



August 31, 2005

ROYAL MAIL DELIVERS RECORD QUALITY TO CUSTOMERS

Royal Mail today published its full quality of service report for April to June, confirming that postmen and women delivered a record, target-beating First Class service to customers during the period.

The early results for July show that further progress has been made with 93.8% of First Class letters arriving the day after posting. The performance last month compares with 93.5% during April to July - above the target level of 93.0% and the highest performance for First Class stamped and metered mail for any quarter on record.

Second Class mail during April to June, the first quarter of the 2005-06 financial year, was above its target of 98.5% with 98.6% arriving within three working days after posting. In July, the early results indicate a further improvement with a 98.8% performance.

The first quarter report also shows that Mailsort and Presstream bulk mail services, used by businesses to send bank and credit card statements, utility bills, advertising and other commercial mail, were all delivered above target levels. Standard parcels and First Class PPI mail, which is sent in postage-paid envelopes, were also being delivered above target levels. Mailsort 1 and 2, and Presstream 1 and 2, were, like the performance for First Class stamped and meter mail, all delivered at the highest levels of performance on record.

Overall, nine of the 15 service target levels were exceeded during the first quarter, with around 80% of the total mailbag delivered by Royal Mail's people at above-target level performance.

Adam Crozier, Royal Mail's Chief Executive, said: "These latest results underline Royal Mail's focus on customers and our determination to improve quality of service even more.

"We know we still have much to do but I am proud of the dedication of postmen and women as they continue to deliver improving quality of service to customers."

Licence Condition 4: Paragraph 8a
Licence Condition 5: Paragraph 6

National Report to Postcomm and Postwatch

2005 / 2006 Quarter 1 Report



NATIONAL QUARTER 1 REPORT
2005 / 2006

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Table 1.

Scheduled Service Standards National Products
Actual Cumulative Results (Period 1 – Period 3 2005/06 21/03/05 – 5/06/05)

Standard	Scheduled Standards				Tail of Mail			
	Full Year Target %		Period 1- 3 Cum %	Period 1- 3 95% cl	Full Year Target %		Period 1- 3 Cum %	Period 1- 3 95% cl
	1st Class Stamped & Meter All	93.0		93.5	0.2	99.9		99.8
2nd Class Stamped & Meter All	98.5		98.6	0.2	99.9		99.9	0.0
1st Class Postage Paid Impression	91.1		91.3	0.3	99.9		99.7	0.0
2nd Class Postage Paid Impression	97.4		96.8	0.5	99.9		99.6	0.1
1st Class Response Services	90.8		88.0	1.8	99.9		99.2	0.1
2nd Class Response Services	97.5		93.5	1.3	99.9		99.3	0.1
Special Delivery	99.0		98.9	#	99.9		100.0	#
All PCAs (except 3) To Achieve 91.5 For 1 st Class Stamped And Metered Posted To UK	118		111					
All PCAs To Achieve 92.5 For 1 st Class Stamped And Metered Intra Postcode Area	121		118					
Mailsort 1	91.5		94.7	3.1	99.9		99.9	0.1
Mailsort 2	97.5		98.5	0.9	99.9		100.0	0.1
Mailsort 3	97.5		99.4	0.7	99.9		100.0	0.1
Presstream 1	91.0		93.1	0.9	99.9		99.9	0.0
Presstream 2	97.5		98.7	1.3	99.9		100.0	0.1
Standard Retail Parcels	90.0		91.1	1.0	99.9		97.2	0.6

Product subject to continuous sampling (confidence limit inapplicable), 95% cl = 95% confidence limit, Target – Target is full-year cumulative

Table 2.

Postcode Area (PCA) First Class Stamped and Metered
Actual Cumulative Results (Period 1 – Period 3 2005/06)

Postcode Area	1st class stamped & metered			
	Q1 All Posted	□□	Q1 Intra Posted	□□
AB Aberdeen	95.9	□	97.7	□
AL St Albans	97.0	□	99.1	□
B Birmingham	91.7	□	93.5	□
BA Bath	93.1	□	94.5	□
BB Blackburn & Burnley	94.3	□	95.1	□
BD Bradford	95.1	□	98.8	□
BH Bournemouth	93.8	□	97.1	□
BL Bolton	95.2	□	93.6	□
BN Brighton	94.0	□	94.5	□
BR Bromley	93.7	□	96.5	□
BS Bristol	90.2	□	94.7	□
BT Northern Ireland	92.2	□	93.1	□
CA Carlisle	95.3	□	95.9	□
CB Cambridge	94.9	□	96.8	□
CF Cardiff	93.2	□	93.6	□
CH Chester & Deeside	90.9	□	93.3	□
CM Chelmsford	93.0	□	96.8	□
CO Colchester	94.1	□	95.6	□
CR Croydon	92.2	□	95.0	□
CT Canterbury	94.6	□	95.0	□
CV Coventry & Warwickshire	92.3	□	92.4	□
CW Crewe	93.4	□	94.2	□
DA Dartford	92.2	□	93.6	□
DD Dundee	93.1	□	92.4	□
DE Derby	93.4	□	96.2	□
DG Dumfries	95.9	□	97.4	□
DH Durham	92.8	□	93.9	□
DL Darlington	93.6	□	97.0	□

□ □□= Areas meeting or exceeding full-year target

□□□ = Areas below full-year target□

Table 2 Cont.

Postcode Area (PCA) First Class Stamped and Metered
Actual Cumulative Results (Period 1 – Period 3 2005/06)

Postcode Area	1st class stamped & metered			
	Q1 All Posted	□□	Q1 Intra Posted	□□
DN Doncaster	94.2	□	94.2	□
DT Dorchester	92.0	□	93.7	□
DY Dudley	94.0	□	94.6	□
E London East	92.3	□	95.0	□
EC City of London	92.9	□	96.3	□
EH Edinburgh	91.9	□	95.7	□
EN Enfield	94.6	□	95.9	□
EX Exeter	94.7	□	96.5	□
FK Falkirk	92.8	□	97.7	□
FY Fylde	93.5	□	94.2	□
G Glasgow	94.2	□	95.0	□
GL Gloucester	92.6	□	95.6	□
GU Guildford	93.9	□	94.7	□
HA Harrow	92.4	□	93.9	□
HD Huddersfield	94.8	□	95.8	□
HG Harrogate	91.5	□	96.0	□
HP Hemel Hempstead	93.0	□	94.2	□
HR Hereford	94.2	□	94.4	□
HS Hebrides	89.8		89.1	□
HU Hull	94.7	□	97.5	□
HX Halifax	92.5	□	96.0	□
IG Ilford	92.0	□	94.7	□
IP Ipswich	94.2	□	96.3	□
IV Inverness	91.8	□	94.7	□
KA Kilmarnock	92.7	□	93.7	□
KT Kingston upon Thames	95.0	□	96.0	□
KW Kirkwall	91.7		95.1	□
KY Kirkcaldy	95.8	□	97.9	□

□ □□= Areas meeting or exceeding full-year target

□□□ = Areas below full-year target□

Table 2 Cont.

Postcode Area (PCA) First Class Stamped and Metered
Actual Cumulative Results (Period 1 – Period 3 2005/06)

Postcode Area	1st class stamped & metered			
	Q1 All Posted	□□	Q1 Intra Posted	□□
L Liverpool	94.4	□	96.0	□
LA Lancaster	94.7	□	94.3	□
LD Llandrindod Wells	93.6	□	94.4	□
LE Leicester	94.7	□	96.6	□
LL North Wales	91.2	□	93.3	□
LN Lincoln	96.6	□	97.4	□
LS Leeds	93.4	□	98.5	□
LU Luton	93.8	□	96.8	□
M Manchester	92.3	□	93.9	□
ME Maidstone	91.7	□	93.6	□
MK Milton Keynes	94.2	□	97.7	□
ML Motherwell	93.5	□	94.6	□
N London N	94.4	□	93.7	□
NE Newcastle	95.0	□	96.0	□
NG Nottingham	94.9	□	95.7	□
NN Northamptonshire	90.7	□	95.8	□
NP Newport	91.1	□	94.4	□
NR Norwich	92.9	□	96.8	□
NW London NW	92.0	□	93.4	□
OL Oldham	92.8	□	96.7	□
OX Oxford	92.4	□	92.5	□
PA Paisley	94.5	□	94.4	□
PE Peterborough	92.9	□	94.8	□
PH Perth	94.6	□	97.0	□
PL Plymouth	92.9	□	96.9	□
PO Portsmouth	91.7	□	94.1	□
PR Preston	94.5	□	95.6	□
RG Reading	93.4	□	97.5	□

□ □□ = Areas meeting or exceeding full-year target

□□□ = Areas below full-year target□

Table 2 Cont.

Postcode Area (PCA) First Class Stamped and Metered
Actual Cumulative Results (Period 1 – Period 3 2005/06)

Postcode Area	1st class stamped & metered			
	Q1 All Posted	□□	Q1 Intra Posted	□□
RH Redhill	93.6	□	95.8	□
RM Romford	92.9	□	92.9	□
S Sheffield	96.1	□	96.8	□
SA Swansea	95.6	□	94.4	□
SE London SE	93.1	□	92.6	□
SG Stevenage	94.9	□	96.3	□
SK Stockport	92.4	□	96.4	□
SL Slough	92.9	□	92.6	□
SM Sutton	94.4	□	95.9	□
SN Swindon	94.2	□	96.2	□
SO Southampton	93.9	□	96.7	□
SP Salisbury	93.9	□	97.7	□
SR Sunderland	96.1	□	96.7	□
SS Southend-on-Sea	92.2	□	95.1	□
ST Stoke-on-Trent	93.2	□	95.4	□
SW London SW	89.9	□	96.4	□
SY Shrewsbury & Mid Wales	94.3	□	96.8	□
TA Taunton	93.9	□	93.7	□
TD Borders	93.9	□	96.0	□
TF Telford	93.9	□	95.7	□
TN Tonbridge	96.3	□	96.0	□
TQ Torquay	92.9	□	94.0	□
TR Truro	95.0	□	95.5	□
TS Teesside	94.1	□	95.3	□
TW Twickenham	94.5	□	97.6	□
UB Uxbridge	94.8	□	92.8	□
W London West	95.0	□	97.2	□
WA Warrington	95.0	□	96.3	□

□ □□= Areas meeting or exceeding full-year target

□□□ = Areas below full-year target□

Table 2 *Cont.*

Postcode Area (PCA) First Class Stamped and Metered
Actual Cumulative Results (Period 1 – Period 3 2005/06)

Postcode Area	1st class stamped & metered			
	Q1 All Posted	□□	Q1 Intra Posted	□□
WC London West Central	92.9	□	94.7	□
WD Watford	95.5	□	96.1	□
WF Wakefield	90.8	□	93.8	□
WN Wigan	94.5	□	94.8	□
WR Worcester	94.5	□	95.4	□
WS Walsall	92.7	□	94.1	□
WV Wolverhampton	91.6	□	92.9	□
YO York	94.6	□	97.5	□
ZE Lerwick	91.1		97.3	□

□ □□ = Areas meeting or exceeding full-year target

□□□ = Areas below full-year target

Table 3.

