

Licence Condition 4: Paragraph 8a

Licence Condition 4: Paragraphs 14 & 15

Licence Condition 5: Paragraph 6

National Report to Postcomm and Postwatch

Quarter October - December 2002

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NATIONAL QUARTER REPORT
October - December 2002

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DECEMBER RESULTS

PLEASE NOTE :

For Mail products and services, including the standard retail parcel, the main table in Section 1 and the associated commentary in Sections 2.1 - 2.2 are for the reporting quarter 16 September – 1 December. The results for the Mails Christmas pressure period 2 December - 21 December are separately recorded at Section 7.

For the Post Office Ltd service standard, the main table in Section 1 and the associated commentary in Section 2.4 are for the reporting period 1 October - 31 December. There are no separate Post Office Ltd Christmas pressure period results.

The Complaints Handling statistics and commentary at Section 8 are for the reporting quarter 29 September - 28 December.

Section 1.

Table 1.

**Royal Mail National Performance
Quarter Results (October - December 2002)**

Standard	Scheduled Standards			Tail of Mail			Loss / Substantial Delay		
	Year End *Target %	Oct - Dec Cum %	Oct - Dec Cum 95% cl	Year End *Target %	Oct - Dec Actual %	Oct - Dec 95% cl	Year End *Target %	Oct - Dec Actual %	Oct - Dec 95% cl
1st Class Stamped & Meter All	92.5	91.5	0.2	99.9	99.9	0.0	100.0	100.0	0.0
2nd Class Stamped & Meter All	98.5	98.3	0.2	99.9	100.0	0.0	100.0	100.0	0.0
1st Class Postage Paid Impression	92.5	84.0	1.3	99.9	99.6	0.2	100.0	100.0	0.0
2nd Class Postage Paid Impression	98.5	96.4	0.6	99.9	99.8	0.1	100.0	100.0	0.0
1st Class Response Services	92.5	78.6	2.4	99.9	99.3	0.1	100.0	100.0	0.0
2nd Class Response Services	98.5	92.2	1.7	99.9	99.9	0.0	100.0	100.0	0.0
Special Delivery	99.0	98.2	#	99.9	100.0	#	100.0	100.0	#
% of Postcode Areas with 90%+ for 1st class stamped & metered posted quality of service	100.0♦	82.2							
% of Postcode Areas with 92.5%+ for 1st class intra stamped & metered posted quality of service	100.0♦	83.5							
Mailsort 1	93.0	90.0	4.5	99.9	99.5	0.2	100.0	100.0	0.0
Mailsort 2	98.5	96.5	1.6	99.9	99.9	0.1	100.0	100.0	0.0
Mailsort 3	98.5	97.4	1.7	99.9	100.0	0.0	100.0	100.0	0.0
Presstream 1	92.5	90.5	1.1	99.9	99.9	0.0	100.0	100.0	0.0
Presstream 2	98.5	97.2	1.9	99.9	100.0	0.1	100.0	100.0	0.0
Standard Retail Parcel (End to End)	90.0	91.3	1.0	99.9	99.9	0.1	100.0	100.0	0.0
% of People queuing for less than 5 minutes at P.O. Counters	95.0	90.7	1.0						

*Targets apply to last two months of the financial year # Product subject to continuous sampling (confidence limit inapplicable) 95% cl = 95% confidence limit

♦Cumulative Target

Table 2.

Postcode Area Performance (October - December 2002)
1st Class Stamped and Metered

Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered			
	All Posted	✓☒	Intra PCA	✓☒		All Posted	✓☒	Intra PCA	✓☒		All Posted	✓☒	Intra PCA	✓☒
AB Aberdeen	91.5	✓	95.0	✓	DN Doncaster	92.6	✓	95.0	✓	L Liverpool	89.5	☒	94.5	✓
AL St Albans	92.1	✓	93.2	✓	DT Dorchester	94.2	✓	95.4	✓	LA Lancaster	92.5	✓	96.5	✓
B Birmingham	91.1	✓	92.6	✓	DY Dudley	88.0	☒	89.9	☒	LD Llandrindod Wells	94.3	✓	96.3	✓
BA Bath	91.5	✓	94.4	✓	E London E	89.5	☒	85.0	☒	LE Leicester	92.4	✓	96.8	✓
BB Blackburn & Burnley	87.1	☒	95.9	✓	EC City of London	87.7	☒	93.3	✓	LL North Wales	89.6	☒	94.6	✓
BD Bradford	93.1	✓	98.1	✓	EH Edinburgh	91.1	✓	92.6	✓	LN Lincoln	95.0	✓	98.3	✓
BH Bournemouth	93.8	✓	97.1	✓	EN Enfield	94.0	✓	95.6	✓	LS Leeds	92.2	✓	94.8	✓
BL Bolton	93.0	✓	96.3	✓	EX Exeter	92.8	✓	93.0	✓	LU Luton	91.7	✓	94.0	✓
BN Brighton	92.3	✓	94.5	✓	FK Falkirk	91.8	✓	94.3	✓	M Manchester	90.0	✓	90.8	☒
BR Bromley	92.9	✓	94.1	✓	FY Fylde	93.7	✓	94.5	✓	ME Maidstone	93.4	✓	93.4	✓
BS Bristol	91.2	✓	94.0	✓	G Glasgow	92.8	✓	95.5	✓	MK Milton Keynes	90.4	✓	92.5	✓
BT Northern Ireland	91.5	✓	94.0	✓	GL Gloucester	93.1	✓	95.8	✓	ML Motherwell	91.2	✓	93.3	✓
CA Carlisle	93.6	✓	95.8	✓	GU Guildford	91.2	✓	91.8	☒	N London N	91.6	✓	92.9	✓
CB Cambridge	93.6	✓	95.7	✓	HA Harrow	90.7	✓	95.0	✓	NE Newcastle	91.7	✓	96.9	✓
CF Cardiff	91.6	✓	96.7	✓	HD Huddersfield	95.3	✓	98.5	✓	NG Nottingham	94.4	✓	95.1	✓
CH Chester & Deeside	90.5	✓	92.6	✓	HG Harrogate	92.3	✓	95.5	✓	NN Northamptonshire	91.0	✓	92.9	✓
CM Chelmsford	88.5	☒	92.3	☒	HP Hemel Hempstead	93.2	✓	95.9	✓	NP Newport	92.3	✓	93.1	✓
CO Colchester	85.8	☒	86.5	☒	HR Hereford	95.2	✓	96.1	✓	NR Norwich	87.7	☒	91.3	☒
CR Croydon	91.9	✓	92.9	✓	HS Hebrides	86.8		93.0	✓	NW London NW	91.1	✓	93.7	✓
CT Canterbury	93.4	✓	96.2	✓	HU Hull	93.4	✓	95.9	✓	OL Oldham	92.6	✓	97.5	✓
CV Coventry & Warwickshire	91.6	✓	92.2	☒	HX Halifax	92.9	✓	96.0	✓	OX Oxford	88.8	☒	92.8	✓
CW Crewe	91.8	✓	95.6	✓	IG Ilford	88.7	☒	91.6	☒	PA Paisley	92.0	✓	93.6	✓
DA Dartford	91.9	✓	95.1	✓	IP Ipswich	89.1	☒	92.3	☒	PE Peterborough	89.3	☒	89.8	☒
DD Dundee	92.0	✓	94.0	✓	IV Inverness	90.6	✓	94.5	✓	PH Perth	91.7	✓	94.3	✓
DE Derby	95.4	✓	98.2	✓	KA Kilmarnock	93.1	✓	93.9	✓	PL Plymouth	91.3	✓	93.8	✓
DG Dumfries	93.5	✓	95.6	✓	KT Kingston upon Thames	93.9	✓	98.7	✓	PO Portsmouth	91.8	✓	94.6	✓
DH Durham	95.5	✓	94.5	✓	KW Kirkwall	90.5		94.1	✓	PR Preston	91.4	✓	92.8	✓
DL Darlington	92.6	✓	95.9	✓	KY Kirkcaldy	94.5	✓	93.4	✓	RG Reading	91.9	✓	97.2	✓

