

**Licence Condition 4: Paragraph 8a**

**Licence Condition 4: Paragraphs 14 & 15**

**Licence Condition 5: Paragraph 6**

**National Report to Postcomm and Postwatch**

**Quarter April - June 2002**

**NATIONAL QUARTER 1 REPORT**  
**April - June 2002**

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## **Explanatory Note**

### **PLEASE NOTE :**

As previously advised, the confidence limits of the quality of service survey results for the individual months of this financial year have been wider than normal due to a shortfall in the number of samples. Wider confidence limits mean that the results are less accurate.

With a full quarter's results, the difference in confidence limits at national level is not significant and these results can be treated as robust. At postcode area level, however, there is a wide disparity in the robustness of the individual results. This means that while some results may be reliable, others will be significantly less so and hence all postcode area results should be treated with a good degree of caution.

**Table 1.**

**Consignia National Performance  
Quarter Results (April - June 2002)**

Standard	Scheduled Standards						Tail of Mail			Loss / Substantial Delay		
	Year End *Target %	Month June Actual %	Month June Actual 95% cl	April - June Cum %	April - June Cum 95% cl	Year End *Target %	April - June Actual %	April - June 95% cl	Year End *Target %	April - June Actual %	April - June 95% cl	
1st Class Stamped & Meter All	92.5	90.8	0.5	91.3	0.3	99.9	99.9	0.1	100.0	100.0	0.0	
2nd Class Stamped & Meter All	98.5	98.5	0.5	98.9	0.3	99.9	100.0	0.0	100.0	100.0	0.0	
1st Class Postage Paid Impression	92.5	80.6	2.6	81.5	1.8	99.9	99.8	1.0	100.0	100.0	0.0	
2nd Class Postage Paid Impression	98.5	96.3	1.2	97.3	0.7	99.9	99.9	0.8	100.0	100.0	0.0	
1st Class Response Services	92.5	65.8	8.9	70.3	5.2	99.9	99.2	0.0	100.0	100.0	0.0	
2nd Class Response Services	98.5	93.3	4.6	94.0	2.9	99.9	99.7	0.0	100.0	100.0	0.0	
Special Delivery	99.0	99.2	#	99.2	#	99.9	100.0	#	100.0	100.0	#	
% of Postcode Areas with 90%+ for 1st class stamped & metered posted quality of service	100.0 <sup>**</sup>	61.9		76.3								
% of Postcode Areas with 92.5%+ for 1st class intra stamped & metered posted quality of service	100.0 <sup>**</sup>	60.5		74.4								
Mailsort 1	93.0	89.5	8.0	89.4	4.6	99.9	99.6	0.0	100.0	100.0	0.0	
Mailsort 2	98.5	96.2	3.1	96.3	1.6	99.9	99.9	0.2	100.0	100.0	0.0	
Mailsort 3	98.5	97.8	3.0	97.7	1.7	99.9	99.9	0.2	100.0	100.0	0.0	
Presstream 1	92.5	91.0	2.0	91.1	1.1	99.9	99.5	0.0	100.0	100.0	0.0	
Presstream 2	98.5	96.1	4.6	96.9	2.8	99.9	99.9	0.0	100.0	100.0	0.0	
Standard Retail Parcel (End to End)	90.0	81.3	3.0	82.0	2.0	99.9	99.7	0.2	100.0	100.0	0.0	
% of People queuing for less than 5 minutes at P.O. Counters	95.0	94.8	0.5	93.9	1.0							

\*Targets apply to last two months of the financial year # Product subject to continuous sampling (confidence limit inapplicable) 95% cl = 95% confidence limit  
<sup>\*\*</sup> Cumulative Target

**Table 2.**

**Postcode Area Performance (April - June 2002)**  
**1<sup>st</sup> Class Stamped and Metered**

Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered			
	All Posted	✓☒	Intra PCA	✓☒		All Posted	✓☒	Intra PCA	✓☒		All Posted	✓☒	Intra PCA	✓☒
AB Aberdeen	95.3	✓	98.5	✓	DN Doncaster	94.2	✓	95.4	✓	L Liverpool	90.7	✓	97.1	✓
AL St Albans	93.4	✓	100.0	✓	DT Dorchester	93.3	✓	92.7	✓	LA Lancaster	92.4	✓	95.7	✓
B Birmingham	91.1	✓	92.1	☒	DY Dudley	91.2	✓	97.7	✓	LD Llandrindod Wells	86.6	☒	88.9	☒
BA Bath	91.4	✓	94.7	✓	E London E	89.5	☒	62.8	☒	LE Leicester	94.2	✓	97.9	✓
BB Blackburn & Burnley	92.9	✓	91.6	☒	EC City of London	92.6	✓	98.9	✓	LL North Wales	95.2	✓	96.7	✓
BD Bradford	95.0	✓	95.6	✓	EH Edinburgh	94.3	✓	90.3	☒	LN Lincoln	91.5	✓	94.4	✓
BH Bournemouth	93.6	✓	94.2	✓	EN Enfield	93.7	✓	94.4	✓	LS Leeds	90.7	✓	96.3	✓
BL Bolton	95.1	✓	99.2	✓	EX Exeter	90.2	✓	93.5	✓	LU Luton	93.2	✓	97.3	✓
BN Brighton	90.3	✓	94.6	✓	FK Falkirk	94.0	✓	95.5	✓	M Manchester	89.2	☒	91.9	☒
BR Bromley	94.0	✓	100.0	✓	FY Fylde	90.6	✓	93.2	✓	ME Maidstone	92.6	✓	94.1	✓
BS Bristol	92.4	✓	96.9	✓	G Glasgow	91.5	✓	91.5	☒	MK Milton Keynes	88.2	☒	95.8	✓
BT Northern Ireland	87.6	☒	90.9	☒	GL Gloucester	85.8	☒	92.0	☒	ML Motherwell	90.4	✓	94.0	✓
CA Carlisle	92.3	✓	94.3	✓	GU Guildford	88.0	☒	89.9	☒	N London N	87.6	☒	90.8	☒
CB Cambridge	96.1	✓	97.5	✓	HA Harrow	91.2	✓	94.2	✓	NE Newcastle	92.2	✓	94.1	✓
CF Cardiff	86.0	☒	92.7	✓	HD Huddersfield	94.2	✓	96.5	✓	NG Nottingham	92.8	✓	94.6	✓
CH Chester & Deeside	86.1	☒	88.3	☒	HG Harrogate	90.0	✓	95.2	✓	NN Northamptonshire	91.8	✓	95.3	✓
CM Chelmsford	86.5	☒	98.1	✓	HP Hemel Hempstead	88.2	☒	96.8	✓	NP Newport	90.6	✓	95.4	✓
CO Colchester	89.0	☒	92.8	✓	HR Hereford	93.4	✓	96.3	✓	NR Norwich	91.7	✓	93.5	✓
CR Croydon	89.8	☒	94.8	✓	HS Hebrides	85.2		86.2	☒	NW London NW	86.1	☒	82.9	☒
CT Canterbury	93.9	✓	95.2	✓	HU Hull	92.1	✓	94.7	✓	OL Oldham	91.5	✓	93.7	✓
CV Coventry & Warwickshire	90.6	✓	98.2	✓	HX Halifax	94.2	✓	94.8	✓	OX Oxford	93.0	✓	96.2	✓
CW Crewe	92.8	✓	100.0	✓	IG Ilford	87.0	☒	92.5	✓	PA Paisley	92.9	✓	96.9	✓
DA Dartford	92.0	✓	94.9	✓	IP Ipswich	90.8	✓	95.3	✓	PE Peterborough	89.6	☒	95.0	✓
DD Dundee	91.5	✓	96.8	✓	IV Inverness	92.9	✓	95.8	✓	PH Perth	92.0	✓	93.5	✓
DE Derby	92.0	✓	90.7	☒	KA Kilmarnock	92.3	✓	98.9	✓	PL Plymouth	85.7	☒	97.3	✓
DG Dumfries	96.4	✓	98.4	✓	KT Kingston upon Thames	92.5	✓	93.7	✓	PO Portsmouth	88.7	☒	92.4	☒
DH Durham	91.6	✓	92.0	☒	KW Kirkwall	90.0		88.4	☒	PR Preston	93.6	✓	95.2	✓
DL Darlington	92.0	✓	92.7	✓	KY Kirkcaldy	92.9	✓	91.0	☒	RG Reading	92.2	✓	95.2	✓