Stamped; Metered; PPI; Response Services; Special Delivery and Standard Retail Parcels
Actual Cumulative Results (Period 1 – Period 3 2005/06)

Standard	Scheduled Standards			
	Full Year Target %		Period 1-3 %	95% cl
1st Class Stamped & Meter All	93.0		93.5	0.2
2nd Class Stamped & Meter All	98.5		98.6	0.2
1st Class Postage Paid Impression	91.1		91.3	0.3
2nd Class Postage Paid Impression	97.4		96.8	0.5
1st Class Response Services	90.8		88.0	1.8
2nd Class Response Services	97.5		93.5	1.3
Special Delivery	99.0		98.9	#
Standard Retail Parcels	90.0		91.1	1.0

*Target is full-year cumulative

Product subject to continuous sampling (confidence limit inapplicable)

95% cl = 95% confidence limit

Overview of Quarter 1

Overall a strong performance, with some best on record quarterly results including:

1C S&M	93.5	Best on record (comparable back to 95/96)
M1	94.7	Best on record
M2	98.5	Q4 last year and Q1 this year are best on record.
M3	99.4	Beaten only in Q4 last year
P1	93.1	Best on record
P2	98.7	Best on record
1C PPI	91.3	Best since Q1 97/98
1C RS	88.0	Best on record
Standard Retail Parcels	91.1	Best since new measurement system introduced in 2002/03

All products and both PCA geographical measures are within or above the range of performance which was forecast for Quarter 1 in the QofS Plan for 2005/6 (ie the flightpaths) which was submitted to Postcomm and Postwatch.

9 of the 13 products are cumulatively above the full year Licence target level as follows:

PRODUCT	FULL YEAR TARGET	QUARTER 1 ACTUAL
1C S&M	93.0	93.5
2C S&M	98.5	98.6
M1	91.5	94.7
M2	97.5	98.5
M3	97.5	99.4
P1	91.0	93.1
P2	97.5	98.7
1C PPI	91.1	91.3
Standard Parcels	90.0	91.1

Of the remainder (2nd Class PPI, 1st Class Response Services, 2nd Class Response Services and Special Delivery) we are confident that Special Delivery will recover the marginal Quarter 1 shortfall (0.1) in the rest of the year and that 2nd Class PPI will be at or close to full year target level (the Q1 shortfall is 0.6 +/- 0.5). The 1st Class and 2nd Class Response Service products are both above the Royal Mail internal target levels; Royal Mail has never accepted that the Licence targets are realistic for the product specification.

The first quarter's results for the two Licence minimum annual targets at Postcode Area level are good, and all PCAs are on course to achieve both targets in the full year. This is a significantly improved Quarter 1 compared with previous years.

All the above, including the best on record results, has been achieved despite a major disruption in Period 1 of the quarter at the National Distribution Centre which was required by the emergency services to be evacuated on the night of March 22/23, and for which Royal Mail will be claiming force majeure adjustment of the results at year-end.

Overview of Quality of Service Action Plan Deployment

Performance Management of all customer, employee and shareholder measures is an ongoing, iterative and dynamic process within Royal Mail that involves a combination of daily, weekly, monthly and quarterly reviews at all levels of the organisation. This approach allows:

- continuous refinement of our understanding of the root causes of Quality of Service delay
- monitoring and review of the effectiveness of our previously deployed improvement activities
- reprioritisation of improvement activities in response to shortfalls in performance and/or organisational capability to effectively deploy change.

The Quality of Service Action Plan published at the start of each financial year represents our best understanding, at a snapshot in time, of the required improvement activities, their deployment timescales and expected benefits. Table 1 below provides a summary progress report on the improvement activities set out in the Quality of Service Action Plan for 2005/06.

During each quarter a number of new activities are identified and deployed or scheduled for deployment. Table 2 therefore provides an update on the new improvement activities that were introduced in Quarter 1 and/or are scheduled for deployment in Quarters 2-4.

In some cases, initiatives have not been completed as originally planned – this is generally because a better solution has been identified or because the original terms of reference have been extended. Where an activity has not been completed as planned, a full explanation is provided in the main body of this report.

Table 1: Update on Quarter 1 Activities as scheduled in National Quality of Service Plan

Activity	Schedule	Status
Delivering Improvements Yourself (Integrated Quality Approach)		
01	National Workplan Deployment	
	Communication and roll out of plan	Quarter 1 Delayed – deployment timescales being reviewed
	Performance Management of Standards	Quarter 1 Dependent on roll out of plan
	Audit of Standards	Quarter 1 Dependent on roll out of plan
	Self Audit of Standards in Mail Centres	Quarter 1 Dependent on roll out of plan
02.1	Standard Operating Procedures – Collections & Delivery	
	Customer Facing SOPs developed and trialled	Quarter 1 Complete
	SOPs rolled out	Quarter 1 Review and roll-out of 14 SOPs completed – further 100 SOPs being reviewed, to be deployed from mid August
	Review performance against SOPs	Quarter 1 Completed for 14 SOPs deployed
	Identify areas of non-compliance and implement corrective action	Quarter 1 Completed for 14 SOPs deployed
02.2	Standard Operating Procedures - Processing	
	SOPs developed	Quarter 1 Complete
03	Individual Performance Standards	
	IPS Deployed	Quarter 1 Complete
	Review of Performance against IPS	Quarter 1 Ongoing
04	Self Audit	
	Deployment of Self Audit Packs	Quarter 1 Complete
	Deployment of Intranet data repository	Quarter 1 Complete
	All work Area Managers and Delivery Office Managers are using the Self-audit process to ensure on-going compliance to SOP's	Quarter 1 Complete
05	Manpower Planning	
	Roll out of Manpower Planning tool completed in 3 phases	Quarter 1 All 3 phases complete
06	DIY (IQA) Systems – Quality Dashboard	
	User testing undertaken in 3 Areas	Quarter 1 Complete
	Quality Dashboard System deployed to 15 Areas	Quarter 1 Complete
07	RFID	
	RFID - Procurement order placed	Quarter 1 Complete

08.1	DIY (IQA) Deployment – Change Managers		
	Change Managers – Resource deployed in 15 Areas	Quarter 1	Complete
08.6	DIY (IQA) Deployment – Communications		
	Workplan change	Quarter 1	Dependent on roll out of plan
	Adherence to Standards frontline campaign	Quarter 1	Ongoing
	SOPs deployment in Delivery and Collections	Quarter 1	Complete
	SOPs deployment in Mail Centres and Collections	Quarter 1	Complete
	Self Audit Deployment	Quarter 1	Complete
	People Plan		
9	Work Time Learning		
	Continued deployment of weekly WTL sessions and ongoing development of issue specific learning packs	Ongoing	Ongoing as planned
10	Frontline Induction Training		
	Revised Induction Training Course deployed	Quarter 1	Complete
	Training material updated to reflect development of Standard Operating Procedures	Quarter 1	Complete for 14 SOPs rolled out
11	Work Place Coaches		
	Trial and review approach in 2 Areas	Quarter 1	Complete
	Select and train Work Place Coaches	Quarters 1-3	Delayed commencement – case is proceeding through investment appraisal process
12	Modern Apprenticeships		
	Over 1000 apprenticeships will be trialled in a number of selected Areas	Quarters 1-4	On schedule – recruitment taking place in August
13	“My Development” Managerial training		
	9 courses, involving over 600 managers already completed	Quarter 1	Complete
	13 courses per Quarter planned for Q1, 2, 3 and 4 in 05/06	Quarter 1	4 courses completed in Q1 and 14 planned for rest of year
	Course content updated to reflect development and deployment of IQA elements, notably Self Audit, Standard Operating Procedures	Quarter 1	Complete
14	Behavioural Workshops		
	Workshop support materials made available	Quarter 1	Delayed but will be complete by end of Q2 (CWU national officers and senior RM representatives to

			attend workshop on 1-2 Sep 05)
	Deployment of Workshops	Quarter 1	Delayed but will be complete by end of Q2. Now a Q2 activity.
15	Resourcing		
	Continuing migration of temporary staff to permanent status and to ensure both vetting of new employees and adequate training and support of casual staff	Ongoing	Ongoing as planned
16	Attendance Management		
	Complete Attendance Procedure negotiations with Trade Unions	Quarter 1	Delayed
	Reshape and implement the 04/05 Attendance Incentive scheme	Quarter 1	Complete
18	Royal Mail Way		
	Deployment of Royal Mail Way into 6 Mail Centres	Quarter 1	Complete (also deployed in Edinburgh MC)
	Phase One – set up and capability building	Quarter 1	Delayed but now proceeding as per new timetable
	Phase Two – Core Implementation	Quarter 1	Delayed but proceeding as per new timetable
	Pipeline Specific Improvement Activities		
19	Collections Performance		
	Full utilisation of ABC data in Collections Performance Management	Quarter 1	ABC fully deployed. New networked system delayed due in part to technical difficulties. Roll out extended to Mar 06
20	Production Management and Control - Workload Scheduling Tool rollout		
	Workload scheduling tool design stage complete	Quarter 1	Complete
	Pilot Application	Quarter 1	Complete
	Business Case presentation	Quarter 1	Complete
21	Auto-utilisation		
	Design diagnostic tool	Quarter 1	Complete
	Deploy key performance indicator to show measure % automated against capacity for each Mail Centre	Quarter 1	Delayed – interim solution deployed to ‘test logic’ before system developed, de-risking investment. Will be fully automated by Sep 05
22	Network Performance Management		
	Daily conference calls and monitoring of adherence to “Move to Time” policy. Audits of compliance at units and review of contingency arrangements	Ongoing	Ongoing as planned
23	Deployment of DMS		