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

Table 2. (continued)

Postcode Area Performance (October - December 2002) continued
1st Class Stamped and Metered

Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered			
	All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>		All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>		All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>
RH Redhill	93.4	✓	95.8	✓	SS Southend-on-Sea	86.0	<input checked="" type="checkbox"/>	92.9	✓	W London West	91.0	✓	91.3	<input checked="" type="checkbox"/>
RM Romford	90.8	✓	94.1	✓	ST Stoke-on-Trent	87.5	<input checked="" type="checkbox"/>	91.4	<input checked="" type="checkbox"/>	WA Warrington	92.9	✓	93.6	✓
S Sheffield	94.3	✓	96.9	✓	SW London SW	84.7	<input checked="" type="checkbox"/>	90.3	<input checked="" type="checkbox"/>	WC London West Central	84.7	<input checked="" type="checkbox"/>	85.1	<input checked="" type="checkbox"/>
SA Swansea	93.0	✓	94.6	✓	SY Shrewsbury & Mid Wales	90.7	✓	94.2	✓	WD Watford	93.5	✓	94.7	✓
SE London SE	85.5	<input checked="" type="checkbox"/>	91.0	<input checked="" type="checkbox"/>	TA Taunton	90.4	✓	91.0	<input checked="" type="checkbox"/>	WF Wakefield	91.4	✓	96.3	✓
SG Stevenage	93.1	✓	95.7	✓	TD Borders	94.5	✓	95.2	✓	WN Wigan	94.9	✓	96.1	✓
SK Stockport	92.9	✓	95.3	✓	TF Telford	89.9	<input checked="" type="checkbox"/>	95.1	✓	WR Worcester	91.9	✓	98.2	✓
SL Slough	90.3	✓	94.1	✓	TN Tonbridge	92.0	✓	94.8	✓	WS Walsall	87.3	<input checked="" type="checkbox"/>	90.3	<input checked="" type="checkbox"/>
SM Sutton	91.6	✓	92.0	<input checked="" type="checkbox"/>	TQ Torquay	91.9	✓	96.5	✓	WV Wolverhampton	90.2	✓	89.4	<input checked="" type="checkbox"/>
SN Swindon	91.9	✓	95.0	✓	TR Truro	90.3	✓	95.0	✓	YO York	93.8	✓	96.5	✓
SO Southampton	90.2	✓	94.1	✓	TS Teesside	92.4	✓	93.9	✓	ZE Lerwick	91.8		98.0	✓
SP Salisbury	89.0	<input checked="" type="checkbox"/>	93.9	✓	TW Twickenham	91.2	✓	95.2	✓					
SR Sunderland	94.8	✓	94.8	✓	UB Uxbridge	90.2	✓	96.7	✓					

✓ = Areas meeting or exceeding target = Areas below target

Section 2.

Stamped; Metered; PPI; Response Services and Special Delivery
 Quarter Results (October - December 2002)

Standard	Scheduled Standards			
	*Year End Target %		Oct - Dec %	95% cl
1st Class Stamped & Meter All	92.5		91.5	0.2
2nd Class Stamped & Meter All	98.5		98.3	0.2
1st Class Postage Paid Impression	92.5		84.0	1.3
2nd Class Postage Paid Impression	98.5		96.4	0.6
1st Class Response Services	92.5		78.6	2.4
2nd Class Response Services	98.5		92.2	1.7
Special Delivery	99.0		98.2	#

*Targets apply to last two months of the financial year

Product subject to continuous sampling (confidence limit inapplicable)

95% cl = 95% confidence limit

1st CLASS STAMPED & METER

Review of Results

April - June (Quarter 1) Result Updated	July-September (Quarter 2) Result Updated	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
91.9%	92.0%	91.5% (±0.2%)	91.3%	92.5%	-0.5%

Note:

It should be noted that the Quarter 1 and 2 figures presented in the table above are higher than those originally provided in the Quarter 1 and 2 National Reports. A process exists by which operational Areas may raise a query relating to individual samples or the overall performance of an End to End panellist. This happens when End to End sample results are inconsistent with internal operational indicators and/or the results for other samples in the same geographical area. These queries are investigated by the independent research agency to establish whether the panellist has been consistently compliant with the requirements of the survey and this can lead to Research International issuing revisions to postcode area results which flow through in subsequent cumulative results. The updates provided above were not available in time for publication of the National Quarter 1 and Quarter 2 Reports. Updates are also provided on the 1st Class Stamped and Meter Posted and Intra Minimum Floor section of this report.

Overview

In Quarter 3, 1st Class Stamped and Meter mail has achieved its planned flightpath level of performance and is 1.1% higher than the same period last year. Based on historical trends, a seasonal drop of 1.5-2.0% would be expected as traffic volumes grow in the build up to Christmas and weather conditions deteriorate. It is therefore encouraging that performance has only fallen 0.5% since Quarter 2.

The key theme of Pipeline Discipline and stability remains as the backbone to our Quality of Service improvement plans. The success of this approach is demonstrated in our cumulative results, whereby all products are performing at or above last December's cumulative level. 1st Class Stamped and Meter performance is cumulatively 2.5% higher than at the same period last year. These results are a testament to the stability we have gained in our operations through our Pipeline Discipline approach

To further illustrate the point, 1st Class Stamped and Meter monthly performance has remained at or above 90% for 18 months and at or over 91% throughout 2002/3. In fact, monthly performance has only fallen below 91.5% on one occasion. At 91.8%, 2002/3 cumulative performance so far is exceeding the Exit performance level achieved in February/March 2002.

The number of days lost to Industrial Action has more than halved since Quarter 2. However, with over 1,300 days lost, there is still an impact on Quality as Industrial Action has suppressed the cumulative quality of service by at least 0.1%.