✓ = Areas meeting or exceeding target      ☒ = Areas below target

Table 2. (continued)

Postcode Area Performance (April - June 2002) continued  
1<sup>st</sup> Class Stamped and Metered

Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered			
	All Posted	✓☒	Intra PCA	✓☒		All Posted	✓☒	Intra PCA	✓☒		All Posted	✓☒	Intra PCA	✓☒
RH Redhill	94.5	✓	98.0	✓	SS Southend-on-Sea	81.2	☒	83.5	☒	W London West	89.8	☒	87.0	☒
RM Romford	90.6	✓	90.1	☒	ST Stoke-on-Trent	92.7	✓	93.7	✓	WA Warrington	91.8	✓	96.1	✓
S Sheffield	94.2	✓	96.4	✓	SW London SW	90.3	✓	92.2	☒	WC London West Central	91.9	✓	92.6	✓
SA Swansea	95.0	✓	97.0	✓	SY Shrewsbury & Mid Wales	92.3	✓	93.8	✓	WD Watford	90.6	✓	95.9	✓
SE London SE	94.2	✓	94.9	✓	TA Taunton	91.1	✓	95.5	✓	WF Wakefield	92.7	✓	91.6	☒
SG Stevenage	93.0	✓	97.7	✓	TD Borders	89.2	☒	91.3	☒	WN Wigan	89.1	☒	96.2	✓
SK Stockport	91.7	✓	94.2	✓	TF Telford	89.8	☒	92.5	✓	WR Worcester	92.5	✓	92.4	☒
SL Slough	91.3	✓	94.8	✓	TN Tonbridge	97.0	✓	95.1	✓	WS Walsall	86.7	☒	91.6	☒
SM Sutton	89.7	☒	90.9	☒	TQ Torquay	91.4	✓	92.2	☒	WV Wolverhampton	90.8	✓	94.1	✓
SN Swindon	90.9	✓	94.5	✓	TR Truro	94.6	✓	96.7	✓	YO York	93.9	✓	98.1	✓
SO Southampton	88.6	☒	93.0	✓	TS Teesside	94.1	✓	98.1	✓	ZE Lerwick	69.2		84.4	☒
SP Salisbury	88.1	☒	93.9	✓	TW Twickenham	90.0	✓	94.8	✓					
SR Sunderland	94.7	✓	95.5	✓	UB Uxbridge	91.5	✓	100.0	✓					

✓ = Areas meeting or exceeding target ☒ = Areas below target

**Table 3.****Stamped; Metered; PPI; Response Services and Special Delivery  
Quarter Results (April - June 2002)**

Standard	Scheduled Standards			
	*Year End Target %		April - June %	95% cl
1st Class Stamped & Meter All	92.5		91.3	0.3
2nd Class Stamped & Meter All	98.5		98.9	0.3
1st Class Postage Paid Impression	92.5		81.5	1.8
2nd Class Postage Paid Impression	98.5		97.3	0.7
1st Class Response Services	92.5		70.3	5.2
2nd Class Response Services	98.5		94.0	2.9
Special Delivery	99.0		99.2	#

\*Targets apply to last two months of the financial year

# Product subject to continuous sampling (confidence limit inapplicable)

95% cl = 95% confidence limit

## 1<sup>st</sup> CLASS STAMPED & METER

### Review of Results

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
91.3%	91.0%	92.5%	-0.1%

### Overview

With a performance of 91.3%, 1<sup>st</sup> Class Stamped and Meter has maintained the significant improvements demonstrated in the latter Quarters of 2001/2. Quarter 1 performance is almost 5% higher than the same period last year illustrating the significance of industrial relations stability and we continue to work closely with the Communication Workers Union at local, Area and National level on the development and deployment of all major initiatives.

Achievement of planned Quarter 1 flightpath performance levels stands 1<sup>st</sup> Class Stamped and Meter in a good position for achievement of 2002/3 Exit targets. This result further strengthens our belief and commitment to achieving the basic pipeline disciplines which provide the stable platform required for performance improvement across all products. This 'strength in depth' and desire for proactive management of the day to day disciplines is a key theme in our 2002/3 quality of service plan.

Relative stability in our network operation has also helped underpin Quarter 1 performance. The most notable incident was the derailment of a freight train in June which impacted on rail services in and out of Glasgow Mail Centre and the Scottish Distribution Centre in Motherwell for almost a week. As always, contingency air and road services were quickly introduced to reduce the threat to 1<sup>st</sup> Class quality of service during this period.

It is worth noting that problems encountered with our End to End Quality of Service sampling contract have led to wider monthly confidence limits at postcode area level - which were most extreme for streams such as Response Service and Mailsort 1. This has caused concern amongst Area Teams over the validity of some local results, particularly where our internal process measurement systems do not indicate any change in adherence to standards or changes to operational procedures.

This has also left a shortfall in robust quality diagnostic information from which we can determine the real root causes of under performance and hence develop remedial action plans. However, we continue to rely on our internal management information systems, such as the Pipeline Performance Management System (PPMS) to maintain day to day control of our operations.

## Flight Path Plan - Quarter 1

In Quarter 1, the key flightpath benefits were expected from the continued adherence to the pipeline disciplines of compliance to workplan. In particular, we have focused on Mail Centre clearance of 1<sup>st</sup> Class outward despatches and inward despatches to Delivery Offices.

In this quarter, full 1<sup>st</sup> Class outward clearances have been achieved on over 85% of occasions and inward clearances over 90% (these figures compare favourably with an average performance of 77% and 88%, respectively, in 2001/2). However, with target levels of 95% for both, there is still some way to go to fully realise the benefits of our approach. Large Mail Centre failures immediately after the Jubilee Bank Holiday weekend have highlighted the need for improved forecasting and manpower planning around national holidays and events - to reduce the risk of 1<sup>st</sup> Class quality of service failures.

The third discipline involves adherence to operational standards for handling Intra mail. The most recent operational audits show two thirds of Areas more than 90% compliant. National intra performance levels have remained above 94% in Quarter 1. However, we will continue to focus on those units who are not yet adhering fully to the required disciplines for processing Intra mail.

Building on the introduction of the new Intra specification, we have developed an approach for deploying and managing operational standards in any underperforming product streams. This approach utilises operational observation and local knowledge, combined with statistical quality diagnostic techniques, to develop a model which quantifies the proportion of mail delayed at each stage of our mails handling process - this is referred to as a 'loss model'. This analysis drives a revised set of pipeline standards which must be adhered to in all operational units. These are deployed through the operational line and regularly audited (both by local managers on a daily/weekly basis and by a National Compliance team at regular intervals). To support this approach we have recently updated the management information system (Pipeline Performance Measurement System or PPMS) used to monitor performance against these standards.

Production Management and Control tools have also been deployed in another 4 of our largest and highest impacting Mail Centres in Quarter 1; namely Milton Keynes, Greenford, Glasgow and Edinburgh. Although systems are still bedding in, there are early signs of performance improvement at these sites.