	Initial trial activity of system	Quarter 1	Complete
	Detailed Proof of Concept trials in 2 Areas	Quarter 1	Complete
	Full Business Case submission	Quarter 1	Delayed
26	Ongoing conveyance of mail by rail		
	Trial ends	Quarter 1	Complete
	Trial evaluated	Quarter 1	Complete
	Decision made	Quarter 1	Complete
27	Air Network Review Investment Programme		
	See Table 2 for details		
29	Bagless Network – Mailsort Traying		
	Trials underway	Quarter 1	Complete
	Business case presented	Quarter 1	Case not presented following prioritisation exercise
32	Delivery Best Practice		
	Establish resource and design training programme	Quarter 1	Complete
	Roll out Best Practice initiative	Quarters 1-2	Delayed but proceeding
	Product Specific Improvement Activities		
33	Special Delivery Product Review		
	Review commences	Quarter 1	Complete
	Review findings presented to Operations Executive	Quarter 1	Complete
	Review findings presented to Letters Board	Quarter 1	Only element outstanding is product specification itself – work still ongoing on this.
34	Standard Parcels Review and Performance Management		
	Analysis of Standard Parcels Quality loss	Quarter 1	Complete
	Communication of issues to high impacting units	Quarter 1	Complete
	Ongoing monitoring of Standard Parcels Quality loss	Quarter 1	Performance closely monitored and now back on track
	Performance review by Operations Executive	Quarter 1	Complete
	Additional remedial action planning where required	Quarter 1	Complete
35	PPI QTL Review and next steps		
	QTL exercise deployed	Quarter 1	Deployed and ongoing
	Ongoing analysis of QTL exercise findings	Quarter 1	Deployed and ongoing

	Extension of QTL study	Quarter 1	Complete
36	Response Services – maximise performance and new product migration		
	Performance Management of existing Response Services product in order to maximise performance	Ongoing	Ongoing as planned
	Customer incentives to migrate to new product	Quarter 1	Migration slower than expected
	Other Generic Activities		
37	Performance Management		
	Performance Management process	Ongoing	Ongoing as planned
38	Independent Audit		
	Rolling programme targeting high impact units	Ongoing	Ongoing as planned
39	Quality Excellence Taskforce		
	Rolling programme of taskforce reviews targeting poor performing Postcode Areas and individual high impact units	Ongoing	Ongoing as planned

The following table provides an update on new activities which were introduced in Quarter 1 or planned for in Quarters 2-4 that were not outlined in the original Quality of Service Plan.

Table 2: Update on new activities introduced in Quarter 1 or planned for in Quarters 2-4 (not included in the original Quality of Service Action Plan)

	Activity	Schedule	Status
18	Royal Mail Way		
	Additional deployment of Royal Mail Way into Edinburgh MC	Quarter 1	Complete
	Contractual negotiations with external consultants	Quarter 2	
	Consultants working with seven sites	Quarter 3	
24	Distribution Planning Tool		
	Purchase Paragon software	Quarter 1	Complete
	Train Paragon schedulers	Quarter 1	Complete
	Establish and cleanse current state national duties	Quarters 1-3	Progressing as planned
	Produce initial Paragon schedules	Quarters 1-3	Progressing as planned
	Operational input verification	Quarters 1-4	Progressing as planned
	Develop full Deployment Plan	Quarter 4	
25	Double Decker Trailers		
	Purchase initial 40 Double Deck trailers	Quarter 1	Complete
	Resolve site restrictions at 6 key Network sites	Quarter 1	Complete
	Devise phase 1 deployment plan	Quarter 1	25 of initial fleet deployed
	Build business case for resolving site restrictions at other key Network sites	Quarter 2	
	Devise phase 2 deployment plan	Quarters 2-4	
27	Air Network Review Investment Programme		
	New Management structure at airports	Quarter 3	Authority progressing, funding in place, resourcing process in place.

	Provision of Bomb Box at key network sites	Quarter 2	Concurrence received from EOD (Army), Airport Approval now being sought at East Midlands Airport in the first instance to understand process. Funding in place.
	Additional handling staff at specific airports	Ongoing	4 additional handlers agreed for Bournemouth Airport.
	Upgrades and alterations to specific air routes	Ongoing	Ongoing review in line with contract renewals
	Improvements at East Midlands Airport – business case approval	Quarter 2	
	Additional handling equipment at key airports	Ongoing	Ongoing - plans well advanced to replace/enhance equipment provision at East Midlands, Edinburgh and Liverpool Airports.
30	EU Working Time Directive - Risk		
	Establish the High Level Impact in Network and Royal Mail Logistics areas	Quarter 1	Complete
	Develop detailed unit level impact assessment and solutions	Quarters 1-4	
	Develop monitoring tools to ensure compliance	Quarter 4	
35	PPI QTL Review and next steps		
	Extension of review to examine 2 nd Class product	Quarter 2	
	Postcode Area QTL Testing		
	Introduction of QTL testing to support root cause analysis and fix activity for PCAs failing to perform at Minimum Floor level	Quarter 2	Studies commenced

1st CLASS STAMPED AND METER

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
93.5%±0.2%	92.0% - 93.0%	93.0%

Overview

At 93.5% 1st Class Stamped and Meter has performed strongly in Quarter 1, exceeding both the full year cumulative licence target level and the planned range as set out in the National Quality of Service Actions Plan (note: The Quality of Service action plan sets out the planned performance levels for each Quarter that are required to secure the full year cumulative target – taking seasonality into account) and continues the trend of improved performance in 2004/5.

The result for Quarter 1 is above full year cumulative target level, exceeding that target by 0.5%. This full year target of 93.0% is a new higher target, having increased 0.5% on the target for 2004/5. 93.5% also represents an improvement of 0.7% on the performance achieved in the previous Quarter, i.e. Quarter 4 2004/05.

The result for Quarter 1 is the best quarterly result since comparable records began in 1995/96.

This strong performance at the start of the year provides some reserve should unforeseen Force Majeure incidents e.g. extreme weather, affect service during the remainder of the year. On this basis, and based on the progress being made with regard to specific actions in the 2005/6 QoS plan (see below for details), we are confident that the full year cumulative target can be achieved.

National Quality of Service Action Plan- Quarter 1 Update

The theme established by the Chairman and Chief Executive of “relentless focus on Quality” during 2004/5 focussed attention and action on the core basics underpinning Quality of Service and resulted in the much improved Quarter 3 and Quarter 4 performance which has formed the foundation for further improvement in 2005/6. Many specific activities were undertaken e.g. the deployment of Access Bar Coding and the National Distribution Network improvements, but it has been the focus throughout the business on adherence to defined standards and basic error reduction across the entire pipeline that has been the overall driver behind the generic improvements witnessed in Periods 5-12 of last year.

This focus continues and the excellent results seen in Quarter 1 of 2005/6 are testimony to this. The Chief Executive continues to meet with the

Operations Executive on a weekly basis to discuss issues affecting Quality of Service¹. Conference calls and meetings take place on a daily, weekly and monthly basis at all levels across the entire pipeline to ensure that issues are escalated quickly and that appropriate action is taken. (During Quarter 1 Postcomm have met with the Area General Managers of 4 Areas in order to understand the rigorous performance management processes that are in force in all Areas.)

The National QofS Plan for 2005/6 has been shared with Postcomm and Postwatch. It details several areas where, following the establishment of a solid foundation last year, the consequent improvements in quality will be both sustained and, where possible, improved in line with the higher targets set for 2005/6. As stated in the plan, we aim to build on the successes of 2004/5 by progressively tightening the definition of how we do things and engaging our people in a total quality way of working.

The Integrated Quality Approach (now known as Delivering Improvements Yourself, DIY for short) focuses on further defining standards within the operation and delivering robust performance management against those standards. It will provide the tools and information by which Quality of Service can be better monitored and improved. The People Programme, which is at the core of the 2005/6 approach, will support this in deploying a number of culture change initiatives designed to engage all employees in a Quality focussed way of working. It aims to embed a culture of “relentless error reduction” into the day-to-day operation.

Below are detailed the key activities contained in the 2005/6 Quality of Service Summary of Actions (updated version dated 31/5/05) and progress against the elements within them. Progress has been slower than originally planned on some initiatives and some activities now have revised timescales for deployment. There are various reasons for this. However, it should be understood that delays are against the background of record Quality of Service results, above the Licence targets, in Quarter 1 and therefore have only occurred to ensure that the initiatives are carried out in a way which secures successful and effective deployment whilst minimising any risk of service disruption whilst deployment is completed.

In some areas, particularly where we are not currently on track to meet the full year cumulative target for a product e.g. 2nd Class PPI, action is being pushed hard in order that improvement is made as soon as possible. However, on some of the more technical and sophisticated elements e.g. the Quality Dashboard and Standard Operating Procedures, the tight timescales given in the QofS Summary of Actions for 2005/6 plan have been extended to allow for thorough testing and modification based on user feedback. Similarly, in the more Industrial Relations sensitive areas e.g. deployment of the new National Workplan, new Attendance Procedure and new IR Framework, more time is being taken in order that the full benefits will be realised without risk of service interruption in accord with our critical approach to risk management.

In summary we are focusing on consolidating the excellent gains made in Quality of Service through the later part of 2004/5 and during the first months of 2005/6 whilst pushing hard to improve performance on products with weaker results.

¹ This meeting also reviews weekly Collections and Delivery USO performance.

Delivering Improvements Yourself (previously named Integrated Quality Approach or IQA)

DIY is the generic title given to a series of interrelated initiatives, each one of which has a detailed activity plan which is subject to project control disciplines. Some of these initiatives commenced in previous years but the effectiveness of their deployment is being reviewed as part of the DIY programme.