In Quarter 3, Skynet (air) and road distribution networks have performed slightly better than the same period last year (punctuality of air services has improved from 90.7% to 91.5% and road punctuality has improved from 95.7% to 96.1% for the measured QoS period). However, Railnet performance has declined and remains erratic, with some form of disruption - track problems, engineering works, faulty rolling stock or weather disruption, e.g. land slips - occurring most evenings. Rail punctuality has fallen 1.5% to 88.0% since Quarter 2 reducing the processing time window at Inward Mail centres and increasing the risk of workplan and quality failures.

Capacity problems have been encountered at Princess Royal Distribution Centre (the national rail hub) - partly due to the significantly increased volume of pre-Christmas parcels handled. These capacity issues at PRDC could be depressing the average monthly Quality of Service by 0.1-0.2%. Actions are now in place to address these issues (see Prospects and Actions for Rest of Year).

Flightpath Plan - Quarter 3

An update on the key flightpath activities scheduled for Quarter 3 is supplied below:

Continued adherence to core standards

The theme of Pipeline Discipline and stability remains key to our Quality of Service improvement plans across the entire product range. Standards for Outward and Inward Mail Centre clearances, handling of Intra postcode area mail¹, handling Neighbouring mail² and Access and Collections have already been issued. These standards support improvements across all of the non-presorted products (Stamped and Meter, PPI and Response Services).

Outward Mail Centre performance has declined in Quarter 3 with all mail connecting with the 1st Class Final Despatch on 86% of occasions³ (a 3% decrease on Quarter 2) against a target of 95%. There have been some temporary performance dips during the introduction of major national initiatives such as Simplified Sort or Address Interpretation. Each of these initiatives had specific contingency plans in place to mitigate against any Quality of Service impact and these plans are continually refined as roll-out continues and any further risks are identified. The mix of mail changes in the build up to Christmas when more packets/parcels and non-machinable letters (e.g. Christmas cards with brightly coloured envelopes and poor addressing standards) put additional pressure on our manual processing facilities - in terms of both physical and human resource. This, combined with the Quarter 3 increases in posting volumes, impacted on Mail Centre's ability to clear 100% of mail in time to connect with the final despatch.

¹ Mail posted for delivery in the same postcode area

² Mail for delivery broadly within 100 miles or 2 hours driving time of the postcode area of posting

³ Note, this does not imply that 14% of mail failed to connect. This measure simply indicates that on 14% of occasions there was some mail remaining after final despatches had left.

However, the fall in outward clearance performance is also impacted by wrong traffic forecasting (leading to insufficiently robust manpower plans), increasing levels of sick absence and failure to complete interim collections (resulting in higher volumes of mail on the last collection and hence increasing the pressure on the peak processing period). The ongoing roll out of Production Management & Control supports improved traffic forecasting and workplan scheduling. Increased levels of sick absence are tackled locally through Personnel procedures and the morale issues which are undoubtedly contributing to increased sick absence are being tackled, in the longer term, through a major national initiative, driven by the Chairman called "Great Place to Work".

Similarly, clearances of mail from Inward Mail Centres to Delivery Offices have fallen from 88% in Quarter 2 to 78% of occasions in Quarter 3 (or 83% if we exclude December pressure). Inward Mail Centre clearances are, in part, impacted by network failures and disruptions (notably rail and air) resulting in late arrivals. However, these results clearly need improvement and a programme of activity is now underway to re-energise Mail Centre efforts to achieve the outward and inward clearance standards (see Prospects and Actions for Rest of Year).

Intra, Neighbours and Access & Collection standards are all subject to ongoing internal audit (both regular self audits carried out by senior operational managers from the Area Management Team and independent review carried out by a central team of auditors. Audits of the Access & Collection Specification (deployed in Quarter 2) commenced in Quarter 3.

Further deployment of Production Management and Control

Production Management and Control (PMC) systems and procedures have been deployed in Liverpool, Birmingham and West London Mail Centres during Quarter 3 with the planned benefits flowing through on 1st Class Stamped and Meter mail - as demonstrated in the table below:

1st Class Stamped and Meter Posted Performance

	Quarter 2	Quarter 3	Improvement
Liverpool	90.6%	89.6%	-1.0%
Birmingham	90.2%	91.3%	+1.1%
West London	89.8%	91.2%	+1.4%
Compared with National	92.0%	91.5%	-0.5%

These results illustrate that 2 out of 3 of the Production Management and Control units not only improved their Quarter 3 performance but also bucked the national trend.

Simplified Sort

The Simplified Sort initiative (SiSo) involves a fundamental review of circulation standards which:

- reduces the number of Mail Centre outward selections and hence reduces the volume of mail which requires secondary sorting. This relieves pressure on the 1st Class Outward operation and helps ensure all items connect with the correct despatch.
- reduces the need for secondary sorting at Delivery Offices (by providing a single selection for each batch of 40 delivery walks), relieving the pressure on inward manual sorting and helping ensure all mail connects with the scheduled delivery.

Deployment began in earnest in Quarter 3 with Phase one sites (Bradford, Edinburgh & Southend on Sea Mail Centres) going live by the 14th October. Phase 1 also saw the mechanised elements of London Central Mail Centre switching over to SiSo. Phase 2 offices have also been implemented and these are Birmingham, Belfast, Bristol, Chelmsford, Chester, Cambridge, Derby, Doncaster, Leicester, Peterborough and Slough. In addition, the new Jubilee Mail Centre (in Twickenham) opened in early December with SiSo in place.

London Restructuring and Quality Improvements

The London Quality of Service Improvement initiative is primarily aimed at addressing the long term decay in London performance. This initiative, driven by a number of senior operational managers from the London postcode areas, is addressing the historically poor performance in London across 6 key strands of activity: Employee, Network, Delivery, Processing, Collections and Communications.

The key activities carried out in Quarter 3 include:

- completion of a Collection and Network structure review
- build of an up to date database of collections information to support fundamental review of collection arrangements
- development of a revised handover specification for mail received at Post Office Limited outlets - and trial terms of reference agreed
- analysis and review of operations between London Areas
- continued progress with the recruitment of managers and front line operational staff
- deployment of service level agreements with network suppliers, incorporating improved ways of working, information share and root cause analysis with Network Team
- new Mail Centre network signage agreed and implemented including rollout of Network Dock Control monitors
- system developed for monitoring pan London missorts, missent bags and out of course cages
- procurement of Quality Test Letters, kit and software to help establish root causes of poor performance and pipeline leakage
- co-ordinated deployment of all new operational specifications (Intra, Neighbours, Access & Collection, PPI and Response Services)
- increase quality awareness through managerial workshops

These pan-London activities complement the Quality of Service plans held within each postcode area and run in parallel with the restructuring of London processing and Delivery operations. The following restructuring activities were carried out during Quarter 3:

- The new East London Mail Centre was opened, to schedule, on 16th September and the migration of work, people and equipment commenced. To date Culler Facer Cancelling (CFC) and manual sorting equipment has transferred, allowing the gradual transfer of collections from the old Mail Centre. Parallel processing operations have been set up for PPI mail (again relieving the pressure on the old Mail Centre). The distribution area has been used effectively as an East London transfer hub for Mailsort traffic. The new Mail Centre now houses the E16 Delivery Office offering additional space to handle the expanding volumes of mail for delivery in Docklands. Finally, the new Mail Centre provided much needed extra processing capacity over the Christmas pressure period.
- Activities which will ultimately lead to the closure of North London Mail Centre have continued with the migration of mail from the N17 and N21 collection hubs plus some larger firms postings into London Central Mail Centre.