Approximately 10% of all traffic is either posted or delivered in the London postcode areas, where performance is historically poor. Our continuous focus on improving services in London has led to the development of cross London Quality Improvement Programme. This project has evolved into an integrated programme of activity using the expertise of local managers and independent reviews carried out by operational and personnel experts. The programme provides an integrated quality approach which builds on specific actions planned for each of the 5 London operational Areas, supplemented by generic pan-London activities. This plan considers a number of employee and operational issues and the 6 key programme strands are summarised below:

- **Access** - a complete review of cross London collection operations, setting minimum collection standards and working more closely with Post Office Network to tighten up handover procedures

- **Processing** - adherence to minimum standards for outward and inward mails processing
- **Delivery** - development and deployment of minimum delivery standards (see below)
- **Network** - review of Mail Centre dock management, network despatching arrangements and development of more robust service level agreements with network supplier units
- **People** - review of management capability, review of absence management procedures and more robust manpower planning and recruitment activities, provision of managerial support to the highest impacting units
- **Communications** - development of a communications and industrial relations infrastructure (supported by regular CWU involvement sessions at all managerial levels)

Deployment of the programme gathered significant pace in Quarter 1 2002/3 with the appointment of a Programme Manager, 5 Area Quality Leads and Strand Managers. London results for Quarter 1 are very encouraging and have demonstrated continued signs of recovery. The combined Quarter 1 posted performance for the London postcode areas was 90.3% compared with an average of 91.4% for the rest of the country - closing the London performance gap to just over 1%. The tables below illustrate how improvement activities in London have closed the performance gap over the last year.

#### **Comparison of London versus Rest of Country 1c Stamped and Meter Posted Performance**

	Quarter 1 2001/02	Full Year 2001/02	Quarter 4 2001/02	<b>Quarter 1 02/03</b>
London	79.4%	85.7%	89.0%	<b>90.3%</b>
Rest of Country	87.3%	90.4%	91.7%	<b>91.4%</b>
Performance Gap	7.9%	4.7%	2.7%	<b>1.1%</b>

#### **Comparison of London versus Rest of Country 1c Stamped and Meter Delivered Performance**

	Quarter 1 2001/02	Full Year 2001/02	Quarter 4 2001/02	<b>Quarter 1 02/03</b>
London	79.3%	85.9%	89.9%	<b>90.1%</b>
Rest of Country	87.3%	90.3%	91.6%	<b>91.4%</b>
Performance Gap	8.0%	4.4%	1.7%	<b>1.3%</b>

It is also pleasing to see London's combined performance break through the 1<sup>st</sup> Class Posted minimum floor (although we recognise some individual postcode areas are currently performing below the required levels). These improvements have been underpinned by numerous Quarter 1 activities, the most significant of which relate to the local analysis and remedial activities carried out by the 5 Area Quality Leads and their support teams (which include over 30 managers enlisted from Areas outside of London).

Delivery Office structures and practices vary across London and Quarter 1 has also seen the development of a common set of operational delivery standards for London. These standards relate to sequential handling of mail, processing of missorts, delivery office clearances, USO delivery coverage and manpower planning which are scheduled for deployment from Quarter 2 onwards.

We firmly believe that the infrastructure changes and Quality Improvement Programme will continue to deliver benefits in London and are confident that these will move with unprecedented pace as they are not dependent on a pan-London Delivery Agreement.

### **Prospects and Actions for Rest of Year**

1<sup>st</sup> Class Stamped and Meter is currently on target for achievement of planned Quarter 2 to 4 flightpath levels and February/March Exit Targets. Quarter 2 will see the continuance of Pipeline Discipline for Mail Centres, with Phase 2 deployment of Production Management and Control to London South, Birmingham and Liverpool Mail Centres.

Quarter 2 will also see the introduction of new national Access standards which have been developed over recent months. These standards contain 14 compulsory operational specifications, ranging from ensuring that all collection mail arrives at the Mail Centre no later than one hour prior to the first final despatch time, to full monitoring of collections performance, together with a management process to enable investigation and corrective action to be undertaken where necessary. Once deployed, these standards will regularly be audited and will provide higher levels of day to day collections control.

Additional benefits are also expected from the London Quality Improvement Programme (see above) and from the continuation of the London Restructuring Programme. The huge operational and employee changes involved in these infrastructure changes have been managed very successfully, i.e. the programme is progressing according to plan, there has been little threat to industrial relations stability as a result of the employee changes and quality of service is improving in the postcode areas affected. Changes scheduled for Quarter 2 include:

- the transfer of NW1 collections and processing to Paddington Mail Centre in West London
- the transfer of N17 and N21 collections and processing to Mount Pleasant Mail Centre
- phased transfer of 2<sup>nd</sup> class outward processing from North London to Mount Pleasant Mail Centre
- phased transfers into the new East London Mail Centre from August onwards

However, there are still a number of generic barriers and risks to overcome and their potential impact on Quality of Service should not be underestimated and the task of delivering Quality of Service improvements under the current financial regime presents some key challenges. The 3 Year Recovery programme requires unprecedented levels of change to our organisational structures, pipeline operations and employee terms and conditions - mainly through the restructuring of Packages and Express, the Transport Review and the new delivery specification (Tailored Delivery Service or TDS).

Although these initiatives all offer long term benefits in terms of quality of service, efficiency and employee terms and conditions, the risk of disruption through change, including adverse industrial relations, remains. We continue to work closely with the CWU on the introduction of these initiatives to minimise any risk to IR stability and have recently reached agreement on the TDS pilots in 19 delivery units throughout the country. This is a major step forward in a long awaited overhaul of our delivery services. The CWU will be fully involved in the planning, implementation and review of the pilots and parallel negotiations for full deployment of TDS will continue throughout the trial period, thereby maintaining the required pace for this initiative.

## **MINIMUM POSTCODE AREA TARGETS**

### **Review of Results**

#### **1<sup>st</sup> Class Posted Stamped and Meter**

The schedule of minimum service standards requires all Postcode Areas (excluding HS, KW and ZE) to achieve an average performance of at least 90% for 1<sup>st</sup> Class Posted Stamped and Meter throughout the 12 month period ending March 2003, excluding the Christmas and New Year period.

Progress against this standard is shown in the table below:

<b>% of Postcode Areas Averaging 90%+ for 1<sup>st</sup> Class Posted Stamped and Meter</b>	
Quarter 1	Target
76%	100%

In Quarter 1 90 out of 118 postcode areas met the 90% 1<sup>st</sup> Class Posted minimum floor target. This result is disappointing when compared to the Quarter 4 result of 82%.

As previously mentioned, low sample sizes have resulted in some erratic monthly quality of service results and this had made robust performance management and diagnosis difficult at local level. However, we continue to manage by our in-process measurements and to support achievement of this key target, the Managing Director is now directly involved in performance management of units which are furthest adrift from target. The Managing Director is personally reviewing their performance, root cause analysis and planned remedial actions. This approach not only ensures that plans are robust and that performance is being carefully managed locally but also guarantees that the business centre is aware of local performance inhibitors in a timely manner and can provide support, resources and solutions as necessary.

We believe the heightened awareness, pressure and support to improve performance in the worst performing areas will close the remaining performance gap.

## 1<sup>st</sup> Class Intra Stamped and Meter

The target for 1<sup>st</sup> Class Intra Stamped and Meter is for 100% of postcode areas to achieve an average performance at or above 92.5% throughout the 12 month period ending March 2003 (again excluding the Christmas and New Year period). Progress against this standard is shown in the table below:

<b>% of Postcode Areas Averaging 92.5%+ for 1<sup>st</sup> Class Posted Stamped and Meter</b>	
Quarter 1	Target
74%	100%

In Quarter 1 91 out of 121 postcode areas met the 92.5% 1<sup>st</sup> Class Intra minimum floor target. This represents a decline in Quarter 4 performance levels which will be difficult to close in the worst performing postcode areas. Unlike the 1<sup>st</sup> Class Posted target, a number of postcode areas are so far adrift of target at the end of Quarter 1, it will be very difficult (but not mathematically impossible) for them to improve performance with sufficient pace to close the cumulative gap. Hence, the 1<sup>st</sup> Class Intra target of 100% achievement is at serious risk.