1. National Workplan

The national workplan exists to provide a standard way of working across the entire Royal Mail network by containing clear definitions of product arrival and despatch times at each point of the pipeline. However, the operation is constantly evolving and a new workplan has now been developed to support further improvements in performance. It focuses on giving clearer accountability for products. It does this by ensuring that products are processed on a single shift, the result being that the shift are responsible for the clearance and despatch of that product.

The new workplan has been developed but has not been rolled out as per the schedule laid out within the plan. We have postponed roll out (due Quarter 1) in order to maximise the benefits gained from what will inevitably be a major change within units. Consultation with the CWU will obviously be a key factor in the successful deployment of the plan and this must be timed with care. Thus, in order to provide for as smooth a transition as possible to the new arrangements preparation has been made in important areas needed to support deployment. Meanwhile, standards for the current workplan are being reinforced through clarification of reporting guidelines and compliance to workplan is routinely tested through daily reporting and audit procedures.

2. Standard Operating Procedures (SOPs)

Standard Operating Procedures define how each task in the mails pipeline should be performed and describes the detail below the National Workplan level. They provide the basis for a consistent way of working by detailing the procedures to be followed for frontline activities in a clear and easy to understand language. There are some 250 plus SOPs to cover the entire pipeline.

As part of the on-going development programme joint working groups of frontline staff, managers and trade union representatives have been established to review the effectiveness of the all the SOPs and to revise and update them as necessary. The working groups have identified that some SOPs need to be simplified to make them more meaningful for our postmen and women and enable them to comply with the SOPs on a day-to-day basis.

The first 14 critical Customer Facing SOPs have been through the full development cycle and were re-launched to frontline employees in June. Approximately 100 further SOPs are now in the review cycle with a target completion date of mid August. Review of the remaining mandatory SOPs has been delayed slightly whilst the project team incorporated all of the learning and user feedback from the re-launch.

For Managers, the link between self-audit and SOPs has been made more explicit.

3. Individual Performance Standards (IPS)

Following their re-launch in 2004/5 Individual Performance Standards continue to be used in day-to-day management to ensure adherence to standards. IPS will be also used to support specific programmes e.g. the deployment of Standard Operating Procedures. Work Place Coaches will use IPS in order to support new entrants and they will continue to form part of the induction training for all new entrants.

Work is continuing in this area to improve the use of standards to improve efficiency and effectiveness in operational units. Activities are also being targeted to produce a user-friendly system for operational managers to plan the resourcing of their unit and improve efficiency and effectiveness.

4. Self Audit

Self Audit has been introduced to monitor adherence to standards on a daily basis. The Self Audit questionnaire requires Delivery Office Managers and Work Area Managers (in Mail Centres, Regional Distribution Centres and Network Hubs) to focus on key elements of the pipeline operation. Failure against a key question prompts consideration of a drop down menu of enablers and root cause steers by the manager. These daily audits are supported by weekly reviews by first line managers, monthly reviews by second line managers and a quarterly review of performance by the Area General Manager.

Self Audit was introduced into Mail Centres and Delivery Offices as scheduled. Although benefits cannot be quantified in terms of claiming specific Quality improvement, the approach is a generic enabler. As described to Postcomm previously, ensuring daily focus on key standards and associated outputs will underpin Quality improvements. Self Audit provides a daily review and remedial planning opportunity and feeds in to the more formal monthly performance management.

Self Audit continues to be supported and supplemented by a programme of independent audit activity where we audit each Mail Centre once per quarter, each Regional Distribution Centre and transport hub once per year, and also aim to audit each Delivery Office once per year.

5. Manpower Planning

Lack of totally effective manpower planning in the past resulted in Quality and Universal Service Obligation failures because units were not always adequately resourced. The Royal Mail Executive Board identified the need to strengthen controls regarding resource planning disciplines and therefore install reliable forecasting and planning processes. From this an objective was set in late 2004 for a uniform approach to manpower planning to be created and implemented in all operational units by the end of the 2005/06 financial year.

A project team was established in August 2004 to facilitate the development, deployment and launch of a planning tool. The project team's sole aim was to support and deploy the tool within all operational units and to establish a reporting structure within Business Warehouse, Royal Mail's central data consolidation function. This was done and the requisite Excel based tool has been deployed. This tool enables operational managers

to plan their resource needs on a one-off basis for 52 weeks and then to maintain a rolling (weekly) update of this on a 13 week basis. The key benefits for operational managers are that:

- Trends in resourcing can be factored in to weekly decisions around resource needs
- An annual leave control system is included
- Recruitment teams have advance notice of impending vacancies and commence recruitment in advance of vacancy occurring (this is particularly important during the transition from summer to 'autumn pressure - when traffic volumes suddenly rise and higher resourcing levels are required to handle the increased workload).
- This reduction in vacancies also means Operational Managers become significantly less reliant on Agency staffing

The current project team are focusing on improving compliance with the use of the Manpower Planning Tool, improving the quality of the data and hence the decision making process, and identifying and implementing process improvements to secure benefits for all concerned.

6. DIY Systems – Quality Dashboard

The Quality Reporting System or "Quality Dashboard" will enable operational managers at every level to access a pictorial synopsis of performance in any or all parts of the pipeline, for any given time period. Based on real time data, information provided will show improvement opportunities within the pipeline, allowing individuals to drill down to their office or work area to identify the impact that the performance of a constituent part has upon the whole.

Preliminary user testing of the Dashboard was completed as scheduled in Quarter 4 of 2004/5. Since then, many modifications have been made to the system to improve it and, as a result, the roll out was initially limited to 3 of the 15 areas planned for Quarter 1 deployment, to ensure that any teething problems encountered were dealt with very early in the programme.

Following further modifications the revised system was rolled out to all Areas, being made available to Area Commercial Managers and Quality Analyst Managers during July. Access for the remaining members of Area Management Teams will be restricted until further user testing has been completed.

7. RFID

New investment is being made by Royal Mail in the form of Radio Frequency Identification technology. RFID tags will be used by the external End to End measurement agency in sample items posted by panellists. They will also be made available to Areas so that local diagnostic studies can be undertaken as required. The tags will be recognised by sensors as items enter and leave our buildings and the event recorded². The

² Clearly these events will still be 'invisible' to the Royal Mail operation and there will be a suitable delay between the event and the provision of the data to ensure delayed items can not be influenced by Royal Mail.

information made available will provide detailed performance data for specific units and identify where and when delay is occurring, allowing managers to pursue specific remedies.

All Mail Centres and main Distribution Hubs will be fitted with the sensors, the devices being fitted to all entrances and exits of a building. Additionally, a number of mobile sensor units will be purchased which can be temporarily installed in work areas or smaller units e.g. Delivery Offices as necessary.

Minor delays have taken place in the deployment of RFID due mainly to technical difficulties encountered. Postcomm and Postwatch are already aware following a presentation given on RFID that concerns were raised about the incompatibility of the new tags with existing automation equipment. Metal detectors integral to Integrated Mail Processor (IMP) machines detect metal contained in any mail items and reject the item from the machine in order to protect the machine and mail piece from damage. There is evidence that these detectors will reject items containing RFID tags. Obviously, concerns were focussed on both the possibility of damage occurring to machines but more significantly that the items, being rejected, would proceed on a manual processing path through the operation. This might then skew any results based on those samples.

A technological solution has now been found which overcomes this problem and consequently the first order has been raised to purchase the equipment required for the Phase 1 Pilot. This pilot will take place in Glasgow, Edinburgh and London South Mail Centres plus Stansted Airport. Preparations are now well underway for this pilot with an anticipated 'go live' date of September/October for these sites (the 4 sites will be deployed sequentially to ensure each pilot site can be fully supported during the introduction of the new hardware and software associated with the RFID programme).

DIY Deployment – Change Managers, Training and Capability, and Communications

Key to the successful deployment of DIY initiatives is a targeted communications plan and support via enhancements to frontline and managerial training. Area Change Agents and Area Champions will also support the deployment, receiving training on the elements of DIY.

Area Change Agents are typically members of the Area Management Team or other key personnel nominated by the Area General Manager to lead deployment within the area. Each Area has been asked to nominate at least 3 people to be DIY Change Agents.

Area Champions are senior members of the National Quality Team. Their role is to form a link between the Change Agents and the central project team, providing a conduit for feedback and support as deployment proceeds. There will be one Champion assigned to each Area.

The selection of Area Change Managers and Champions to support deployment of DIY modules has been completed and training of these key personnel took place in July.

Training events for Change Agents have taken place throughout July but, given the higher than expected volume of people being put forward by

Areas, will not be completed until mid August. The training consists of a comprehensive 3 day workshop focusing on each specific initiative. Attendees are being given a package of material to take back and share with the Area team. This initiative demands a significant culture change within Royal Mail and this task should not be underestimated. Although there is a delay to the planned timescales, the extended reach and thoroughness of the training will ensure that deployment of initiatives is smooth and less likely to encounter difficulties.

The communications programme for DIY initiatives is in step with deployment, with tailored comms being made through the available channels. An introduction to the programme was communicated to both Area Managers (via the Area Managers' Pack weekly e-mail and face-to-face briefing) and to frontline managers (via the Ops Daily e-mail and face-to-face briefing) in June. An animated presentation on DIY was given to the Holdings Board.

Amongst many related communications made in July, the Today publication (sent to all managers) was used to boost awareness of DIY, including a competition to elicit ideas from frontline managers on how to avoid errors that hinder improved quality. Contributors of the ten best ideas were rewarded with £100 each. Further comms were released in the AGMs pack regarding milestones for the programme.

People Programme

Work Time Learning (WTL)

Work Time Listening and Learning sessions will continue to play a critical role in engaging our people through regular dialogue on important issues. WTL will be supported by issue specific "Talkabout" packs that provide a regular opportunity to collect employee input on key business issues.

WTL continues to be used in units to provide a two-way exchange of information between managers and staff. Introduction of "Talkabout" packs to support managers in these sessions has proved useful. Most recently a pack was released to increase knowledge and stimulate thought on the commercial challenges that Royal Mail faces.

Surveys of front-line staff opinion support this in that a significant increase has been registered in the number of employees saying that they find the sessions useful in Quarter 1 2005/6 compared with Q1 2004/5.