The tables below demonstrate how these activities have helped close the performance gap between London and the rest of the country during 2002/3:

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

	Full Year 2001/02	Cumulative to end Quarter 3 02/03
London	85.7%	90.3%
Rest of Country	90.4%	92.0%
Performance Gap	4.7%	1.7%

Comparison of London versus Rest of Country 1c Stamped and Meter Intra Performance

	Full Year 2001/02	Cumulative to end Quarter 3 02/03
London	88.8%	92.2%
Rest of Country	93.8%	94.5%
Performance Gap	5.0%	2.3%

These figures show that London, as a single body, is now performing above the 90% 1st Class Posted floor and has significantly closed the gap in Intra performance.

Prospects and Actions for Rest of Year

In line with our flightpath plan a number of activities are planned for deployment in Quarter 4. These include:

- Pipeline Discipline: Continued and refreshed focus on adherence to key operational standards for collecting, processing and delivering 1st Class Stamped and Meter mail - supported by our continuing programme of compliance audits. Further standards for the specific handling of Meter mail (where revenue protection, facing and segregation processes differ from Stamped mail) will be deployed in Quarter 4.
- Product Management & Control: Deployment of Production Management and Control principles and techniques will continue in Chester, Oxford, Southampton and Bristol.

- Simplified Sort: Preparatory work for Phase 3 deployment of Simplified Sort was carried out during the Christmas pressure period with physical planning beginning in January in order to meet the 'go live' date of March 17th. Preparations include a workshop for Area Planners to take delegates through the principles of SiSo and train them in the use of SiSo deployment planning tools. Phase 3 sites are Gatwick, Greenford, Guildford, Hemel Hempstead, Newcastle, North West Midlands, Northampton, Nottingham and Stockport. Phase 4 planning (Bournemouth, Darlington, Dartford, Farnborough, Glasgow, Gloucester, Leeds, Maidstone, Milton Keynes, Sheffield and Watford) commences in February for deployment early in 2003/4.
- London Quality Improvement and Restructuring: Key activities for the London Quality Improvement programme include implementation of the Collection and Network structure review completed in Quarter 3, completion of a fundamental review of collection arrangements across London, trials of the new handover specifications with Post Office Limited and a survey of frontline communications requirements. The London restructuring programme will also see the cessation of outward processing at North London Mail Centre. At East London, further collections will transfer to the new Mail Centre for outward processing and the inward operation will begin processing mail for E1 and E14 Delivery Units. Full migration will be complete by end March 2003. Problems have been encountered since collections from the Acton Hub (W3) transferred to Greenford. This work is being transferred back to Paddington Mail Centre on a trial basis and performance will be closely monitored and reviewed in May 2003.
- Introduction of Quality Leads: Territorial Quality Leads (supported by Quality Analysts) have been introduced with the singular remit of supporting Areas in achieving their Quality of Service plans and targets through the provision of expert analysis, maintaining a focus on Quality within Area teams, sharing best practice and driving priorities for central support, investment and cross-Business Unit improvements.
- Princess Royal Distribution Centre: A number of short term investments will be made in Quarter 4 to relieve the capacity issues encountered at PRDC. These include the deployment of stand by vehicles to transport mail which fails to connect with the main despatch waves, additional sorting staff during peak hours and additional brakes on key trains. 4 additional managers will also be introduced to check and improve compliance with arrival times and presentational requirements of despatches from Mail Centres. A review will be carried out at the end of Quarter 4 to consider the need for continuation of these additional services into 2003/4.
- Quality Test Letters: Many postcode areas will make use of Quality Test Letters⁴ during Quarter 4 to refresh and re-energise their local quality of service action plans by reviewing the root causes of quality loss.

⁴ Quality Test Letters use electronic equipment to trace the journey of a letter - illustrating times when an item is moving and stationary. Translation of the electronic trace helps determine where delays and errors have occurred.

- Communications: An ongoing programme of communications to raise front line operational staff and managers' awareness of Quality of Service issues. This programme includes a Managing Director's review and summary of quality results in The Business (a monthly publication for all Royal Mail managers), specific articles and summary results in The Courier (a monthly publication for all Royal Mail employees). Both are supplemented by direct letters and briefings to operational managers and Team Briefings/Work Time Learning modules for front line operational staff.
- Minimum Floor Activity: All postcode areas have local quality improvement plans which support their achievement of Minimum Postcode Area Floor Targets (see next section). However, at the end of Quarter 3 some areas are continuing to perform below the required levels and these postcode areas are suppressing the national 1st Class Stamped and Meter.

The risks identified in the Quarter 2 Report and Flightpath plan still remain. The challenge of improving Quality of Service, both consistently and in the short term, to unprecedented levels, should not be underestimated. The 3 Year Financial Recovery programme (Organisational Restructuring, Transport Review and the review of our delivery services, now referred to as Single Daily Delivery) requires unprecedented levels of change and although these initiatives all offer long term benefits in terms of quality of service, efficiency and employee terms and conditions, the risk of shorter term disruption through change (including adverse industrial relations) remains.

MINIMUM POSTCODE AREA TARGETS

Review of Results:

1st Class Posted Stamped and Meter

The schedule of minimum service standards requires all Postcode Areas (excluding HS, KW and ZE) to achieve an average performance of at least 90% for 1st Class Posted Stamped and Meter throughout the 12 month period ending March 2003, excluding the Christmas and New Year period. Progress against this standard is shown in the table below:

% of Postcode Areas Averaging 90%+ for 1st Class Posted Stamped and Meter			
Quarter 1 cumulative Updated	Cumulative to end Quarter 2 Updated	Cumulative to end Quarter 3	Target
85%	87%	88%	100%

