

POST OFFICE LIMITED

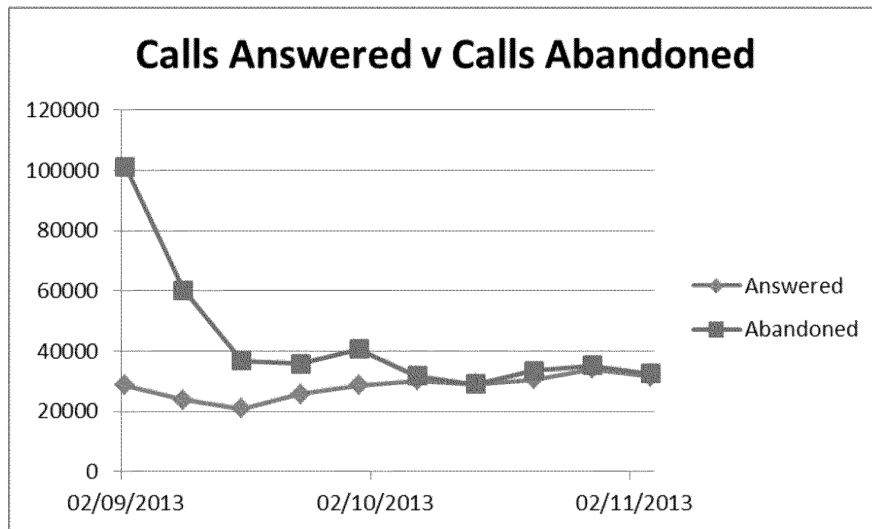
Brief for meeting with Duncan Tait 11/11/2013

HomePhone Migration

1. Call Centre Performance

Week Commencing	Calls Received	Calls Answered	% Calls Answered	Average Speed to Answer
02/09/2013	130,029	28,745	22	16.5 minutes
09/09/2013	84,012	23,770	28	15 minutes
16/09/2013	57,701	20,884	36	12.5 minutes
23/09/2013	61,504	25,686	42	10 minutes
30/09/2013	69,332	28,711	42	9 minutes
07/10/2013	61,888	30,112	48	7.5 minutes
14/10/2013	58,155	29,050	50	7 minutes
21/10/2013	64,188	30,671	48	7 minutes
28/10/2013	69,208	34,050	49	8.5 minutes
04/11/2013*	64,252	31,642	49	8 minutes

* Does not include Sunday 10th November Data



This week has been extremely disappointing and progress in improving the customer experience has stalled despite new agents coming onto the phones. The number of calls answered continues to go up but very slowly whilst the number of calls being offered is starting to stabilise but overall abandonment rate is still very poor with 50% of calls being abandoned against a target of 5%.

Technical Support continues to be the area where customers are experiencing the longest wait times but encouragingly the number of calls being offered has reduced by 15% in the last week.

Capita have delivered the additional resource in line with the recovery plan below, however the additional resource is not having a material impact on performance; this is partly due to speed to competency:

Date	Number of Agents	Line of Business	Status
24 th October	15	Customer Service	Deployed 24 th Oct
28 th October	15	Technical Support	Deployed 28 th Oct
4 th November	8	Technical Support	Deployed 1 st Nov
	10	Back Office	Deployed 4 th Nov
11 th November	15	Technical Support	On Track
18 th November	15	Customer Service	On Track
	7	Technical Support	On Track
25 th November	15	Technical Support	On Track
2 nd December	30	TBC	On Track
16 th December	15	TBC	On Track
Total	145		On Track

Fujitsu have put forward a further resourcing plan to ensure they are meeting their contractual SLA obligations by the end of November. This was presented on Friday 8th November and was subject to governance with Duncan Tait:

- 120 additional agents to be deployed in Leeds or Solihull to become effective within 3 weeks
- 90 additional heads to be deployed in the back office in Solihull including 30 heads from CGI who worked in the previous contact centre in Bridgend. The 30 CGI agents should land on Wednesday 13th November
- Additionally, as a back-up, Fujitsu are installing a VPN to the CGI call centre in Bridgend with a view to some services potentially being migrated from Capita.

2. Billing

15K bills a day are being dispatched in order to clear the backlog. 325K bills have now been issued to customers. However, we have seen a significant increase in the number of billing related calls into the call centre. A review of the calls coming into the billing enquiries line has concluded that the main drivers of calls are 'where is my bill' and 'why is my bill for a longer period' and there are no issues with bill accuracy. There are also a large number of non-billing calls going into this line.