Frontline Induction Training

Given the high level of attrition amongst new entrants, induction training will be reviewed and updated to ensure it fully meets the needs of new starters. The revised package will be integrated with, and supported by, the Workplace Coach role.

The Frontline Induction Training programme for new entrants has been revised to reflect the re-launched 14 Customer facing Standard Operating Procedures.

Workplace Coaches

This is a new role being introduced in 2005/6 with the specific objective of supporting and guiding new starters. Trained on adherence to key operational standards, Standard Operating Procedures and Individual Performance Standards, they will assist new starters in complying with our way of working. Coaches will not only promote the definitions of 'how' we do things but also 'why' we do them.

Workplace coach trials are nearing completion in two areas, those being South London and Central and South Midlands.

The focus of the trials is to deploy coaches to all units to deliver learning on the job, to improve knowledge retention and reduce the turnover of new entrants. Coaching is very much performance orientated and focuses on skills improvement. By introducing high profile coaching roles within the workplace in the two trial sites, Royal Mail seeks to deliver a key principle of Great Place To Work (GPTW) for all Operational colleagues, which is learning by best practice demonstration and learning by doing.

Have Your Say (HYS) and Exit interview feedback has also told us that new entrants must be given more organised training and support in the workplace to develop their skills and commitment to the organisation.

The trial Areas have coaches in units to welcome and support new entrants. The feedback on the new coaching based approach from new entrants (and coaches) is very positive and the interim trial results suggest a significant improvement in Have Your Say results and attrition rates.

A Business Case for a proposed deployment plan throughout Royal Mail is progressing through the RM Board and Investment Appraisal committee

Modern Apprenticeships

Royal Mail intends to trial a modern Apprenticeship scheme for its younger employees in 2005/6. The scheme is aimed at 16-24 year olds and will be supported by Work Place Coaches, induction training and line managers. The scheme will promote long-term careers with Royal Mail with staff closely supported and well trained throughout the Apprenticeship period.

Government funding has been confirmed for 1000 apprentices in Year 1 (Aug 05-Aug 06). During July adverts were placed internally and externally in each of seven Phase 1 areas. Following this recruitment days will take place and apprentices will start in August. The NVQ Level 2 qualification in Mail Services and 18 month learning programme, as well as a qualified NVQ Assessor, are in place. Trainers and area management teams have been prepared to support Phase 1 apprentices.

"My Development" Managerial training

Operational managers are a primary focus in terms of training and development in 2005/6 as they manage improved adherence to standards and reduction in errors. The "My Development" training course is a 3 day modular programme aimed at Delivery Office Managers (DOMs) and

Mail Centre Work Area Managers (WAMs).

There were 4 My Development courses run in Quarter 1 and in all a total of 320 managers received training.

There are a further 14 courses planned between Sept 05 and June 06. Each course has 96 places available but allowing for drop-outs and last minute alterations we forecast that 1,120 managers will be trained. All the courses will be open to WAMs and DOMs.

Behavioural Workshops

Partnership working between managers, union representatives and employees is seen as a fundamental plank to making key cultural changes in the Areas. Externally facilitated Behavioural Workshops and support will be made available to each Area Management Team for them to employ with the objective of assessing and understanding the specific behavioural issues that impact on engagement and performance.

Progress has been slow on this activity whilst we have shared our vision with the CWU and gained their support and buy-in. However, progress is now being made. The Operations Executive and the CWU National Officers will jointly attend a Behaviours Workshop on 1 & 2 September. The outcome of this workshop will determine how the programme will be rolled out to Areas.

Resourcing

In addition to better manpower planning and ongoing absence management it remains imperative that a stable and adequately skilled workforce is established. This ambition would not be well served by a resourcing mix that was high in temporary casual staff. Therefore Royal Mail will continue the programme started in 2004/5 to recruit permanent staff and, where appropriate, convert casuals to permanent employee status. This programme will be further supported by the deployment of absence management initiatives.

Building on the progress made in this area during 2004/5, we have continued to reduce reliance on agency casual staff and drive recruitment and retention of permanent staff.

In terms of recruitment we continue to recruit new employees at a rate of approximately 450 per week and are now recruiting at a faster rate than that which employees are leaving the organisation, thus reducing the vacancy gap. Retention is also better - we are now losing around 300-400 employees per week compared to around 600-700 per week at the same time last year.

There is still some reliance on agency staff but this reduced by over 50% since the same time last year. Also, of the current number, the majority are agency drivers, a specialist resource which we rely on to support our Network operation. Less than 2% of operational work is carried out by agency or Royal Mail casuals.

In addition, the ratio of permanent to temporary employees has also improved significantly. In Quarter 1 2004/5 over 7% of staff in post were on

temporary contracts. In the same quarter this year only 1.3% of Royal Mail employees are temporary status.

Attendance Management

The focus on achieving high levels of employee attendance, thus reducing the adverse impact which absence has on Quality of Service, will continue. A new Attendance Procedure is being developed in partnership with the Trades Unions and we will continue to incentivise good attendance through internal reward mechanisms.

Mixed progress has been made against this activity. In terms of developing and implementing a new Attendance Procedure problems have been encountered with regard to the negotiations with the unions. The CWU has advised us that they will not be continuing with negotiations in the current form. As a result we are currently considering a revised position and implications.

The extended time of negotiation (closer to a year rather than the planned for 3 months) will mean that the trial will be held back until September. However, this will allow incorporation of other core procedural changes covering Conduct, Poor Performance, Grievance as well as Attendance. Planning for this is underway. In the meantime, Operational Managers continue to focus on completing the existing procedures, such as return to work interviews, to maintain focus on reducing levels of sick absence.

Following its success last year the “Be in to Win” scheme has been re-launched in 2005/6. The scheme will consist of two six monthly draws with prizes of 39 Vauxhall Astra cars and smaller prizes of vouchers. Following feedback from employees from last year’s scheme, prizes are being equally distributed amongst “constituencies” (roughly aligning with operational Areas) with a draw taking place in each. Employees who qualified for the previous scheme will get an additional entry in the new scheme.

Industrial Relations Framework

Our objective for 2005/6 is to build a stronger relationship with our Trades Unions by improving behaviours between managers and representatives. We hope to introduce a new consultation framework that improves industrial relations by pushing accountability and decision making to local level. The initiative includes training on the new framework for all representatives and managers.

A joint statement was agreed with the CWU in time for it to go to the Union annual conference in June. We still have some important issues to deal with in order to agree the final version of the new IR framework. We aim to finalise negotiations in October, and then move to full introduction in the New Year.

Royal Mail Way

As stated in the 2005/6 Quality of Service Plan Royal Mail Way is a new long-term approach being implemented in Mail Centres, which is directly related to the objectives of DIY but is being prioritised to key units. The initiative seeks to embed a better way of working through deploying

standard tools and techniques, fit for purpose Management Information Systems and an engaged workforce. In essence Royal Mail Way is an acceleration of the DIY way of working for key Mail Centres, mirroring the objectives and deliverables of DIY.

Phase 1 implementation commenced in June for the seven Mail Centres selected. Phase 1 is expected to be completed on schedule in early August for six of the seven mail centres.

Phase 1 activities are:

- Establishing core mail centre “RMw” (Royal Mail Way) team who will be responsible for driving forward implementation over next twelve months
- Completing "Current state assessment" of mail centre from an operational and people perspective (includes communications, capability, change & customer measures)
- Initiate communications
- Identifying training needs and develop training plan
- Identify key data and measures required for programme going forward and establish collection and reporting mechanism
- Define audit process on agreed actions for Phase 1

Successful completion of Phase 1 for all seven mail centres will result in the following:

- Fully documented plan for individual mail centres that facilitates implementation of Phase 2 - 4
- Identification of any individual mail centre risks associated with successful implementation of Phase 2 - 4 and action plans to mitigate risks
- Communication plans for frontline staff developed and management confident in implementation

Only one Mail Centre is presently behind in establishing and delivering core actions from Phase 1. Tyneside Mail Centre experienced resourcing issues with senior mail centre management resulting in a delay in commencing Phase 1. This has now been addressed and the mail centre is now establishing its core team and commencing its planning activities. It is anticipated that Tyneside will now complete Phase 1 at the end of August.

Some delays have occurred to activities scheduled for Phase 2. The CWU national conference highlighted a number of concerns regarding Royal Mail Way and communications with the CWU are ongoing regarding these concerns. The Union has been provided with the Terms of Reference on RMw and the CWU Executive have visited Chester Mail Centre to get a better understanding of the initiative. Although communication activities with frontline staff in the seven mail centres are on hold, this is only likely to be a temporary situation which will be resolved shortly.

Contractual negotiations with external consultants will be commencing in late July/early August for the provision of operational expertise in continuous improvement approaches, tools and techniques. It is now anticipated that the consultants will be able to commence work with the seven sites from October - or Phase 3 of the Royal Mail way implementation.

Pipeline Specific Improvement Activities

Collections Performance

Royal Mail made a significant investment in new replacement Access Barcode (ABC) scanners in 2004/5 and the vast majority of collections now have the benefit of ABC capabilities. Activity in 2005/6 is focused on fully exploiting the ABC system.

Our original plan was to seek to deploy CMD (the new Collections Management Database), with Network ABC, across all 839 UK collection hubs between April and September this year. The objective is to provide a 'one-stop shop' collections system for management, planning and performance measurement. However, this is dependant upon two factors.

- 1) Successful design/development completion
- 2) Successful 'live' testing

Software issues and anomalies identified during the live tests in the Bradford sector of the Mid Yorkshire Area are now being addressed which have led to some delays in the deployment programme.

The planning for UK wide deployment has now begun. Territorial workshops are planned for September, then progressively collection hubs will be able to go 'on line' from November through to the end of March 2006. However, the trials in Bradford have highlighted the need for intensive cleansing of existing Collections databases before the benefits of Network ABC can be fully realized. The project team are now ensuring deployment plans build in sufficient time for this cleansing activity.

Production Management and Control – Workload scheduling tool rollout

The Production Control Strategy seeks to introduce simplified, integrated and standardised systems that create a culture of managing by fact, forward planning and continuous improvement at all levels in Mail Centres.