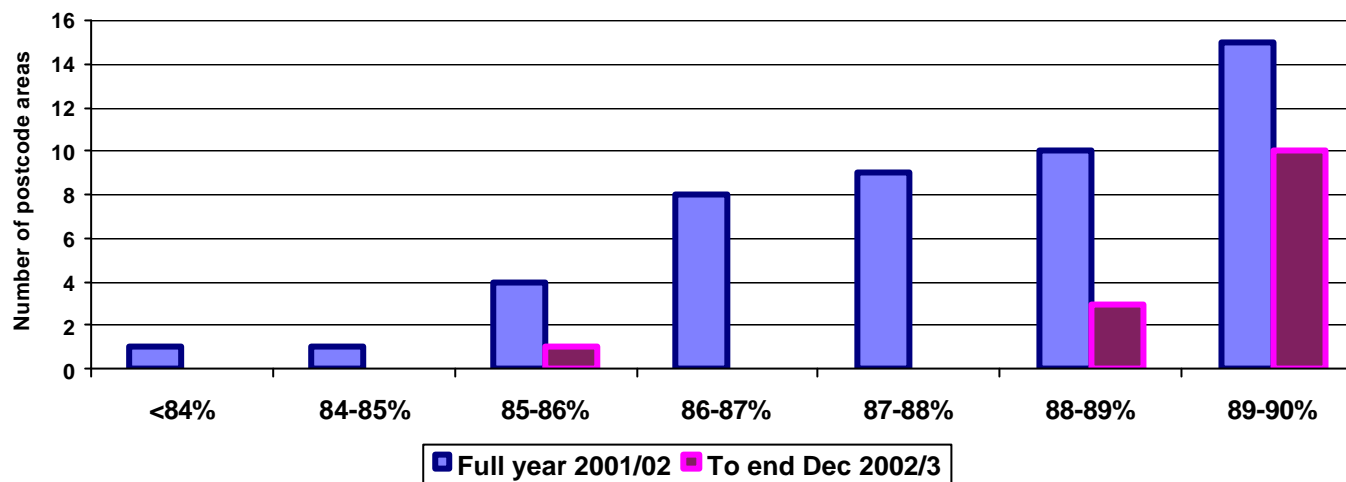
Note:

Quarter 1 and Quarter 2 cumulative results have been updated to reflect the most up to date information - as described in the 1st Class Stamped and Meter section of this report.

Currently 104 postcode areas are achieving the 90% 1st Class Stamped and Meter Posted target and we are pleased to report that the figures originally reported in the Quarter 1 and 2 National Reports are significantly higher than first published. These figures demonstrate continued improvement in the proportion of postcode areas achieving target throughout 2001/2 and 2002/3.

The graph below demonstrates the improvements made so far in 2002/3. It compares the number of postcode areas below target (broken into ranges of performance) in 2001/2 and 2002/3. In 2001/2, 48 postcode areas performed below the floor and 2 postcode areas were more than 5% below. In 2002/3 only 14 postcode areas are performing below the floor and none are more than 5% below. In fact, only one postcode areas is currently more than 2% below target.

1st Class Stamped and Meter Posted



However, we are disappointed that not all of the 14 postcode areas performing below the 90% Floor will improve with sufficient pace to secure 100% achievement by the end of the year.

The Quarter 2 report highlighted the postcode areas which, based on the most up to date information at the end of September, were most at risk of failing this target. The table below provides an update on their position at the end of Quarter 3:

Postcode Area	Original cumulative performance at end of Quarter 2	Revised cumulative performance at the end of Quarter 2	Cumulative performance at end of Quarter 3
Southend on Sea (SS)	85.0%	85.8%	85.9%
Chester (CH)	87.6%	89.7%	90.4%
Gloucester (GL)	87.9%	89.1%	90.6%

Southend on Sea (SS) have made limited progress, improving their cumulative result by 0.1% since last quarter, and mathematically will not be able to close the cumulative gap before the end of the year. However, we are delighted that Chester and Gloucester have and are now performing cumulative above the 90% Floor target.

The table below summarises performance for those postcode areas which are now most at risk of failing the full year cumulative target based on cumulative results to the end of Quarter 3:

Postcode Area	Cumulative performance at end Quarter 3	Average monthly performance required in Quarters 4 to achieve 90% full year target	Gap between current and required (Q/4) performance
SS	85.9%	100+	N/A
WS	88.4%	94.9%	6.5%
WC	88.6%	94.3%	5.7%
SW	88.7%	94.0%	5.3%
CM	89.0%	93.1%	4.1%
NW	89.1%	92.8%	3.7%
CO	89.1%	92.8%	3.7%
SE	89.5%	91.5%	2.0%
DY	89.5%	91.5%	2.0%

Each of the 14 under performing postcode areas has refreshed their Quality of Service plan - identifying any new root causes of poor performance and scheduling the necessary remedial activities. These plans are performance managed on a monthly basis at Managing Director level (as well as locally) and the Territorial Quality of Service leads provide support in driving through the remedial actions by championing quality of service improvement and ensuring blockages are quickly cleared, e.g. accelerated investment decisions.

We will continue to drive improvement activity in all postcode areas but the task in the postcode areas listed above is huge in terms of closing the remaining cumulative performance gap. We recognise the importance of providing a basic standard of service for our customers, regardless of where they live or work and we are extremely disappointed that we will not meet the 90% target in all postcode areas this year. However, we are encouraged by the improvements made in recent years and believe this demonstrates the commitment and effort that has been given to improve performance against this target (see over).

	Full Year 2000/01	Full Year 2001/02	To end December 2002/03
Percentage of postcode areas at or above 90%	40%	60%	88%

1st Class Intra Stamped and Meter

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

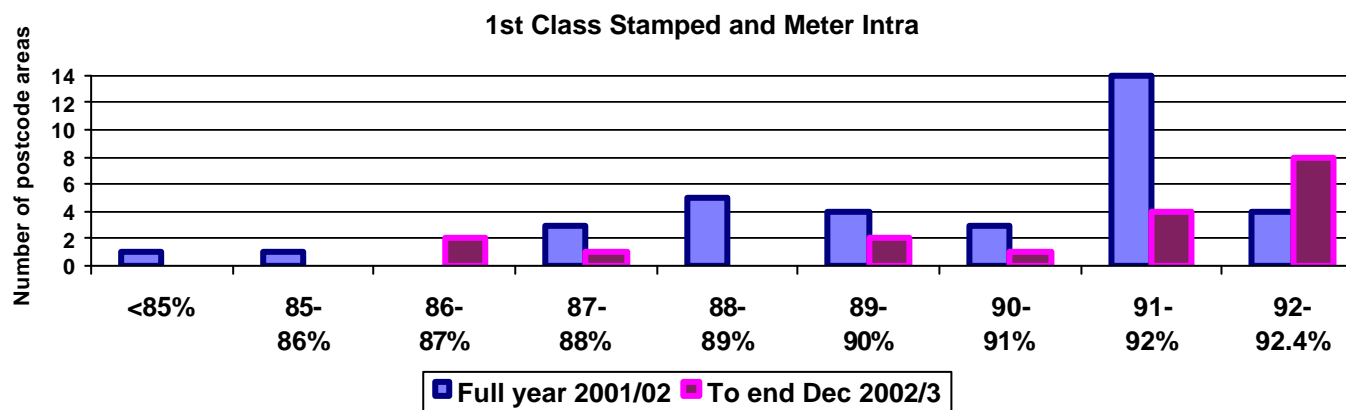
% of Postcode Areas Averaging 92.5%+ for 1 st Class Intra Stamped and Meter			
Quarter 1 Cumulative Updated	Cumulative to end Quarter 2 Updated	Cumulative to end Quarter 3	Target
85%	84%	85%	100%

Note:

Quarter 1 and Quarter 2 cumulative results have been updated to reflect the most up to date information - as described in the 1st Class Stamped and Meter section of this report.

Currently 103 postcode areas are achieving the 92.5% 1st Class Stamped and Meter Intra target and we are pleased to report that the Quarter 1 and Quarter 2 position is significantly higher than previously reported. Once again, demonstrating continuous improvement in performance throughout 2001/2 and into 2002/3.

