by machine if the mail already bears codemarks. Some TPOs perform walk-sorting for their destination Post Town during the final part of their journey.

## **Transport**

2.44. British Rail is the main carrier of letter mails, a high percentage being conveyed on ordinary passenger trains. Approximately 12 per cent of inland first class letters are carried by air, much of it by the use of networks based on Speke (Liverpool) and the East Midlands airports. The Post Office also uses its own fleet of road vehicles for the shorter transit of mail. In Northern Ireland practically all mail is carried by road transport.

## Traffic statistics

2.45. Until 1980 an annual count was normally made of all posted traffic during a week in October, held to be representative of average weekly postings. The chosen week was not necessarily the same for each sorting office or for each shift in a particular office. Annual counts of distribution and delivered traffic flowing through each office were also normally undertaken until 1978. As a matter of routine all items passing through devices with counting meters, eg stamp-cancelling machines and automatic letter facers, are counted throughout the year. These represented about 40 per cent of posted traffic in October 1980.

2.46. This system still applies in some offices, including Glasgow and one London District Office. Elsewhere, in addition to the continuous counts of items passing through machines with counting meters, traffic is estimated through a scheme known as Workload Assessment (WLA) (see paragraphs 6.13 to 6.16), introduced with the Improved Working Methods (IWM) incentive scheme. The main methods are either to use standard sized containers which can readily be counted for the movements of the traffic within a sorting office (their average contents being determined by weekly sampling), or, in some smaller offices, to arrange for each postman to count a few selections on his walk each day (Delivery Selection Recording). Belfast, Cardiff and, for example, the Mount Pleasant, EC, WC, E, N, SE and SW District Offices in Inner London use WLA in one form or another.

2.47. For counting purposes at any sorting office mail can be considered very broadly in three categories:

- (a) as posted traffic—items which are sorted for the first time;
- (b) as delivery traffic—items going out from their last sorting at their delivery offices; and
- (c) as distribution or forward traffic—items initially sorted in another office but passing through the sorting office in question because they are too few to justify direct despatch from the office of collection to the delivery office (see paragraphs 2.39 to 2.42).

The Post Office told us that for management purposes these main categories are subdivided by class of traffic (first and second), by method of prepayment (stamps, meter, PPI), by size of item (letters, packets) and thence by the processes through which the mail passes. For some offices this can give rise to as many as 80 combinations, ie streams of traffic.

2.48. Table 2.1 gives an indication of the volume of posted traffic in the 4 areas and in the United Kingdom as a whole since 1978-79.

TABLE 2.1 Posted traffic

	<i>Glasgow HPO</i>	<i>Belfast HPO</i>	<i>Cardiff MLO*</i>	<i>LPR (IA)</i>	<i>million United Kingdom</i>
1978-79	208.2	82.4	128.6	1,497	9,338
1979-80	207.4	82.1	131.9	1,499	9,424
1980-81	205.3	80.8	134.8	1,517	9,530
1981-82	194.2	82.4	138.5	1,519	9,492
1982-83	192.1	85.2	147.9	1,563	9,783

Source: Post Office

\*Includes concentration traffic (ie traffic posted outside the HPO area and brought into the Head Office for sorting).

2.49. We were told that the necessary data were not available to give a precise measure of the volumes of delivery or distribution traffic in all 4 areas over the last five years but in any case this would not give a reliable indication of the comparative workload falling on the various offices because of variations in the amount of handling which may be given to the various traffic streams.

### **Statistical comparisons**

2.50. The tables at Appendices 2J and 2K offer some data on the 4 areas and the Scottish, Northern Ireland and Wales and the Marches Regions.

### **Conclusions**

2.51. We welcome the new organisational approach explained to us by the Post Office, its 'product' basis and its emphasis on greater speed of communication and better accountability. However, the proposed lines of responsibility are complex and we would stress the importance of clarifying individual duties and responsibilities and of making sure that they are thoroughly understood by all concerned before the system is implemented.

2.52. We noted that there were considerable differences in the structure and practice of the organisation in the Regions and HPOs we visited which seemed to us to go beyond what might have been necessary to accommodate differences in the local circumstances. We think there would be advantages in a uniform organisation at Regional and HPO levels and we recommend that PHQ should lay down the organisation to be used at these levels while, however, leaving scope for variation when local circumstances make this desirable.

2.53. We commend the efficiency of the Post Office operations in Northern Ireland (see Chapter 8). Nevertheless we believe that, when political conditions permit, the Post Office should consider whether separate Regional and Belfast HPO management structures are justified.