The key components of this strategy are:

- A Production Scheduling Tool that optimises flow and plans capacity;
- A Production Monitor that reviews production in real time; and
- A Time and Resource Management System that manages people information with a direct interface to current/future Human Resources and Finance systems.

Following successful proof of concept trials during 2004/05 – full deployment of the Production Scheduling Tool and the Production Monitor has commenced. The plan is to deploy these two elements first to 37 Mail Centres during 2005/06 and then to the rest of the Mail Centre Network

during 2006/07. Plans are in place to start proof of concept trials of a Time and Resource Management System in one Mail Centre during 2005/06. Assuming that initial testing proves successful extended trials are planned to take place during 2006/07.

Automation-utilisation

To consolidate quality gains and improve efficiency, activity is planned to drive up the utilization of our existing letter automation assets. The objective is to automate the maximum volume of letters to the maximum level of sortation.

The diagnostic tool has been designed and deployed to all Mail Centres.

Deployment of a new Key Performance Indicator has been postponed to ensure the measure drives the right behaviours before the investment is made and, in the meantime, an interim measure has been deployed to test the logic before the system is deployed.

Improvements will also be made to the way that traffic volumes are measured at various parts of the pipeline to ensure automation planning assumptions are robust. There will also be increased focus on maximising the volume of mail that is machine sorted early in the afternoon and early evening, i.e. pre 1800 hours. This will not only maximise machine utilisation but will help maximise the volume of mail on the main outward despatch and reduce pressure on the network operation.

In addition to this communications have been sent out nationally aimed at assisting Production Control Managers and managers who devise machine sorting plans (CRAMP Managers) in improving Walksort levels in their unit. A 'How to Fix' guide has been produced which helps these managers to review their automation plans to ensure that they are getting the most out of the machines.

Network Performance Management

Actions relating to the performance management within the Network are the ongoing monitoring and review of performance via daily conference calls, daily adherence to the "Move to Time" policy, audits of compliance at Mail Centres and Network hubs and a review of contingency arrangements within the Network.

Network daily conference calls are now embedded into Business as Usual. These review the previous night's network performance and agree remedial actions and assign those to individuals. Any further issues requiring Area activity are taken to the Territorial calls as required. Mail Centres which have been identified as having Network problems are scheduled for support from Network Improvement Managers, as required. Contingency plans for large network hubs have been progressed. A recent workshop has been held to cascade NDC and PRDC contingency plans to all involved parties.

An additional initiative that will assist in reducing the specific issue of Out of Course items (items being placed on the wrong vehicles) has also been introduced. Colour coded labels are now being used at the National Distribution Centre (NDC) in Daventry to assist with the cross-docking

process, the process during which mail is transferred between vehicles. Labels will be used on wheeled York containers to identify three types of mail:

- 'Direct' Yorks - those that do not require bag segregation and can be passed directly to the receiving Mail Centre
- 'Mixed' Yorks - those that contain bags for different destinations and require segregation
- Yorks with tight time connections (usually less than 40 minutes) which must be given priority in order to meet the departing service

Deployment of Distribution Management System (DMS)

Currently the RM Network operates limited information about the whereabouts of vehicles once they are out on the road. Electronic data capture of precise movements may be required in order to manage this key element of the network infrastructure.

Deployment of a Telemetry capture capability and an associated central management platform is being considered to provide effective real time management of network vehicles and allow for on day contingency deployment.

Two trials of the technology have now been completed - (second trial completed June 05) - with the objectives of the trials being: to prove the technology, assess the suitability of telemetry for Royal Mail and to validate any costs / benefits to the organisation.

A business case for national roll out is being considered to progress this initiative.

Distribution Planning Tool

Royal Mail is continually reviewing its Network design to ensure we have the most robust and efficient model. Improved planning technology is now available to support this activity.

Further to the 2005/6 Summary of Actions, milestones have now been confirmed for this activity. They are listed with progress against them:

- Purchase Paragon software - This has been completed - the software was purchased in August 2004
- Train Paragon schedulers - training began in August 04 and is forecast to continue until Dec 05
- Establish and cleanse current state national duties - March 05-October 05
- Produce Initial Paragon Schedules - May 05-February 06
- Operational input verification June 05 - March 06
- Develop full Deployment Plan - March 06

Double Decker Trailers

In order to help avoid the bulking out of services and the consequent delay in transporting mail Royal Mail is investing in Double Deck Road Trailers.

Milestones have now been confirmed for this activity. They are listed with progress against them:

- Purchase initial 40 Double Deck trailers – trailers have been purchased and are now being deployed
- Resolve site restrictions at 6 key Network sites – this has now been completed
- Devise phase 1 deployment plan – 25 of the initial fleet of 40 were deployed by July 2005
- Build business case for resolving site restrictions at other key Network sites – July 2005
- Devise phase 2 deployment plan – July-August 2005
- Phase 2 Deployment – September 2005-March 2006

Ongoing conveyance of mail by rail

A decision on the future use of rail as a transport mode was made early in the plan period. The opportunity to trial a new contract with GB Rail Freight was taken in 2004/05 and a one year contract has been put in place with the option to extend this as required. The contract consists of two trains, one northbound from London (Princess Royal Distribution Centre, Willsden) to Scotland (Wishaw) via Warrington (using Royal Mail dedicated rail facilities at each point) and a second train, southbound following the same route. Rail does not offer the opportunity for the scheduled conveyance of standard first class mail because the available time window is too short for distant journeys. The trains are being used to move standard second class mail and some bulk first class items on a scheduled daily basis. The use of rail has and will be extended in the event of contingencies, for example bad weather, road closure, terrorist activity and industrial action. Additional trains are also used on a planned basis, for example during the Christmas period and for significant national postings and as a stand by in anticipation of potential disruption to normal network arrangements.

Air Network Review investment programme

Investment is planned to support the Air Network. Activities are focused around addressing known problems or aspects of reliability and building a more robust infrastructure to deal with foreseen problems.

Milestones have now been confirmed for this activity. They are listed with progress against them:

- New management structure at airports – The authority for this is progressing. Funding and the resourcing process are both in place. Planned completion is now by October 2005.
- Provision of Bomb Box at key network sites – Concurrence has been received from EOD (Army). Airport approval is now being sought at East Midlands. Funding is in place. Expected deployment by September 2005
- Additional handling staff at specific airports – Ongoing review. 4 additional handlers agreed for Bournemouth Airport
- Upgrades and alterations to specific air routes – Ongoing review in line with Contract renewals
- Additional handling equipment at key airports – Business Case proceeding to plan, final authority expected Sept 05 with RFS July 06.
- Additional handling equipment at key airports – Ongoing – plans are well advanced to replace/enhance equipment provision at EMA/EDI and Liverpool Airports.

Bagless Network – Mail Centre flows

Activity in this area is aimed at reducing the use of bags for both pre-sort and standard tariff mail. A greater use of trays will reduce handling times and help to underpin adherence to our “Move to Time” policy. Further traying will also have the benefit of improving mails hygiene and of reducing the number of accidents and injuries associated with the movement of mail bags.

Planning is underway for a pilot to be undertaken from late September based on flows circulating via the Thames Valley hub. The pilot will gauge net impact over despatching office, Network and receiving office with the objective of determining viability of wider deployment in the general network.

Bagless Network – Mailsort Traying

Detailed in the Quality of Service plan was an initiative to consider the progressive conversion of Mailsort customers to using trays.

Following a budget prioritisation exercise it was decided to defer consideration of this initiative.

EU Working Time Directive (risk management)

There are proposals currently under discussion in the European Parliament to widen Working Time Directive legislation to drivers and to remove the current Royal Mail exemption on vehicles carrying postal packets. This will require extensive duty rescheduling to make sure that Royal Mail drivers comply with legislation. The activity in the 2005/6 plan is to prepare for the impact of this legislation by scoping the potential effect on the Network and the Collections operation.

Milestones have now been confirmed for this activity. They are listed with progress against them:

- Establish the High Level Impact in Network and RML Areas – This has been completed
- Develop detailed unit level impact assessment and solutions - May 05- Mar 06
- Develop monitoring tools to ensure compliance - Mar 06

7.5 tonne vehicle speed restriction to 56mph (risk management)

Impending legislation will restrict the speed of 7.5t vehicles to 56mph. Our current network relies on the speed of 7.5t vehicles (70mph) to meet the connections required in our current network model. The speed restriction will widen the time window required for the network. This will impact upon inward processing capacity and therefore the time at which mail will be made available for delivery. The impact of these speed restrictions on Royal Mail’s operation should not be under-estimated and could require significant restructuring of the pipeline. The activity in the 2005/6 plan is to scope the impact of the legislation on the design of the network.

- Scope and define pipeline impact of 740cf Speed restriction – Completed June 2005
- Define outline business response Provisional – Completed June 2005

- Engage stakeholders in defining the business response - End August 2005
- Plan pipeline changes - Sept 05-Sept 06
- Implement the Operational changes - Jan 07-Jan 08

Delivery Best Practice

The project aims to ensure robust base data accuracy providing a platform for all offices to operate to best practice standards on a day-to-day basis. The initial focus of the improvement opportunities will be on poorer performing units.

The Resource and Design training programme has been completed to schedule at the end of Quarter 1 of 2005/6. Since then we have started to undertake a trial of the first tools within a few offices to ensure balance and stable application of standards. This will ensure that any teething problems encountered are dealt with very early in the programme. This will also ensure that all interested parties are aware of the impact and results of the programme of change thereby minimising any risk to customer service.

Following further modifications from this trial the programme will be rolled out to Areas, albeit with some delays to the planned timescales. It will first be made available to the priority offices and then to all offices. Once fully deployed the tools will continue to evolve. A full review will also be conducted at the end of the project.

Performance Management

As mentioned above in the introduction to this section, Quality of Service continues to be monitored at every level of the operation and by the Operations Executive on a weekly basis. Issues are flagged up via daily conference calls and dealt with in a timely manner. The National Quality Forum meets on a monthly basis to identify any problem areas in the operational pipeline and decide on appropriate corrective actions that are then assigned to individuals. Progress against the Quality of Service Action Plan is also monitored at these meetings. Any barriers to the completion of specific activities are discussed and decisions made to move things forward. Information is also shared regarding the initiatives in order that members are fully informed and able to assist in supporting the programme.