The graph below demonstrates the improvements made in 2002/3 - both in decreasing the number of postcode areas performing below the floor and in closing the gap between the worst performers and the 92.5% cumulative target.



However, we are disappointed that not all of the 18 postcode areas performing below the 92.5% Floor will improve with sufficient pace to secure 100% achievement by the end of the year. The Quarter 2 report highlighted the postcode areas which were most at risk of failing this target at the end of September. The table below provides an update on their position at the end of Quarter 3:

Postcode Area	Original cumulative performance at end of Quarter 2	Revised cumulative performance at the end of Quarter 2	Cumulative performance at end of Quarter 3
NW	85.6%	No change	87.8%
WC	86.3%	No change	86.4%
W	87.6%	88.7%	89.7%
HS	88.0%	87.9% ⁵	89.6%
RM	88.3%	91.0%	92.5%
E	88.4%	No change	86.7%
SS	88.7%	89.6%	90.8%
CH	90.3%	91.7%	92.0%
IG	90.4%	92.3%	92.3%

It should be stressed that NW, HS, RM, SS and CH all performed at or above the 92.5% in Quarter 3 but cumulative results are being depressed by poorer performance in Quarters 1 and/or 2. All but East London have improved upon their Quarter 2 position as a result of data updates and deploying local Quality of Service action plans. We are pleased to report that RM is now performing at the required 92.5% cumulative level (with CH and IG close).

⁵ Note: The process of querying panellist results and subsequently updating End to End results requires that all 'non-compliant' samples are removed, regardless of whether they achieved service. In some instances this can lead to the removal of successful samples and a reduction in the Quality of Service results - as is the case in HS.

The table below summarises performance for those postcode areas which are now most at risk of failing the full year cumulative target:

Postcode Area	Cumulative performance at end Quarter 3	Average monthly performance required in Quarters 4 to achieve 90% full year target	Gap between current and required (Q/4) performance
WC	86.4%	100+	N/A
E	86.7%	100+	N/A
NW	87.8%	100+	N/A
HS	89.6%	100+	N/A
W	89.7%	100+	N/A
SS	90.8%	97.7%	6.9%
WS	91.4%	95.9%	4.5%
CO	91.5%	95.6%	4.1%
M	91.6%	95.3%	3.7%
SE	91.8%	94.7%	2.9%

Like 1st Class Stamped and Meter Posted, each of the 18 under performing postcode areas has refreshed their Quality of Service plan - identifying any new root causes of poor performance and scheduling the necessary remedial activities. These plans are performance managed on a monthly basis at Managing Director level (as well as locally) and the Territorial Quality of Service leads provide support in driving through the remedial actions by championing quality of service improvement and ensuring blockages are quickly cleared, e.g. accelerated investment decisions.

We will continue to drive improvement activity in all postcode areas but the task in the postcode areas listed above is huge in terms of closing the remaining cumulative performance gap.

We recognise the importance of providing a basic standard of service for our customers, regardless of where they live or work and we are extremely disappointed that we will not meet the 92.5% target in all postcode areas this year. However, we are encouraged by the improvements made in recent years and believe this demonstrates the commitment and effort that has been given to improve performance against this target (see table below).

	Full Year 2000/01	Full Year 2001/02	To end December 2002/03
Percentage of postcode areas at or above 92.5%	68%	72%	85%

2ND CLASS STAMPED & METER

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
98.9% (±0.3%)	98.6% (±0.2%)	98.3% (±0.2%)	98.2%	98.5%	-0.3%

Overview

With a Quarter 3 result of 98.3%, 2nd Class Stamped and Meter mail has achieved the planned Quarter 3 flightpath level. Cumulatively, 2nd Class Stamped and Meter performance is 98.7% - 0.2% higher than the required Exit level and 0.6% higher than at the same period last year. These are encouraging signs for overall achievement of the February/March Exit Target.

Flight Path Plan - Quarter 3

2nd Class Stamped and Meter performance is normally very stable and no specific national activities were required in Quarter 3 to improve performance in this stream. However, 2nd Class Stamped and Meter will, like all products, benefit from our standards based approach to Quality improvement.

Prospects and Actions for Rest of Year

2nd Class Stamped and Meter has achieved the planned Quarter 3 flightpath performance level. Performance for this stream will be closely monitored to ensure its stability is not threatened during Quarter 4. However, we are confident of achieving the 98.5% Exit Target in normal conditions.

1ST CLASS PRINTED POSTAGE IMPRESSION

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
81.5% (±1.8%)	83.3 (±1.4%)	84.0 (±1.1%)	87.0%	92.5%	+0.7%

Overview

Although 1st Class Printed Postage Impression (PPI) has shown further performance improvement (0.7% in Quarter 3) it has fallen a disappointing 3% short of the planned flightpath level.

1st Class PPI performance varies widely across the country - with the worst 6 performing postcode areas depressing the national result by 3.5%.

During Quarter 3 Postcomm considered and later confirmed the imposition of an Enforcement Order on 1st Class PPI. Royal Mail submitted a case to demonstrate the endeavours taken to improve the products performance. Improvement activities have been ongoing throughout 2002/3 (as described in Quarter 1 and 2 reports and below for Quarter 3). The specific actions and reporting processes required to comply with the condition of the Order will be completed in Quarter 4.

Flight Path Plan - Quarter 3

The PPI improvement plan is focused on 4 phases of activity. A series of diagnostic activities, established and located the causes of quality of service loss in Quarter 1. This led to the development (Quarter 2) and deployment (Quarter 3) of operational standards for processing PPI mail. This mirrors our Pipeline Discipline approach which has delivered sustainable improvements in 1st Class Stamped and Meter mail.

Quarter 3 activity has focused on the deployment and compliance with a revised set of measurable operational standards. These include:

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

Ongoing compliance with these standards is monitored through a rolling process of self and independent audits. Self audits are carried out on a regular basis by senior operational managers from the local Area Management Team. Independent audits are carried out by a central team of specialist auditors. Phase 1 audits were completed in Quarter 3, and a summary of the independent audit scores is provided below:

Quarter 3 Independent Audit Scores

Audit Scores	Mail Centres
60-69%	East London, Manchester
70-79%	Birmingham, Guildford, Reading, Sheffield, South London
80-89%	Belfast, Bradford
90-100%	Bournemouth, Chelmsford, Croydon, Newcastle, Nottingham

The most common areas of non compliance were found to be:

- Mail Centre workplans do not identify PPI as a unique product
- 2nd class PPI postings not checked thoroughly to ensure that 1st Class PPI items are not contained within
- Customer presentation errors not consistently shared with Customer Liaison manager, hence not addressed with the customer
- Process for streaming mail between the Revenue Protection and warehouse not agreed locally

On completion of each audit, Area Managers are presented with a detailed breakdown of audit results from which they must develop a remedial action plan. Areas scoring less than 70% on their first audit are required to produce a remedial action plan within a week and deploy the actions within one month, when a follow up audit will be carried out⁶. Area Managers are held personally accountable for deployment of the operational standards within their Area. Should an office fail to achieve 90% or more in this follow up audit the Area Manager will be asked to explain their actions to the Managing Director of Service Delivery.