However, it should be noted that 9 of the 19 postcode areas which failed to meet the Intra floor target in Quarter 4 are now on target, and 2 have shown significant improvement. These improvements have been made through adherence to the Intra specification standards and local remedial action.

There is no single generic root cause in the poorest performing postcode areas, although the most common causes relate to collection failures, failing to complete on a regular basis the intra workplan and ineffective arrangements for retrieving items which have been sorted to a neighbouring delivery office by mistake. However, the End to End survey problems have resulted in a serious shortfall in diagnostic information and widened the confidence intervals significantly - making it difficult to differentiate between 'noise' and genuine changes in performance.

For example, there are a few surprising additions to the list of failing units, namely HS, KW and ZE. In 2001/02, these postcode areas all exceeded the cumulative Intra minimum floor requirements. However, they are particularly susceptible to adverse weather conditions and reliant on the provision of inter Island ferries and flights which can prevent them reaching the most remote islands in the cluster. The recent problems with End to End sampling have changed the balance of panellists between the main and outer islands and this has, in some cases, had a detrimental effect on the measured Quality of Service. Another example relates to East London where performance appears to have significantly worsened but the Quarter 1 cumulative result is based on a sample size of 20 items (giving a confidence limit of +/-26% for this postcode area).

As with 1<sup>st</sup> Class Posted, the worst performing Intra postcode areas will be performance managed at Managing Director level and now have remedial actions plans in place. Their performance will be monitored on a monthly basis and actions plans will be revisited on a quarterly basis if they fail to deliver the required improvements.

Although there is a risk that some may not close the gap in time to reach the cumulative target, there will be continued pressure and support provided to address their specific performance issue and to further improve performance on a month by month basis. Completion of other flightpath improvement activities will also help close some of this performance gap.

## 2<sup>ND</sup> CLASS STAMPED & METER

### Review of Results

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
98.9%	98.5%	98.5%	+0.1%

### Overview

With a performance of 98.9%, 2<sup>nd</sup> Class Stamped and Meter has successfully met the planned Quarter 1 flightpath performance level of 98.5%. This product has now achieved the required 98.5% Exit performance level for 6 consecutive months and has maintained the performance improvements attained last year.

### Flight Path Plan - Quarter 1

No specific quality of service initiatives were scheduled for this product in Quarter 1. However, like 1<sup>st</sup> Class Stamped and Meter, the continued adherence to workplan standards and stable industrial relations platform have helped underpin the continued achievement of target.

### Prospects and Actions for Rest of Year

Minor improvements in 2<sup>nd</sup> Class Stamped and Meter performance are expected later in the year - predominantly from the continued deployment of Production Management and Control. We are confident that this product will continue to achieve planned flightpath performance levels and the 98.5% Exit Target.

## 1<sup>ST</sup> CLASS POSTAGE PAID IMPRESSION

### Review of Results

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
81.5%	79.9%	92.5%	+1.1%

### Overview

1<sup>st</sup> Class Postage Paid Impression (PPI) performance reached 81.5% in Quarter 1, improving 1.1% on last quarter's performance. Like 1<sup>st</sup> Class Stamped and Meter, these improvements were largely underpinned by adherence to generic core standards. However, the main focus for PPI in Quarter 1 has been in understanding and quantifying the root causes of performance loss and developing a remedial action plan. This analysis was critical as the operational improvement strategies deployed in 2001/02, which underpinned quality of service improvement in Stamped and Meter mail, did not flow through to 1<sup>st</sup> Class PPI.

### Flight Path Plan - Quarter 1

Quarter 1 activity has focused on detailed quality diagnostics to understand the root causes of poor performance which differentiate this product from others which fundamentally share the same pipeline. A test letter study was carried out in 8 representative operational units over a period of 6 weeks. Insertion of test letters at different points in the pipeline provides a statistical quantification of where items are most likely to be delayed. Electronic Quality Test Letters were also used to identify specific points of delay. This study, supported by local observation and expertise, has demonstrated that quality loss is apparent within all aspects of the outward operation and has provided much needed clarity and direction for prioritising improvement activity. The key areas of performance loss are:

- Between collecting from customer premises and reaching the loading dock
- Moving from Loading Dock to Revenue Protection Area
- At Revenue Protection
- In completion of manual letter, manual flat and automated letter sorting and despatch.

This analysis demonstrates that the key problem areas are in the transfer of collection mail from the loading dock into the Mail Centre and through to Revenue Protection and in automated sorting procedures. Investigations have shown that PPI is currently not taking full advantage of operational standards which accelerate Stamped and Meter mail and that standard automation procedures are not being consistently applied, e.g. PPI mails processed on modes designed for Meter traffic.

Cultural issues such as poor internal process measurement, lack of product understanding and poor product perception were also identified as contributing to delay in handling PPI traffic.

The outcome of this study, combined with analysis and expertise gathered from supplementary Mail Centre visits has allowed us to develop a revised set of operational standards for handling PPI mails which address the key operational and cultural issues identified. Deployment of these standards will commence in August 2002.

### **Prospects and Actions for Rest of Year**

PPI is currently on track with planned flightpath performance levels. The key activities which will close the remaining gap between current performance and Exit Target are driven by the root cause analysis completed in Quarter 1. This analysis has driven a new set of PPI operational standards which have been rigorously tested and signed up to by Area Managers. These standards particularly focus on outward processing activity, where quality loss is predominant, and incorporate disciplines for :

- Handover of posting dockets to Revenue Protection - ensuring mailings are not delayed whilst searching for missing dockets
- Incorporating PPI as a uniquely identified element of the Mail Centre workplan which is clearly measured, display and managed - this will address many of the cultural issues which prevent PPI being treated with the same sense of urgency as Stamped and Meter mail by ensuring PPI work areas are fully resourced and that PPI is scheduled and handled effectively through manual and automated sorting procedures.
- Revenue protection 'holds' - the standards ensure that any PPI postings which are delayed due to customer error or for financial and/or mail volume investigation, are reported to the Research Agency responsible for End to End Quality of Service measurement and hence can be excluded from the survey if appropriate.
- Work Area handover points - ensuring better communication and more effective handover procedures between Customer Liaison Manager, Revenue Protection and Work Area Managers.
- Ensuring PPI mail is transferred from the loading bank within 10 minutes of arrival.
- Checking customer pre-segregated 2<sup>nd</sup> Class mailings do not include any 1<sup>st</sup> Class items (which would otherwise fail workplan).

These standards will be deployed in all Mail Centres by end September 2002, with the first round of compliance audits completed by Christmas. Effectiveness of deployment will be reviewed at an Area Managers conference in October. Management of the new standards will be incorporated in our monthly Performance Management process and will be reviewed at all levels of the Business.

Two pilot Mail Centres will be set up as 'model offices' from which others can gain best practice advice and the effectiveness of the new standards can be monitored. In addition, the Mail Centres involved in the Loss Model analysis will be supported in carrying out any quick win performance improvement activity identified during the diagnostic study.

Areas will also be encouraged to make use of the PPI Best Practice Improvement Pack which has been updated in line with the above root cause analysis and standards to help Area teams deploy the necessary foundations for sustained quality improvement. The Best Practice pack complements the release of the PPI standards and will help promote quick win activity by detailing 'how' to deploy the new standards.

All PPI improvement activity will be supported by a general communications campaign aimed at raising product awareness across all levels of the Business, this includes Area Managers Brief, Work Area Managers Brief, Work Time Learning Modules (for front line operational staff), a poster campaign plus more general communications cascade via our in-house publications.