Independent Audit

Independent audit continues into the current year, providing both focus on and support for units with performance or adherence to procedure issues. The approach supports and provides a check of the Self Audit system now in place in units. During Quarter 1 of 2005/6 the CAS team performed 75 Mail Centre Audits, 9 RDC Audits and 443 Delivery Office Audits.

Quality Excellence Taskforce

The QEX taskforce focuses on benchmarking good practice in high performing postcode areas and improving performance in areas that are either failing Minimum Floor targets or having a significant negative impact on national performance of a specific product. Activities undertaken in Quarter 1 included:

- A review of RDC operations in 5 of the main units
- A review of good practice in 3 Areas (Aberdeen, Chester and Watford)
- Intervention in North London and Southampton Areas
- A review of the Special Delivery locker process and of the operation in Mount Pleasant, Jubilee, South London, Crewe, Sheffield and Glasgow Mail Centres
- Development of a new Special Delivery audit process for inclusion in the National Audit process

MINIMUM POSTCODE AREA TARGETS

Review of Results

1st Class Stamped and Meter Posted

The schedule of minimum service standards requires all Postcode Areas (excluding HS, KW and ZE) to achieve an average performance of at least 91.5% for 1st Class Stamped and Meter Posted to the UK throughout the 12 month period ending March 2006, excluding the Christmas and New Year period. Progress against this standard is shown in the table below:

Quarterly Cumulative Results

Number of Postcode Areas Averaging 91.5% or above for 1 st Class Posted Stamped and Meter		
Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
111 of 118	80 - 90 of 118	118 of 118

We do not expect all postcodes to be achieving the full year target level at the beginning of the year as a single month of weaker performance with wide statistical accuracy can have a significant effect on the cumulative result, which is designed to be statistically accurate on an annual basis. Obviously, as the year progresses the impact of that single month will decrease. This is reflected by the forecasts made and, as the table above indicates, that 111 postcode areas were on or ahead of full year target level at the end of Quarter 1 is a good result. (NB the target level has increased from 91.0% in 2004/5 to 91.5% in 2005/6.)

The table below provides information on the 7 Postcode Areas that are currently below the floor target level and the results required during the remainder of the year in order for each to achieve its full year cumulative target.

On the 22nd March 2005 a security alert took place at the National Distribution Centre in Daventry caused by a 'white powder' incident. This resulted in the full evacuation of the unit and consequent delay to significant volumes of mail. In addition to the actual results the table indicates the effects that this incident had on Posted Quality of Service for the 7 Postcode Areas currently below full year target level and the adjusted rest of year requirement if the samples affected by this Force Majeure incident are discounted.

As the table shows, none of the 7 postcode areas currently below target at the end of Quarter 1 are considered to have a shortfall against the licence target level which is not recoverable in the rest of the year.

Postcode Areas currently below licence target level for 1 st Class Posted Stamped and Meter and the results when adjusted for the incident at NDC				
Postcode Area	Quarter 1 Result	Rest of Year Requirement	Q1 Result adjusted for NDC incident	Rest of Year Requirement adjusted for NDC incident
SW London SW	89.9	92.0	90.2	91.9
BS Bristol	90.2	91.9	90.8	91.7
NN Northamptonshire	90.7	91.7	90.9	91.7
WF Wakefield	90.8	91.7	90.8	91.7
CH Chester & Deeside	90.9	91.7	91.2	91.6
NP Newport	91.1	91.6	91.1	91.6
LL North Wales	91.2	91.6	91.2	91.6

To support further improvements in Minimum Floor performance, a programme of Electronic Quality Test Letter (QTL) studies has commenced in Quarter 2. The postcode area firstly carries out desktop analysis to understand where in their local pipeline delays appear to be occurring, e.g. problems may be occurring in a particular Delivery Office or Collection Hub. The National QTL team then floods this part of the pipeline with QTLs to help provide a clearer understanding of what exactly is causing the delay.

1st Class Stamped and Meter Intra

The schedule of minimum service standards requires all Postcode Areas to achieve an average performance of at least 92.5% for 1st Class Intra Stamped and Meter throughout the 12 month period ending March 2006, excluding the Christmas and New Year period. Progress against this standard is shown in the table below:

Quarterly Cumulative Results

Number of Postcode Areas Averaging 92.5% or above for 1 st Class Intra Stamped and Meter		
Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
118 of 121	95 - 105 of 121	121 of 121

With 118 of 121 Postcode Areas currently achieving or exceeding the target of 92.5% 1st Class Stamped and Meter Intra floor, Quarter 1 shows a strong performance.

As explained in the section above on the Posted to UK licence levels, we do not expect all Postcode Areas to achieve full year target level at the beginning of the year as the effect of a single poor performing month significantly affects the cumulative result.

The table below provides information on the 3 Postcode Areas that are currently below the floor target level and the results required during the remainder of the year in order for each to achieve its full year cumulative target.

As the table shows, none of the 3 postcode areas currently below target at the end of Quarter 1 are considered to have a shortfall against the licence target level which is not recoverable in the rest of the year.

Postcode Areas currently below licence target level for 1 st Class Stamped and Meter Intra		
Postcode Area	Quarter 1 Result	Rest of Year Requirement
HS Hebrides	89.1	93.5
CV Coventry & Warwickshire	92.4	92.5

DD Dundee	92.4	92.5
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2nd CLASS STAMPED AND METER

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
98.6±0.2%	98.0 – 98.5%	98.5%

Overview

At 98.6% 2nd Class Stamped and Meter has performed well in Quarter 1, continuing to maintain the results achieved in 2004/5. The results are 0.1% ahead of the full year cumulative target level and also ahead of the range we forecast. We are confident that the full year cumulative target can be achieved.

National Quality of Service Action Plan - Quarter 1 Update

2nd Class Stamped and Meter continues to benefit from the generic improvement activity detailed in the 1st Class Stamped and Meter section of this report.

1st CLASS POSTAGE PAID IMPRESSION

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
91.3±0.3%	90.0 – 92.0%	91.1%

Overview

We are delighted that the results for this product, having improved consistently throughout last year, have performed above the higher target level during Quarter 1. The 91.3% quarterly result is the best since Quarter 1 1997/8.

National Quality of Service Action Plan – Quarter 1 Update

The PPI 1st Class QTL study has had a significant impact on the results for Quarter 1. The study has now been extended to cover a greater number of End to End posters. Traces continue to be analysed, and shared with Areas on a weekly update basis, highlighting Quality of Service delay and identifying root causes. Continued testing will be re-evaluated on a Quarterly basis.

At 91.3% we are currently 0.2% ahead of target level. However, this product travels further, on average, than 1st Class Stamped and Meter mail and hence is more dependent on the network. Hence, being 0.2% ahead of target gives some 'headroom' for any impact winter weather may have on the transport network.

2ND CLASS POSTAGE PAID IMPRESSION

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
96.8±0.5%	96.5 – 97.5%	97.4%

Overview

At 96.8% 2nd Class PPI is currently below and at risk of failing the full year cumulative target of 97.4%.

Performance against this product is within the forecast range but now requires an average result of 97.6% for the remainder of the year to achieve target.

National Quality of Service Action Plan – Quarter 1 Update

Whilst this product has shown a slight improvement in performance during Quarter 1 the product remains below target, albeit the quarterly confidence level of the result is + / - 0.9%. We are disappointed with this result given the fact that both the two most closely related products – 2nd Class Stamped and Meter and 1st Class PPI – have achieved significant improvements.

We therefore intend to take steps to provide generic improvement diagnostics, via a programme of QTL testing, working with Research International to identify high impacting postings, and targeting these flows with QTL provision. Generic quality delay causes will be identified to provide national communications for all Areas on improvement activity.

The product will also benefit from the generic improvement activities detailed in the 1st Class Stamped and Meter section of this report.

1ST CLASS RESPONSE SERVICES

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Licence Target	Full Year Cumulative QofS Plan forecast
88.0±1.8%	77.5 – 80.0%	90.8%	80.0%

Overview

The Quality of Service plan submitted to Postcomm and Postwatch confirms that the licence target level is not realistic for the product specification and for this reason we developed and launched in 2004/5 a new but complimentary set of products which are designed to achieve the Quality of Service levels set in the licence. We are still required to measure and monitor the performance of the existing products and report in this document.

The Quarter 1 result is significantly better than the Quarter 1 forecast for the existing product presented in the Quality of Service plan and we are confident that the internal target will be achieved. We continue to focus on driving improvements in the Quality of Service for the existing products and the result for Quarter 1 is the best quarterly result on record (for which comparable results are available back to 1995/6).

National Quality of Service Action Plan – Quarter 1 Update

A great deal of activity is underway both to increase the volume of Response Services mail being sorted by our machines, which is the principal driver for the Quality of Service improvement for the existing products, and to migrate customers to the new Response Plus products – Business Reply Plus and Freepost Plus.

Progress against our strategy of automating more RS mail continues as planned. The performance figures read:

- RS recognition is up from 5% to 20% (of total RS items including manual)
- The percentage of billable items (as identified by the mech) is up from under 7/8% to 55%
- The percentage of actually billed items is up from less than 10% to 35%

In terms of how progress in customers taking up the new product, we are currently licensing at the rate of approximately 200 new licences per week. This figure is below expectation and these are the key reasons:

- The volume of old stationery stock levels – particularly volumes held by our larger customers (they want to run these stocks down before moving)
- Response Services is not generally a critical part of customers' day-to-day operation, and so the challenge is for us to assist them through

the migration process (this is especially so for customers with large numbers of licences). We are responding to this.

2ND CLASS RESPONSE SERVICES

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Licence Target	Full Year Cumulative QoS Plan forecast
93.5±1.3%	91.0 – 93.0%	97.5%	92.5%

Overview

At 93.5%, 2nd Class Response Service is not performing at Licence target level. Performance of the product for Quarter 1 is however ahead of the range planned for in our Quality of Service plan and likely to achieve or exceed the 92.5% full year forecast.

National Quality of Service Action Plan – Quarter 1 Update

As with 1st Class Response Service, the National Quality of Service plan recognises that the 97.5% cumulative target level is not achievable with the existing product and service specification. The reasons for this are described in the 1st Class Response Services section of this report.