Achieving and sustaining improvements in PPI performance is heavily linked to adherence with revised Access and Collections standards which seek customer compliance to new Mail Centre Latest Acceptance Times and ensure that any PPI mail that is not compliant in terms of time, volume or payment is not processed. These standards also ensure that any End to End sample items contained within a 'held' PPI posting are excluded from the End to End survey. During Quarter 3, Service Delivery have worked closely with the sales force to ensure customer compliance with these standards and this work will continue through Quarter 4.

Throughout 2002/3 a central team of PPI experts have provide support to the highest impacting units (i.e. those with the highest impact on national quality of service or with the poorest audit results). This team provides assistance in understanding the root causes of poor performance, developing remedial actions plans and sharing best practice.

⁶ Areas scoring 90% or more will receive an independent maintenance audit in 3 months, Areas scoring between 70% and 90% will be re-audited in 2 months and Areas scoring less than 70% will be re-audited in one month

Loss Model analysis demonstrated the need to improve awareness of the PPI produce and service specifications and an integrated programme of communications has continued through Quarter 3. This programme has included:

- articles in The Business and Courier
- briefings to Area Managers via the weekly Area Managers Pack
- front line Team Briefings and Work Time Learning sessions for front line staff
- a poster campaign
- direct communications from Service Delivery Managing Director to Area Managers

Work Time Learning sessions, delivered by work area managers to front line employees, have also been used to supplement product and operational knowledge and raise awareness of the performance targets and standards for PPI.

Finally, to support effective and timely root cause analysis at local and national level, Mail Centres are required to provide a more detailed breakdown of outward Mail Centre failures, i.e. accounting for Stamped, Meter and PPI mail separately. Mail Centres must also provide details of any PPI postings which are non compliant (as described above). This ensures the issues can be addressed quickly with the customer and allows any End to End samples items contained within the mailing to be removed from the survey.

Two 'barometer' units, namely Southend on Sea and Swindon Mail Centres, were set up to test the effectiveness of the overall approach. The table below demonstrates how their performance has improved through adherence to standards supported by deployment of Best Practice activities.

1st Class PPI Posted Performance

	Full Year 2001/2	Quarter 2 Performance	Quarter 3 Performance
Swindon	83.3%	84.5%	92.7%
Southend on Sea	50.7%	64.4%	83.9%

Prospects and Actions for Rest of Year

Quarter 4 activities will continue on the key themes of driving sustainable improvements through adherence to core standards. The ongoing programme of compliance audits will continue to highlight areas for improvement and support continued Quality of Service improvement.

The introduction of Territorial Quality of Service leads will help secure the focus and determination required within Areas and the Central PPI team will continue to provide expert analysis, support and best practice advice to those units making the greatest impact on national results.

These combined activities demonstrate our structured and determined approach to achieving and sustaining improvement in PPI quality of service. We are disappointed that Quarter 3 performance has not reached the planned flightpath level but encouraged by the improvements made and expect to deliver more improvements in Quarter 4 PPI performance.

2ND CLASS PRINTED POSTAGE IMPRESSION

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
97.3% (±0.7%)	97.0 (±0.6%)	96.4 (±0.6%)	96.8%	98.5%	-0.6%

Overview

At 96.4%, 2nd Class PPI has fallen 0.4% short of the planned Quarter 3 flightpath level of performance. The 0.6% decline since Quarter 2 reflects seasonal patterns of performance. Although performance is slightly short of flightpath, the Quarter 3 result is 2.0% higher than the same period last year and cumulatively 3.1% higher than the same period last year.

Flight Path Plan - Quarter 3

As described for 1st Class PPI, the key activity carried out in Quarter 3 involved the deployment and ongoing compliance with new operational standards for processing PPI mail. Deployment of these standards has been supported by a campaign of communications and a central team of PPI experts (providing support to the highest impacting units).

Prospects and Actions for Rest of Year

Quarter 4 activity will concentrate on further compliance with the new operational standards, driven and supported by our ongoing programme of compliance audits - as described for 1st Class PPI.

Although performance is currently 0.4% short of the planned flightpath, we believe the February/March Exit target is achievable in normal conditions.

1ST CLASS RESPONSE SERVICES

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Results	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
70.3% (±5.2%)	76.2% (±3.1%)	78.6% (±2.3%)	88.0%	92.5%	+2.4%

Overview

At 78.6%, 1st Class Response Services has shown further signs of recovery and has improved by 2.4% since Quarter 2. However, it remains significantly short of the planned flightpath level and, like 1st Class PPI, performance varies widely across the country with a relatively small number of units having a disproportionately high impact on quality. In Quarter 3, less than 50% of postcode areas achieved the required level of performance and the worst 4 (high impacting) postcode areas depressed the national result by more than 1% each.

During Quarter 3 Postcomm considered and then confirmed the imposition of an Enforcement Order on 1st Class Response Services. Improvement activities have been ongoing throughout 2002/3 (as described in Quarter 1 and 2 reports and below for Quarter 3). The specific actions and reporting processes required to comply with the condition of the Order will be continue in Quarter 4.

Flight Path Plan - Quarter 3

The 2002/3 improvement plan for Response Services is being carried out in 4 Phases. Phase 1, completed in Quarter 1, established the root causes of quality of service pipeline loss. This analysis demonstrated that any delay was most likely to occur during the manual revenue protection process in Delivery Offices⁷. With further fine tuning of the Loss Model in Quarter 2/3 a revised set of operational standards were developed and these standards were deployed during Quarter 3. These standards ensure that:

⁷ Postage for Response Services items is paid by the recipient. Therefore, Response items must be counted and docketed before delivery, to ensure customers are billed accurately (hence the specification that Response Services items are delivered on 2nd delivery). This procedure is labour intensive and time consuming and, historically, has been considered low priority work that can be delayed during contingency situations.

- all Response Service items are delivered on the day they are received at the Delivery Unit
- use of automated billing procedures for barcoded items is maximised - reducing the requirement for manual accounting procedures at Delivery Offices
- Response Service workload is uniquely identified in both Mail Centre and Delivery Office workplans - ensuring Response Service items are allocated the correct level of resource and are processed as discrete from other products.

The ongoing programme of self and independent audits commenced in Quarter 3 and the results from Phase 1 independent audits are summarised in the table below:

Quarter 3 Independent Audit Scores (percentage compliance)

Area	Mail Centre	Delivery Office(s)		Area	Mail Centre	Delivery Office(s)
Belfast		100		East London	50	
Birmingham		61		Newcastle		71
Bournemouth		89		Nottingham	100	58
Bradford		100		Reading		93
Croydon		55		South London	75	38
Edinburgh		100				

As with PPI, Area Managers are presented with a detailed breakdown of their audit scores from which they must derive and deploy a remedial action plan. Units scoring less than 70% on the first audit must deploy these actions within one month, when a follow up audit will be carried out. If the unit has shown insufficient improvement in their audit score, i.e. follow up score less than 90%, the Area Manager will be asked to account for his/her actions directly to the Managing Director⁸.

