B P3 EVIDENCE REASSESSED AS TWIN MODE

SOURCE OF EVIDENCE

This evidence extracted covered each of the 35 profit centres over 24 months, and was sources as follows

- A The incidence of uncertainty was extracted from the data behind the analysis in Section 22.4
- B New analysis of profit pressures from reassessment of Appendix P3-B
- C Response to feedback were extracted from the data behind the review in 22.3
- D The tension analysis was extracted from the data behind the review in section 22.5.
- E Assessment of whether each Profit centre was being operated in Fixed or Flex mode was made from a reassessment of in depth data for each profit centre (Appendix P3 B), using calendar quarters for periods

FINDINGS

- 1 Movement to Flex mode triggered by requirements for substantive changes in operational arrangements. These are caused either by customer change requirement (pricing/ operational uncertainty- A) or internal pressure for profit increases (B). Change in volumes will only cause oscillations if result in too low profits
- 2 Finding 1 leads to different interpretation of fixed and inform. Fixed relates to fixed operational arrangements not fixed profits. Inform is informing of need to change operations, but does not inform of need fro control actions (e.g. PC1,2,4,22,23,27.8a)
- 3 Responses are either to change operational processes, renegotiate prices or push for increased volumes (C)
- 4 Evidence that Fixed mode is the default as majority of time PC in that mode see E
- 5 Where a PC is stuck in Flex mode (e.g 17,38,20a,8b) this is generally because no solution has been identified that leads to adequate profitability

APPENDIX - SYNOPTIC DOCUMENT (SD)

B P3 EVIDENCE REASSESSED AS TWIN MODE

SOURCE		See A above					в	See C above			See D	See Note E above													
PC ref	ι ι	Uncertainty triggers					Responses												ch Mode each profit centre is operating in						
	Ext	External uncert Internal										Per Quarter (1=Fixed, 2= Flex)				Allocation Oscillation reasons			Oscillation reasons	Comments					
	Pricing / Operational	Sales volume	Contract end (vol)	Contract new (vol)	Operational profile	Information	Profit pressure	Op changes	Pricing negs	Up sales	Response	Control or cont/inf Fix or fixed/flexed	Jun 03	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Fixed only (1)	Fixed and Flex (1+2)	Flex only (2)		
1 2 4 18 19 21 22 23			1 1	1	1	1		0 0 0 0 0 0 1	0 0 1 0 1 1 1	0 0 0 0 0 0 0 0	0 0 1 0 1 2 1	C+I Fix C F+F C+I F+F C Fix C Fix C Fix C+I F+F C+I F+F	1 1 1 1 1	1 1 1 1 1	1 1 1 1 1 1	1 1 1 1 1 1	1 1 1 1 1 1	1 1 1 1 1 1	1 1 1 1 1	1 1 1 1	1 1 1 1 1 1 1				Price negs pre trading Price negs pre trading Op changes now control Contract extension failed
26 C 27 31 33 8(a)		1	·			1		0 0 0 0 0	0 0 0 0	0 0 0 0	0 0 0 0 0	C Fix C+I F+F C Fix C Fix C+I Fix	1 1 1 1 1	1 1 1 1 1	1 1 1 1 1	1 1 1 1	1 1 1 1	1 1 1 1	1 1 1 1	1 1 1 1	1 1 1 1 1				No response to vol change
3 5 6 C 10 12 15	1	1 1			1	1 1	1 1 1	1 1 1 1	0 1 0 0	0 0 1 1 0 0	1 2 2 1 2	C+I F+F C+I F+F C+I F+F C+I F+F C+I F+F C+I F+F	2 2 1 2 1	2 2 1 1	2 1 1 1	1 1 1 1	1 2 1 1 1	1 2 1 1 1	1 2 1 2 1 1	1 1 1 1 1		1 1 1 1 1		Stabilises Stabilises Stabilises Change ops / stabilise Stabilises Customer / Stabilise	Start ups
15 16 24 32 34 35 C	1 1 1 1	1	1		1 1 1 1		1	1 1 0 1 1	1 0 1 1 1	0 2 0 0 0	2 3 1 2 2	C+I F+F C+I F+F C+I F+F C+I F+F C+I Fix C+I F+F	1 1 1 1 1	- 1 1 1 1	1 1 1 2 1	1 1 1 1 1	1 1 2 1 2	1 1 1 1 2	1 1 1 1	1 2 1 1		1 1 1 1 1		Customer / Stabilise Customer / Stabilise Profit pressure Customer change Customer / accept no f Customer / accept lowe	
20 (b) C 28 (a) C 28 (b) 8(c.) 11	1 1 1	1 1	1 1 1		1 1 1		1	2 1 1 0 0	1 1 1 0 0	0 0 1 1	3 2 2 1 1	C+I F+F C+I F+F C+I F+F C+I F+F C+I F+F	1 1 2 2	1 1 2 2	1 2 2 2 2	1 2 2 1 2	1 1 1 1 2	2 1 1 1 2	2 1 1 1	2 1 1 1		1 1 1 1	1	Customer Customer / Stabilise-co Customer / Stabilise Profit pressure Profit pressure	
13 14 17 38 20 (a)	1 1 1	1	1	1	1	1 1	1 1 1	0 0 1 1	1 1 1 1	0 0 1 0 0	1 1 3 2 2	C+I F+F C+I F+F C+I F+F C+I F+F C+I F+F	2 2 2	2 2 2	2 2 2 2	2 2 2	2 2 2	2 2 2 2	2 2 2 2	2 2 2 2 2			1 1 1	Profit pressure Profit pressure Profit pressure Profit pressure	Start ups Start ups Always in flux Remedial actions not work Always in flux
8(b) Total	13	7	8	2	12	1 7	<u>1</u> 11	1 19	1 19	0 7	2 45	C+I F+F	2	2	2	2	2	2	2	2	13	15	1 7	Profit pressure	Not achieved