Deployment of the new Access Standards (as described in the 1<sup>st</sup> Class Stamped and Meter section) which compliment the Mail Centre Latest Acceptance Standards deployed in 2001/02, will also contribute to improvements in PPI performance.

. Quarter 1 performance is in line with planned flightpath levels. Ensuring we fully understand the causes of service loss and have robust and achievable improvement plans which are fully tested and supported by operational managers is critical to the success of PPI. Activities in Quarter 1 and early in Quarter 2 have focused on ensuring our PPI improvement plan is fit for purpose plan and deployment is now scheduled for late in Quarter 2. Therefore, we may not fully realise the flightpath benefits of this activity next Quarter but are confident further flightpath benefits can be achieved in time to meet February/March Exit Target.

## **2<sup>ND</sup> CLASS POSTAGE PAID IMPRESSION**

### **Review of Results**

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
97.3%	95.9%	98.5%	+1.6%

### **Overview**

2<sup>nd</sup> Class PPI has shown encouraging signs of recovery. The performance of 97.3% has exceeded Quarter 1 flightpath expectations and improved 1.6% on last quarter. Additionally, this quarterly performance is better than any experienced in 2002/3.

### **Flight Path Plan - Quarter 1**

Like its 1<sup>st</sup> Class equivalent, Quarter 1 flightpath activities concentrated on the generic pipeline disciplines and the develop of new operational standards for this product.

### **Prospects and Actions for Rest of Year**

2<sup>nd</sup> Class PPI is currently running 1.2% short of required February/March Exit Target levels. However, given the strong recovery in Quarter 1 and the planned improvement activities scheduled to begin next quarter, we are confident 2<sup>nd</sup> Class PPI will successfully meet its Exit Target.

## 1<sup>ST</sup> CLASS RESPONSE SERVICES

### Review of Results

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
70.3%	83.4%	92.5%	-8.0%

### Overview

An already poor 1<sup>st</sup> Class Response Service performance has dropped even more dramatically in the past two months. Quarter 1 performance lies more than 13% below planned flightpath levels.

### Flight Path Plan - Quarter 1

Like 1<sup>st</sup> Class PPI, Response Services did not benefit from the improvements in basis pipeline disciplines which delivered sustainable improvements for Stamped and Meter mail in 2001/2. Although, Response Services predominantly share the same pipeline with Stamped and Meter, there are a number of differentiating features. In Quarter 1 we have carried out extensive root cause analysis on the Response Service product to understand these differences. Results of this analysis will lead to development of a loss model and revised set of operational standards for handling Response items. Early findings suggests the main problems lie with:

- a long standing product specification which has led to decay in operating processes and database information by customers
- customer stationary issues, e.g. wrong indicia, incorrect postcodes, barcodes not matching postcodes
- a complicated revenue collection process which leads to delay in progressing items when payment issues cannot be reconciled
- conflict between delivery timescales and manual counting and billing processes
- lack of dedicated sorting, counting and billing resource in Response Service areas
- work disciplines which allow Response Services to miss scheduled second delivery connections
- poor use of automated sorting and counting capability
- poor product perception

However, as per our plan, full quantification of the loss attributable to each of these elements will be completed in Quarter 2, when a six week programme of quality diagnostic tests will be finalised (using same processes as described for 1<sup>st</sup> Class PPI). This will ensure we understand the full impact of each and target improvement activity in the areas which will deliver the greatest benefit.

## **Prospects and Actions for Rest of Year**

Although specific transformational changes or significant performance improvements were not planned in Quarter 1, we are extremely disappointed and concerned to have experienced such a significant drop in performance levels. The 1<sup>st</sup> Class Response Services product has suffered more than others from the loss of End to End Quality of Service panellists and the resultant drop in sample levels and, so far, we have not been able to identify any operational reason why performance should have down-turned so dramatically in the last two months. This is particularly confusing as other measurement systems do not reflect this drop. For example, there has been no increase in complaints relating to this product.

However, to halt any further decline in Quarter 2 prioritised improvement activities, similar to those in Quarter 4, will be carried out in the highest impacting units and Response Services performance will be closely monitored. This will be supported by a workshop to understand the common problems encountered at these units and share best practice ideas.

Improvement activity in Quarter 2 will focus on:

- completing the quantification of the Loss Model (by end August)
- development and deployment of new operational standards which address identified problems (commences late August)
- Re-issuing best practice guidelines to compliment deployment of the new standards (by end August)

The approach to deploying these new standards will mirror that described for 1<sup>st</sup> Class PPI. In summary, they will be deployed through the operational line (supported by a central team and communications programme), incorporated in performance management procedures at all levels and audited at regular intervals. The key standards will ensure that Response Service items are delivered on the day of receipt at Delivery Offices, with accounting procedures completed so that Priority Response Service items connect with 1<sup>st</sup> delivery. They will also ensure that items being counted and billed at Mail Centres connect with the main Wave 4c despatch to delivery units correctly bundled and labelled to the appropriate Delivery Walk (ensuring they are delivered on 1<sup>st</sup> delivery). Like PPI, two Mail Centres will be set up as centres of excellence from which others can learn and effectiveness of the new standards can be tested.

Whilst the 'standards' activity is being completed an improved Automation solution will also be deployed in Mail Centres (from November). This change is facilitated by automated sorting capability and data capture procedures which will ensure Response Mail with barcodes and/or unique postcodes can be automatically counted, with billing information being transferred directly to our accounting systems. This will provide an estimated 6% improvement to quality of service and will also improve revenue collection and provide cost/efficiency savings.

These activities will also be supported by an improved customer management processes which helps improve customer compliance to the stationary issues described above.

In addition, proposals for processing Response Services under the new delivery specification (where no 2<sup>nd</sup> delivery outlet exits) have been developed and are currently being tested as part of the TDS trials.

Although 1<sup>st</sup> Class Response Services performance has continued to fall, Royal Mail is fully committed to the development and implementation of new standards and operational procedures which will close the performance gap.

## **2<sup>ND</sup> CLASS RESPONSE SERVICES**

### **Review of Results**

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
94.0%	93.8%	98.5%	-0.5%

### **Overview**

Unlike its 1<sup>st</sup> Class equivalent, 2<sup>nd</sup> Class Response Services has demonstrated a reasonable performance in Quarter 1 and is in line with planned flightpath levels. 46 of the 64 postcode areas who received sample items have met the required flightpath performance level and two thirds of these have demonstrated that the 98.5% Exit Target level is achievable.

Although performance has fallen back 0.5% since last quarter, a seasonal drop in performance of 1.3% was expected.

### **Flight Path Plan - Quarter 1**

Once again, the flightpath activity in Quarter 1 has focused in the development of a Loss Model for Response Services products - as described for 1<sup>st</sup> Class Response Services.

### **Prospects and Actions for Rest of Year**

Deployment of new operational standards for handling all Response Service traffic will help ensure 2002/3 Exit Target performance levels are achieved.

## **SPECIAL DELIVERY**

### **Review of Results**

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
99.2%	99.0%	99.0%	+0.3%

### **Overview**

Special Delivery performance continues to remain above the guaranteed 99.0% level. Quarter 1 performance of 99.2% was underpinned by monthly performance results of 99.3%, 99.2% and 99.2% for April, May and June respectively. Performance has stabilised above the targeted 99% level for 5 consecutive months.

### **Prospects for Quarters 2 to 4**

This Quarter 1 result has been supported by several actions to maintain and where possible enhance performance in the network. In particular, we now have a very efficient Network Analysis system in place. The "mapping" element of this system has been used successfully to highlight areas of persistent network failure between Mail Centres and network hubs. Once identified network links can be rescheduled, additional routes can be added and contingency arrangements can be put in place as necessary.

We are also developing an action plan to address identified problems in despatching arrangements for items which fail their due course circulation (particularly when aircraft develop technical faults and mail is diverted to an alternative means of transport).