On Friday 8th November, we were also made aware of a P1 incident where Fujitsu had failed to take 5.5K direct debit payments from customers. These customers will now have to be re-contacted in order for these payments to be taken in line with the Direct Debit rules. This is further evidence of the Fujitsu team needing to step up to ensure that they are managing our customers effectively.

3. Complaints

Our normal run-rate of complaints is around 500 per month and we are currently receiving around 500 per week. The backlog of complaints is being driven down and Fujitsu have deployed additional resource to manage this. However, we are seeing far too many customers having to complain to Paula, Alice and MPs in order to get issues resolved. We have agreed a revised process to ensure these are dealt with in a timely manner. The main driver of complaints is the inability to get through to the call centre.

4. Network Migration

The network migration is progressing well. The migration of our customer's call services to TalkTalk is 99% complete and mop-up activity is being completed to complete the final 5K migrations. Around 88K broadband customers have been migrated onto the TalkTalk network, with around 15K to go. This activity should complete by the end of the month, ahead of plan.

5. Potential Financial Impacts

Goodwill – given the larger volume of complaints, we will be paying customers more in goodwill gestures. This is estimated to be c. £15K per month

Increased Debt – given the delay in billing there is a potential impact on debt recovery, however, Jayne Savage does not believe this will be material

Reduced Sales – the network has to a degree disengaged and is not actively driving HomePhone sales. Additionally it has been agreed that we will push the telecoms campaign back into Q1 2014/15. This will result in the customer base being c. 30K lower than anticipated at year end. Whilst this will have no impact on our income for this year, this will reduce our income going forward until we are able to recover the customer numbers. There would be an income impact of c. £7m over the strategic plan but will not have a material impact on 13/14 income.

Re-launch – in order to recover our customer base position, we will need to invest more in acquisition costs in 14/15 to mitigate the risk to the strategic plan numbers. Estimate at £500K.

Increased Churn – we are seeing a higher number of customers leave the service as a result of the poor customer experience. We believe the impact will be c. £1m over the strategic plan.

Price Increase – we were planning to increase our prices in January, we have had to delay this until April. This will cost us c.£500K this year.

Summary – the impact on 13/14 impact will be minimal as lower acquisition costs will off-set any reduced revenues. However, there will be a material impact on the strategic plan unless we are able to recover the customer numbers in 14/15.

6. Legal Position

Delay Deductions: Fujitsu must pay a fixed amount for every business day it is late in meeting a key contractual milestone. Fujitsu has arguably not achieved the “go live” Key Milestone 3. However, this “is a potentially difficult claim to maintain. The maximum amount of delay deductions paid in respect of a failure to hit Key Milestone 3 is £564,000

Service Credits: These are payable if Fujitsu fails to hit a service level. However, as is not uncommon in this type of contract, there is a three month “grace period” following the “go live” date which expires at the end of November

Damages: The default position is that service credits are the only financial remedy available in respect of service failures. Damages are not available except in three specific situations; none of which have occurred

Other rights: POL has a number of other rights under the contract, including the right to “step-in” and replace Fujitsu. However that would be likely to lead to further disruption in practice.

7. Summary

Key Messages

- This is having a major impact on our business both from a financial and reputational perspective.
- We appreciate the effort that is being put in to improve service but the improvements are too slow and too many of our customers are having a very poor experience.
- We need Duncan’s absolute commitment that they will be meeting their SLA’s by the end of November or earlier on both quantitative and qualitative measures.

IT Key Messages

1. Data Centre

Teams have moved a long way towards agreeing the contractual terms. We have issued the Invitation to Submit Final Tender and I look forward to your response.

2. Horizon IPR

I'm pleased that negotiations on Horizon IPR are progressing. Brian Deveney is working on this with Paul Patterson (Fujitsu) and they are looking at an approach whereby we offset some of the cost against future spend. I hope these can be resolved in the next two weeks.

3. Project Sparrow

The Post Office criminal law team needs to find an independent expert to give evidence about the Horizon system which was previously provided by Fujitsu's Gareth Jenkins.

Lesley and Susan Crichton have raised this with Fujitsu. The legal team have a meeting arranged with Fujitsu to discuss this requirement, this will happen on the 21st November. Following this we will have a better understanding of Fujitsu's view, any impacts and what the next steps will be.