The National Quality of Service plan does not contain any unique activities specific to 2nd Class Response Services performance. However, the generic activities described in the 1st Class Stamped and Meter section of this report and the specific activities described above for 1st Class Response Services will support improvements for this product.

SPECIAL DELIVERY

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
98.9%	99.0%	99.0%

Overview

At 98.9%, the first quarter's cumulative performance for Special Delivery is just 0.1% below the full year cumulative target level. However, this is a 0.8% improvement on Quarter 4 2004/05 and we are confident of achieving the full year cumulative target.

National Quality of Service Action Plan - Quarter 1 Update

Continued improvements were made in Special Delivery performance between Quarter 4 2004/05 and Quarter1 2005/06 resulting from ongoing deployment of the elements contained in the Special Delivery Uplift Programme in combination with sustaining the reliability of our transport network.

Key enablers to the improved performance were:

- Enhancement to the Special Delivery operational specification and re-publication
- Focused performance management on both quality of service and procedural matters that impact on measured quality of service and confirmation of delivery. This has delivered a significant reduction in errors.
- Amending the Special Delivery barcode documentation and communicating via dedicated correspondence and making these critical documents available on demand via publication on our internal Intranet.
- The content of the managerial training package has been finalised based on user input, which in itself has led to more robust procedures being implemented and enhanced management understanding of the infrastructure.
- The audit compliance criteria have been reviewed and "more searching" audit questions are now included. In addition, the Quality Excellence scope has seen an expanded and enlarged Special Delivery section.
- Self Audit questions have been enhanced to ensure that they are fully compatible with the above to ensure compliance to the operational specification is achievable on an all day everyday basis.

The growth in Special Delivery volumes has continued.

The actions detailed in the Quarter 4 report 2004/05 continue to be progressed and we are confident that given the sustained progress made the 99.0% full year performance target is achievable.

STANDARD RETAIL PARCELS

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
91.1±1.0%	89.5 – 90.5%	90.0%

Overview

At 91.1% the result for Standard Parcels demonstrates a consolidation of the improvements in performance made during 2004/5. The result for Quarter 1 is 3.3% higher when compared with the 87.8% achieved for the same period last year and performance is ahead of the range forecast.

This product is now performing consistently above target level and we are confident that it will achieve the full year cumulative target.

National Quality of Service Action Plan – Quarter 1 Update

Standard Parcels has clearly demonstrated that it is capable of performing at or above the 90.0% target level. Performance for 2004/5 was frustratingly just below the licence target but improvements were seen in Quarter 4. The performance of the product has been monitored closely as described in the 2005/6 Action Plan. Analysis was conducted into possible areas of quality loss and issues taken up with units having the greatest impact on this loss. Performance was also reviewed by the Operations Executive. We continue to monitor performance closely and will address any weaknesses identified.

Table 4.

Pre-sort Products
Actual Cumulative Results (Period 1 – Period 3 2005/06)

Standard	Scheduled Standards			
	Full Year %	Target	Period 1 - 3 %	95% cl
Mailsort 1	91.5		94.7	3.1
Mailsort 2	97.5		98.5	0.9
Mailsort 3	97.5		99.4	0.7
Presstream 1	91.0		93.1	0.9
Presstream 2	97.5		98.7	1.3

95% cl = 95% confidence limit

MAILSORT 1

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
94.7±3.1%	90.5 – 92.0%	91.5%

Overview

Mailsort 1 has performed well above licence target level during Quarter 1 of 2005/6. The product performed well during Quarters 2-4 of 2004/5 and this result builds on that performance.

This result exceeds the full year licence target, a target that has increased in 2005/6 from the previous 91.0%. It also exceeds the forecast range to allow for seasonal difficulties and is the best quarterly result for this product since records began (1995/6).

National Quality of Service Action Plan - Quarter 1 Update

Mailsort 1 is now consistently performing at a high level and, as such, no product specific national improvement activities have been conducted during Quarter 1. However, a number of activities have been undertaken during the quarter in Regional Distribution Centres (RDCs) that will benefit the performance of all Mailsort and Presstream products.

Daily Network conference calls continue to be made, identifying failures and focussing on finding root causes, corrective actions being taken to resolve problems. As with Mail Centres and Delivery Offices, Self Audits have been deployed in RDCs to ensure greater adherence to standards and the reduction of errors. Recommendations made by the National Audit team have also been implemented and are being monitored.

In addition to these actions, the level of missorted mail dealt with by RDCs is being more closely monitored and flagged up for action in conference calls. Also End to End quality results have been used to examine leaks in quality in RDCs and the Network as a whole. Finally, Mails Verification teams and Customer Operations Managers have been continuing to work with customers to ensure compliance of mail postings.

As a result of these activities RDCs are consistently achieving clearances in line with the current workplan, and this has had a direct impact on the quality results for Mailsort and Presstream products for this quarter.

Mailsort 1 will also continue to benefit from the generic activities described in the 1st Class Stamped and Meter section of this report and we remain confident that the full year cumulative target for this product will be achieved

MAILSORT 2

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
98.5±0.9%	96.5 – 97.5%	97.5%

Overview

At 98.5% Mailsort 2 is performing well, a full 1% above both the full year cumulative licence target level and Royal Mail's own forecast range for the quarter.

This strong result for Quarter 1 shows a consistent performance for this product, following the significant improvements made during 2004/5.

National Quality of Service Action Plan – Quarter 1 Update:

Mailsort 2 continues to perform above target level, so no unique improvement activities have been identified or deployed during Quarter 1. The product will benefit from the generic improvement activities detailed in the 1st Class Stamped and Meter section and the specific RDC related activities in the Mailsort 1 section of this report.

We remain confident that the full year cumulative target of 97.5% will be achieved for this product.

MAILSORT 3

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
99.4±0.7%	96.5 – 97.0%	97.5%

Overview

At 99.4%, Mailsort 3 is exceeding its full year target. 1.9% above target, the cumulative result from Quarter 1 demonstrates a continuation of the high performance seen in 2004/5.

National Quality of Service Action Plan – Quarter 1 Update:

Clearly the generic improvement activities described previously in this report have helped drive and sustain the excellent Mailsort 3 performance from Quarter 2 of 2004/5 onwards and we fully expect performance to remain at this high level. Given this, there is no requirement at this point for remedial improvement activity.

We remain confident that the full year cumulative target of 97.5% will be achieved for this product.

PRESSTREAM 1

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
93.1±0.9%	89.5 – 91.0%	91.0%

Overview

Quarter 1 sees a good result for Presstream 1 of 93.1%. The result builds on the improvements made in 2004/5 (0.8% higher than Quarter 4 2004/5) and is 2.1% above the full year cumulative licence target level. This, again, represents a record quarterly result for this product.

National Quality of Service Action Plan – Quarter 1 Update

Tracking the increased performance of both 1st Class Stamped and Meter and Mailsort 1, Presstream 1 continues to benefit from the improvement activities for these products which are described in separate sections of this report.

We remain confident that the full year cumulative target of 91.0% will be achieved for this product.

PRESSTREAM 2

Review of Results

Quarterly Results

Quarter 1 Result	Quarter 1 Flightpath	Full Year Cumulative Target
98.7±1.3%	96.5 – 98.0%	97.5%

Overview

Following above target results in Quarters 2 and 4 last year, 98.7% represents another, and significant, improvement in performance for this product during Quarter 1. This result is 1.2% above full year target level and is the best quarterly result on record.

National Quality of Service Action Plan – Quarter 1 Update:

Presstream 2 is consistently outperforming its full year cumulative target. The generic activities outlined in the 2005/6 Quality of Service Summary of Actions will support continued excellent performance for this product.

We remain confident that the full year cumulative target of 97.5% will be achieved for this product.

Table 5.

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 the report.

The table below summarises full year cumulative tail of mail performance by product.

1 st Class Stamped and Meter	99.8
2 nd Class Stamped and Meter	99.9
1 st Class PPI	99.7
2 nd Class PPI	99.6
1 st Class Response Services	99.2
2 nd Class Response Services	99.3
Mailsort 1	99.9
Mailsort 2	100.0
Mailsort 3	100.0
Presstream 1	99.9
Presstream 2	100.0
Standard Retail Parcels	97.2

Table 6.

Period 3 Results

Standard	Period 3 Actual %	Period 3 c/l %
1st Class Stamped & Meter All	93.7	0.3
2nd Class Stamped & Meter All	98.7	0.3
1st Class Postage Paid Impression	92.6	0.5
2nd Class Postage Paid Impression	96.4	0.9
1st Class Response Services	89.6	2.8
2nd Class Response Services	93.1	2.2
Special Delivery	98.9	#
Mailsort 1	95.8	4.5
Mailsort 2	98.8	1.3
Mailsort 3	99.6	0.9
Presstream 1	94.2	1.3
Presstream 2	98.7	2.2
Standard Retail Parcels	90.5	1.8

Product subject to continuous sampling (confidence limit inapplicable)

Table 7.

Licence Condition 5.6 – Complaints Report

Q1 Report – 5.6 (a), 5.6 (b) (i), (iii)

Royal Mail	Unresolved at Start	Received in Quarter	Resolved in Quarter	Unresolved at End	Recompense £
Royal Mail Total	43,654	434,177	448,056	43,825	4,215,530
Loss	34,847	218,748	226,551	33,607	3,116,079
Mis-Delivery	1,217	46,061	47,196	1,084	27,106
Redirection Failure	2,654	40,397	41,552	3,075	134,436
Delay	920	30,688	30,439	1,844	175,706
Delivery Procedures	900	28,170	29,127	788	24,198
Damage	765	14,578	14,960	927	311,221
Delivery Frequency	339	8,497	8,811	245	1,257
RM Policy	172	4,546	4,710	212	31,694
Part Loss	67	4,475	4,659	187	87,079
Other Complaints	1,773	38,017	40,051	1,856	306,755

Note: Complaints for International Service Failures have previously been included in licence reports. This report and future complaints reporting will exclude International

Q1 Report – 5.6 (b) (ii)

	% Calls answered to quality standard aim – 80% in 20 seconds	% Cases closed to quality standard aim – 100% (inland) in 30 calendar days
Royal Mail	82.0 %	95.0 %