Our ongoing programme of Special Delivery Locker upgrades continues with a new locker currently being planned for Northampton Mail Centre. These upgrades ensure each Mail Centre has enough dedicated, secure space to cope with the growth in Special Delivery volumes.

We have clearly demonstrated that our pipeline is capable of meeting the 99.0% target level for this product. Given no major disruptions to service, e.g. Industrial Action, network failures or external impacts, we are confident Special Delivery can successfully meet its 2002/3 Exit Target.

**Table 4.**

**Pre-sort Products  
Quarter Results (April - June 2002)**

<b>Standard</b>	<b>Scheduled Standards</b>			
	<b>*Year End Target %</b>		<b>April - June %</b>	<b>95% cl</b>
Mailsort 1	93.0		89.4	4.6
Mailsort 2	98.5		96.3	1.6
Mailsort 3	98.5		97.7	1.7
Presstream 1	92.5		91.1	1.1
Presstream 2	98.5		96.9	2.8

**\*Targets apply to last two months of the financial year**

**95% cl = 95% confidence limit**

## MAILSORT 1

### Review of Results

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
89.4%	90.9%	93.0%	-2.0%

### Overview

Mailsort 1 performance of 89.4% has failed to reach the planned Quarter 1 flightpath levels and has fallen 1.9% on the strong performance provided in Quarter 4 of 2002/3.

This is particularly surprising as other key performance indicators such as:

- all Mailsort 1/Presstream 1 processed in time to connect with outward despatches from outward Distribution Centre (99.7% achievement in Quarter 1)
- all Mailsort 1/Presstream 1 inward processing completed in time to connect with despatches to inward Mail Centres (99.9% achieved)

suggest that there are no fundamental or systemic problems in our Mailsort 1 pipeline. Therefore, the shortfall in Quarter 1 performance may be explained by the wider than normal confidence limits (+/- 4.6% in Quarter 1).

A number of network incidents (road, rail and air) will have undoubtedly taken their toll on Mailsort 1 performance. For example, the train derailments at Gretna, loss of overhead power lines on the Beattock Summit (affecting the West Coast Main Line) and derailment of a coal train in Peterborough (East Coast Main Line) will have depressed Mailsort 1 performance. With sample sizes so low it is difficult to quantify the effect of these and other service disruptions on overall quality of service, however, we continue to review network performance and adjust as necessary, e.g. diverting mail from poorer performing rail routes.

With such low sample sizes, national performance can be particularly sensitive to local results. For example, Thames Valley Distribution Centre had the largest detrimental effect on Mailsort 1 posted performance in Quarter 1. However, they believe their performance is being depressed by a posting which arrived after the Latest Acceptance Time and hence could not be processed in time to connect with 1<sup>st</sup> Class despatches. If this challenge is successful, the gap between current Quarter 1 performance and the planned flightpath level could be closed - once again illustrating our belief that there are no fundamental design problems with the Mailsort pipeline.

## **Flight Path Plan - Quarter 1**

Quarter 1 improvement activity has predominantly focused on local initiatives as described in the Quarter 1 Regional Reports to Postwatch. Our ongoing process of centrally monitoring the poorest performing units and providing support and expertise in identifying and rectifying operational problems has continued. This process is supported by the use of Mailsort/Presstream Best Practice guides and gives particular cross-business support to improving interfaces between Distribution Centres and Mail Centres.

## **Prospects and Actions for Rest of Year**

With a confidence limit of +/-4.6% on the national Quarter 1 result for Mailsort 1 we have not been able to establish any real root causes of poor performance and believe the Mailsort/Presstream 1 pipeline is fit for purpose. There are currently no plans to instigate any remedial actions over and above the local activities described in the Regional Postwatch Reports. However, Mailsort 1 performance will be closely monitored in Quarter 2, and the expected improvements in sample sizes will support more robust performance management on which to drive any required improvement activity. Any further decline in performance will be addressed immediately.

In addition, awareness of product performance issues for all workshare products will be boosted through a programme of internal communication briefs and work-time learning sessions. Improvements to the information systems which record details of missorted containers should generate Quality of Service improvements through more targeted improvement activity.

We are therefore confident that we can still successfully reach February/March 2003 Exit Targets.

## **MAILSORT 2**

### **Review of Results**

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
96.3%	96.4%	98.5%	-0.7%

### **Flight Path Plan - Quarter 1**

With a Quarter 1 result of 96.3%, Mailsort 2 performance has fallen a mere 0.1% short of the planned flightpath levels. Clearly this is a minor performance shortfall when considered in light of a confidence limit of +/-1.6%.

### **Flightpath Plan - Quarter 1**

Quarter 1 activity predominantly focused on adherence to pipeline standards in Distribution Centres and Mail Centres. Mailsort 2 and Presstream 2 products were despatched from outward Distribution Centres on 99.4% of occasions. Inward Distribution Centres clearances to Inward Mail Centres were successfully completed on 98.4% of occasions. Inward Mail Centre clearances to Delivery Offices also improved to 90% in Quarter 1. These clearances, alongside local quality improvement initiatives, have helped underpin the performance levels achieved in Quarter 1.

### **Prospects and Actions for Rest of Year**

Scheduled improvement activities from Quarter 2 onwards concentrate on continued adherence to workplan standards and local network improvements. In addition, specific local performance improvement plans, covering issues such as:

- improved customer liaison
- reductions in mis-segregation levels
- improved staffing arrangements
- improved network connections,

will continue. However, there are no identified generic problems with the Mailsort 2 pipeline and hence we are confident of meeting 2002/3 Exit Targetry.

## **MAILSORT 3**

### **Review of Results**

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
97.7%	97.1%	98.5%	-0.8%

### **Overview**

Mailsort 3 performance in Quarter 1 (97.7%) has met the planned flightpath levels. The drop in performance since Quarter 4 2001/2 is partially explained by an expected seasonal fall of 0.4%.

### **Flight Path Plan - Quarter 1**

No specific flightpath activities were planned for Mailsort 3, other than the local activities described in the Regional Postwatch Reports.

### **Prospects and Actions for Rest of Year**

Mailsort 3 is currently achieving planned flightpath performance levels and hence we are confident of meeting Quarter 2 to 4 milestones and 2002/3 Exit Targets.

## **PRESSTREAM 1**

### **Review of Results**

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
91.1	90.5	92.5	+0.2%

### **Overview**

Presstream 1 has also achieved the Quarter 1 flightpath milestone of 90.5%. Quarter 1 sampling problems have had a lesser impact on Presstream 1 (when compared to Mailsort 1). All postcode areas received quality of service sample items on which to measure their Quarter 1 performance and almost 60% achieved the 90.5% target level. The worst performing postcode areas are situated in the most remote parts of Scotland (e.g. HS, ZE, KW) where Day B network connections for 1<sup>st</sup> class workshare products is very difficult. Many Scottish postcode areas have performed below target level in Quarter 1. This can be partly attributed to the network disruptions described in the Mailsort 1 section but significant root cause analysis is scheduled for July and August.

### **Flight Path Plan - Quarter 1**

Like most products, the flightpath plan for Presstream 1 focuses on adherence to workplan standards (as summarised for Mailsort 1) and local processing and network improvements (as described in Regional Postwatch Reports). Support in diagnosing and correcting problems in the worst performing units has also continued through Quarter 1 and this activity helps drive the local improvement plans.

### **Prospects and Actions for Rest of Year**

As Presstream 1 is currently performing above planned flightpath levels, we have no reason to believe future 2002/3 performance is at risk.

## **PRESSTREAM 2**

### **Review of Results**

April - June (Quarter 1) Result	Flight path Target For Quarter 1	February- March 2002 Exit Target	Change since last quarter
96.9%	96.3%	98.5%	-0.3%

### **Overview**

Presstream 2 has also met its Quarter 1 flightpath level. Although performance has fallen slightly since Quarter 4, we would normally expect a seasonal drop of almost 1% in this period. Strong performances in April and May (both above 97%) have been slightly let down by a poorer June performance (95.8%).

### **Flight Path Plan - Quarter 1**

The key theme of adherence to workplan standards formed the basis of performance improvements in the Quarter 1 flightpath. Key internal performance measures indicate a strong performance for Mailsort and Presstream 2 products (outward clearances 99.4%, inward clearances 98.4%)

### **Prospects and Actions for Rest of Year**

Presstream 2 is currently on target to meet further quarterly flightpath deadlines and Exit Targets. No generic remedial actions, other than those specified in Regional Postwatch Reports, are required to support further improvements in this product and we are confident of achieving 2002/3 Exit Targets.

## **TAIL OF MAIL**

The tail of mail measure quantifies the percentage of mail delivered within 3 days of the due service for each of the letter mail services covered in this report. In Quarter 1, some 1<sup>st</sup> Class products are running marginally short of the 99.9% target, see summary below:

1 <sup>st</sup> Class PPI	99.8%
1 <sup>st</sup> Class Response Services	99.2%
Mailsort 1	99.6%
Presstream 1	99.5%

2<sup>nd</sup> Class Response Services is also slightly below required levels at 99.7%.

The key activities addresses in our Complaints and Loss action plans, along with quality of service improvement activity described earlier in this report will address this shortfall in performance. Activities focused on the reduction of misdelivery complaints will be a key contributor to improvements in this measure.

## **LOST MAIL/SUBSTANTIAL DELAY**

The Lost Mail/Substantial Delay measure quantifies the percentage of mail regarded as undelivered if not delivered within 15 days of the due day of service.

Currently all products are achieving 100% compliance with this target, as currently measured.

**Table 5.**

**Standard Retail Parcels (End to End)  
Quarter Results (April - June 2002)  
*End to End Standard Quality of Service Results***

**National**

	<b>Performance %</b>	<b>Flight path plan</b>	<b>*Target %</b>	<b>95% ci %</b>
By day 3 <sup>1</sup> quarter 1	82.0	84.4	90.0	+/-2.0

\*Target applies to last two months of the financial year

95% ci = 95% confidence limit

**Narrative - analysis of main variations:****Flight path target**

Our aim in this quarter was to maintain and improve quality of service after the Apollo announcement of 25<sup>th</sup> March through a period of personal uncertainty for thousands of our employees.

**Quarter 1 results: actual 82.0%****Analysis**

The flight path target was not met because of a significant increase in the total volume of Next Day Express parcels combined with the previously reported resourcing issues. Next Day volumes rose by 750,000 compared with the same period last year. The difficulty in recruiting and keeping directly-employed multiple-drop drivers continued to hamper performance, not only in the south-east but at “hot-spots” throughout the country. During 2001/2 staff wastage of 25% to 64% impacted on over a third of our depots and throughout the country - from Aberdeen to Exeter.

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<sup>1</sup> Day 3 is the third working day after posting.

The Parcelforce Worldwide Standard distribution network maintained performance up to the date of transfer of the retail Standard product into Service Delivery and arrears in delivery depots were less than half of last year's levels. This was achieved although all our employees learnt during

this quarter that they might not have jobs in the new Express-only company. All our staff had to participate in a preference exercise to determine who would secure the remaining jobs in a company half its previous size. A consequence of the announcement is that wastage in some areas has increased again as people find new jobs outside Consignia.

Performance in April was originally reported as 85% but had to be corrected to 83%, due to an error by National Opinion Polls. When we received the figures for May it was apparent that NOP had not applied all the weightings to the results. We then checked the April results again and found the same fault in them. NOP then recalculated both months' results.

## **Prospects for quarter 2**

Retail Standard parcels were successfully transferred to Service Delivery on 4<sup>th</sup> July 2002. No significant problems in either distributing or delivering the parcels through the Service Delivery pipeline have been encountered. It is expected that service to the public will improve with this change because of Service Delivery's wider-reaching collection and delivery network, including Saturday delivery. Early indications are that service has improved but the amount of this improvement has yet to be confirmed by NOP's survey.

## **Mail Tail**

99.7% of parcels were delivered by day 10<sup>2</sup>. The mail tail target of 99.9% by day 10 was met during June.

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<sup>2</sup> Day 10 is the tenth working day after posting.

**Table 6.**

**Post Office Limited Performance  
Quarter Results (April - June 2002)  
*Queuing Time Statistic - National***

**% of Customers served within 5 minutes**

	<b>April - June Performance %</b>	<b>*Target %</b>	<b>95% ci %</b>
National	<b>93.9</b>	<b>95.0</b>	<b>1.0*</b>

\*Target applies to last two months of the financial year

95% ci = 95% confidence limit

\* March result has been reconstructed, therefore a confidence interval cannot be established

**Analysis of main variations - Annual Result :**

Quarter 1 performance was 0.2% better than the flightpath quarterly target. The result shows a strong performance in all three months. This is particularly pleasing as all three months in the first quarter this year had Bank Holidays. Traditionally months with Bank Holidays are difficult for us to maintain standards on our trading days immediately before and after the Bank Holiday due to capacity constraints. The quarterly performance also improved 0.6% year on year.

## **Plan Achievers/Date for Implementation**

### **Segmentation of Network**

Segmentation of the Network has enabled us to set and agree minimum standards with the Heads of Segment for our different types of branches.

### **Counters Incentive Scheme**

The scheme has been reviewed and waiting time is now the sole bonusworthy measure of service rather than the softer measures previously in the scheme. The changes have been agreed with the unions.

### **Next Quarters Activities**

#### **Performance Management Deployment**

We will be reviewing our escalation process that deals with our poorer performing branches to ensure the process is being adhered to and to ensure root cause analysis is undertaken at local level.

#### **Branch Office Staffing Agreement**

The formal review of the Branch Office Staffing Agreement with the CWU will start in August.

**Table 7.**

**Licence Condition 5 - Paragraph 6 - Customer Complaint Handling  
Quarter Results (April - June 2002)**

	% Calls answered to quality standard aim - 85% in 15 seconds	% Cases closed to quality standard aim - 100% (inland) in 10 working days
Royal Mail	66%	81.7%
Parcelforce	70%	62.5%
Post Office Limited	74%	95%
Consignia total	71%	81%

**Commentary on performance**

**Data Capture**

**Speed to answer**

Consignia's telephony systems do not allow a record of performance against USO-related complaint handling work only.

**Case turnaround**

For the cases closed to the ten working days measure, the performance refers to inland products for Royal Mail. For Parcelforce and Post Office Network performance is for USO products.

International turnaround times are agreed and set by the Universal Postal Union (UPU) and are substantially longer than 10 days so have been excluded. The complaints data includes both operational complaints and complaints about policy and specification; enquiries are excluded.

## Complaint Handling

Consignia is in the final stages toward completion of its major change programme to reduce its customer service centres from 70 to 10 and introduce new systems and CRM technology that will enable the quality of service required by customers. The change programme is the UK's largest for any call centre organisation and has required heavy investment. Consignia's ambitious strategy, ultimately designed to improve service to customers, has created a period of instability that continues to reflect itself in the current speed of performance aims over this quarter where both the overall 'cases closed to target' and the 'speed to answer' have dipped.

Unfortunately the scale of change and the transition to the new infrastructure and new systems has not always gone as smoothly as we had hoped, and this has had an impact on the level of speed of service we have been able to provide to our customers. Difficulties have arisen due to teething problems with the systems, and the need for staff to develop their familiarity with the new methods. The rationalisation of the network has led to high staff turnover and this has coincided with enquiry volumes exceeding forecasts. Coupled with this, and compounding service performance, has been the heavier demand to communicate and train our frontline operation to keep pace with the huge changes that are taking place and the emphasis required on compliance.

These factors have increased the pressure on Consignia's capacity to handle the enquiries, and whilst Consignia try whenever possible to answer all calls to the service aim, there have been periods where this has not been possible. The result has been that customers have had to wait longer than expected to have their call answered and their issue resolved.

Consignia have action plans in place to address these issues. The action plans have been developed through root cause analysis activity and focus heavily on our people and processes. Plans to improve training, reduce staff turnover, improve systems and increase resource, are all built into the plans.

The aim is to reverse the current performance trend, however the scale of the root cause analysis and subsequent action planning, particularly the recruitment and training needed, mean that the positive impact will only register over time.

We are scheduled to begin discussions with Postwatch from August to understand if current service aims adequately reflect customer needs around quality of service provision.

This is, and will continue to be a difficult period for Consignia but the overarching commitment of the business remains the same; to improve our relationship with our customers, quality of service and customer satisfaction.

**Licence Condition 4, Paragraphs 14 and 15**  
**Progress Against Complaints Resolution Action Plan**

**CONSIGNIA TOTAL**

Consignia	Unresolved at start	Received in quarter	Resolved in quarter	Unresolved at end	Recompense £ *
<i>Total</i>	75,719	320,014	300,166	95,559	2,797,629

**ROYAL MAIL**

Royal Mail	Unresolved at start	Received in quarter	Resolved in quarter	Unresolved at end	Recompense £ *
Lost	46,336	170,025	156,765	59,596	1,525,974
Delay	5,575	27,604	25,508	7,671	94,608
Redirection Failure	5,057	23,671	21,933	6,795	49,832
Mis-Delivery	3,605	18,048	17,639	4,014	27,819
Damage	1,763	9,226	8,905	2,084	168,086
Other	11,299	59,108	56,024	14,383	545,714
<i>Total</i>	73,635	307,682	286,774	94,543	2,412,033

**Data Notes**

The complaint data includes both Universal Service Obligation (USO) and non-USO products and services.

Compensation Data: Previously we had used a mix of Siebel and RMCSS reporting. For this quarter we have wholly used SPICE reporting. There are issues around compensation reporting from Siebel which we are aiming to have resolved by October.



## Complaint resolution action plan update

Progress during quarter one has focused on the activities detailed in the Complaints Action Plan, presented to Postcomm in June of this year. This plan has clear linkages with the Condition eight requirements around Loss and Delay, and includes activities to target the complaint categories Loss, Damage, Delay, Misdelivery and Redirection Failures. There has been a number of activities in the quarter focused on achieving the plans set out in these reports.

The Complaints and the Condition 8 Loss Action Plans have been communicated to operational managers and positioned within the context of overall achievement of quality of service targets. In addition there has been refresher communication on Complaints as a business primary scorecard measure. There have been briefings on Complaints Management and the Condition 8 Loss Action Plan to the Executive Committee and senior operational managers.

Work has commenced on the redevelopment of the root cause analysis tool in delivery offices to improve the use of complaint data now electronically supplied to all delivery units from Customer Management. In addition high impacting delivery units have been identified in relation to misdelivery and redirection failures, to enable the targeting of supporting performance improvement resource, and a misdelivery improvement package for Delivery Offices has been finalised and is now being trialled. In connection with the TDS pilots, a review of misdelivery customer notification and redirections management processes is being undertaken.

The roll out of improved delivery equipment to reduce damage to mails items continues and actions and activities noted in the Condition 8 Loss Action Plan to mitigate levels of loss are being deployed. These include:

- Activity with major mailers to improve addressing accuracy to reduce levels of substantial delay and misdelivery
- Ongoing review of operational specification at the Return Letter Centre to reduce substantial delay
- Preparation for the transfer of USO parcels from P&E to SD, including the eradication of Doorstepping of these mails items
- Ongoing security action plans to reduce criminal loss

USO parcels complaint data will be included from quarter two in the numbers and supporting commentary. The presentation of the number of complaints data has changed from quarter four of 2001-2. Late Delivery, Collection, Other Delivery Related, Part Loss and Theft/Violated complaint categories are now included within the 'Other' grouping.

## **PARCELFORCE**

<b>Parcelforce</b>	<b>Unresolved at start</b>	<b>Received in quarter</b>	<b>Resolved in quarter</b>	<b>Unresolved at end</b>	<b>Recompense £ *</b>
Goodwill (Re-Delivery)	20	380	400	0	16,724
Damage	393	2,364	2,672	85	134,921
Disputed Delivery	55	22	77	0	793
Delay	9	194	203	0	319
Lost	1,428	6,482	7,371	539	213,246
Missing Contents	90	298	367	21	11,908
<b>TOTAL</b>	<b>1,995</b>	<b>9,740</b>	<b>11,090</b>	<b>645</b>	<b>377,912</b>

### Data Notes

The complaint data is USO-related products and services.

From Quarter 2, complaints relating to the Standard parcel product will be included in Royal Mail complaint data, following the transfer of this service from Parcelforce to Royal Mail at the beginning of July. Progress against the complaints resolution action plan will be reported under Royal Mail also.

## **POST OFFICE LTD**

<b>Post Office Ltd</b>	<b>Unresolved at start</b>	<b>Received in quarter</b>	<b>Resolved in quarter</b>	<b>Unresolved at end</b>	<b>Recompense £ *</b>
Advice provision	45	1,070	1,059	45	5,430
Change discrepancies	3	105	76	28	474
Customer service at transaction	14	421	348	83	195
Service Failure	3	381	274	116	909
Branch Facilities	6	109	97	16	12
Other	18	506	448	83	664
<i>Total</i>	<i>89</i>	<i>2,592</i>	<i>2,302</i>	<i>371</i>	<i>7,684</i>

### **Data Notes**

There is a discrepancy with the Post Office Ltd data evident in the difference between the "unresolved at start", "received in quarter" and "unresolved at end" figures. The data transfer from Remedy, which is the old complaint handling system for POL, to Siebel and the dates that Siebel has been attaching to the records is the cause of this discrepancy. Business Systems have established that Siebel has been overwriting the registered date with the date that the record was transferred to Siebel. In some instances therefore we have complaints where the registered date is later than the closed date. This then affects the brought forward and carried out data. Business Systems are currently working to resolve this.

### **USO distinction**

The numbers above are now based on USO complaints only. These are all complaints received in Post Office Ltd. against USO products (for the Royal Mail and Parcelforce brands). Additionally, complaints received in Post Office Ltd. where the complainant does not specify the product or service which they were purchasing when their complaint was generated but which are of the most common types of complaint associated with the USO area (including those in the table above), are also included.



## New complaint types

As indicated in the last quarters report, this quarter reflects the new complaint types which are in use since the migration of complaint handling.

New Type	Old Type
Advice provision	Staff knowledge
Change discrepancies	Payment disputes (elements of payment disputes are now categorised separately under a Bill payment heading which falls outside of the USO)
Customer service at transaction	Staff attitude
Service Failure	Service failure
Branch Facilities	Office facilities
Other	Various but including, opening hours, temporary office closures and waiting times for Post Office Ltd. complaints

## Complaint resolution action plan update

Work continues to address the main causes of complaint outlined in the above table. Training information on all products and services continues to be reviewed and updated and additional training is planned for the mails area over the coming months.

The transfer of special delivery and standard parcel product ownership into the RM brand has taken place and the new literature is much simpler. Communication has taken place to reinforce this change and mystery shopper product knowledge questions will monitor improvements.

Activities to address poor performance at specific branches is still in the planning stages, as some issues with data are yet to be resolved following the migration of complaint handling activities. Root learning maps continue to be rolled out to raise employee awareness of the importance of customer service and the revised communications issued in May have resulted in increased employee satisfaction with the communications, with further more extensive measurement in this area due to take place shortly.