Characteristically, a large proportion of Response Services quality loss is derived from a comparatively small number of units and throughout 2002/3 a central team of Response Service experts has provided support to these 'high impacting' units. This efforts of this team have become increasingly more focused as End to End Quality of Service data has built up during the year - giving a clearer picture of which units are consistently under performing.

⁸ Units scoring between 70% and 90% will be re-audited in 2 months, units scoring 90% or above will be re-audited in 3 months.

During Quarter 3, this support was heightened through the direct involvement of the Managing Director in the form of a workshop. This workshop gave the 'high impacting' units the opportunity to discuss and explore solutions to the key performance inhibitors in their respective Areas - with follow up visits and assistance from the central support team. 8 of the 11 postcode areas involved have significantly improved their performance between Quarters 2 and 3 and collectively they have reduced their impact on national performance⁹.

In parallel, throughout 2002/3, work has continued to develop and deploy more automation solutions which will reduce the reliance on manual billing procedures and pass items directly to delivery walks (thereby speeding the process). These solutions allow Response Service Items to be 'billed' as part of the mechanised sortation processes in Mail Centres. Quarter 3 saw the completion of software changes and an intensive data cleansing operation which has led to the start of deployment in the live Mail Centre environment.

Much of Quarter 3 central activity has concentrated on issues of customer non-compliance, for example:

- the use of non-compliant stationary and postcodes (estimated 1.5% negative impact on measured quality)
- use of private boxes (estimated 2.1% negative impact)
- Mailing House capability (estimated 0.7% negative impact)
- Saturday opening of mail (estimated 1.5% negative impact)

Note: The impact of these customer issues is explained in some detail in the Quarter 2 report.

Working in partnership with the sales force, a process for dealing with customer stationary irregularities has been deployed in Quarter 3. This aims to resolve any compliance issues within 90 days when raised by Service Delivery. Research International, the independent research agency responsible for managing our End to End survey, are notified of such anomalies in order to check against their own panellists and temporarily remove them from the panel if appropriate.

We have also worked closely with Research International to address the impact of private boxes, mailing house capability and Saturday opening on our measured Quality of Service.

⁹ Impact on national performance is a measure of how much higher the national result would have been had the respective postcode areas achieved target in the period

Quarter 3 has also seen the introduction of enhanced performance data collection at Delivery Offices. These units are required to measure and report the number of Response Service items which failed to be delivered - on a daily basis. This gives real time information which allows speedier resolution of local issues and provides more robust data for national root cause analysis.

Finally, to support the range of activities described above, a communications and training campaign containing a series of operationally and customer driven messages has been carried out in Quarter 3. This has included articles in internal publications such as The Business and The Courier, front line employee Team Briefings, Work Time Learning sessions and a poster campaign.

Prospects and Actions for Rest of Year

Quarter 4 activity will concentrate on achieving and sustaining further performance improvements through compliance to the Response Service operational standards. The ongoing programme of compliance audits will continue to highlight areas for operational improvement and Area Managers will be held accountable for deploying these improvements in their Areas.

Support will continue in the form of best practice advice and guidance from the central support team and the continuing programme of communications will ensure Response Service remains as a key priority. The introduction of Territorial Quality of Service champions will also reinforce the improvement plan by driving Response Services to the forefront of managerial agendas in the highest impacting units.

Further benefits are still to be achieved through maximisation of the automated billing technology. The key activity remaining involves driving up the benefits of this software, by managing a number of local issues and through application of the product standard. Quarter 4 will also see further data cleansing work and process and system changes which will ensure new customer information is gathered in a more structured and consistent manner.

The benefits of Quarter 3 activity will continue to flow through into Quarter 4 results, we therefore expect further improvements in the 4th quarter results.

2ND CLASS RESPONSE SERVICES

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
94.0% (±2.9%)	92.5 (±2.1%)	92.2% (±1.6%)	95.6%	98.5%	-0.3%

Overview

At 92.2%, 2nd Class Response Services has failed to achieve the planned flightpath level of performance and has fallen 0.3% since last quarter.

Flight Path Plan - Quarter 3

The Quarter 3 flightpath activities mirror those described for 1st Class Response Services, i.e. deployment of operating standards, communications campaign, support for high impacting units and liaison with Royal Mail sales force on issues of customer non-compliance.

Prospects and Actions for Rest of Year

We are confident that the actions described in the 1st Class Response Service section of this report will support improvement for the 2nd Class product and, therefore, expect further improvements in the 4th quarter results.

SPECIAL DELIVERY

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
99.2%	99.1%	98.2%	99.0%	99.0%	-0.9%

Overview

Following such strong performance throughout Quarters 1 and 2, the Quarter 3 Special Delivery result of 98.2% is disappointing. This result is 0.8% below the planned flightpath level of performance and represents a decline of 0.9% since Quarter 2.

Note: the Quarter 3 reporting period for Special Delivery items includes the entire Christmas pressure period. Christmas pressure is excluded for all other Regulated products but is included for Special Delivery as the product is guaranteed Day B service throughout the year. It is also worth noting that December Special Delivery volumes were 19% higher than the same period last year - reflecting the continued and substantial growth in this product stream which, in turn, strongly suggests high levels of customer satisfaction with this product.

Seasonal performance patterns for most products show some decline between Quarter 2 and 3 performance and Special Delivery can be particularly affected by adverse weather conditions as a high proportion of Special Delivery items travel by air and rail. Severe fog, grounding aircraft in November and December has affected the results.

A number of activities have been carried out in Quarter 3 to maintain Special Delivery performance and mitigate against deteriorating weather conditions. These include:

- Completion of secure locker upgrades at Hull, Northampton, Stevenage, Ipswich, Shrewsbury and Bradford Mail Centres
- Investment in materials handling equipment for the sole use of Special Delivery for deployment in Quarter 4 - making Special Delivery more easily identifiable and hence allowing fast tracking and preventing network 'shutouts' for this product¹⁰.
- Release of "Masterclass" best practice guidelines for processing and despatching Special Delivery
- Maintenance of daily reporting of network incidents which are reviewed to allow speedy resolution of network issues

Prospects and Actions for Rest of Year

We believe that the Quarter 3 decline in Special Delivery performance is of a temporary nature. However, Special Delivery performance will continue to be monitored closely, addressing issues and deploying remedial actions quickly and effectively. We believe this activity, combined with the ongoing programme of secure locker upgrades and the improvement activities deployed at Princess Royal Distribution Centre (see 1st Class Stamped and Meter), will return Special Delivery to its normally stable level of performance.

¹⁰ Network shutouts occur when an aircraft has reached its maximum payload and hence, for safety reasons, must shut out any remaining mail scheduled for that flight.

Section 3.

Pre-sort Products
Quarter Results (October - December 2002)

Standard	Scheduled Standards			
	*Year End Target %		Oct - Dec %	95% cl
Mailsort 1	93.0		90.0	4.5
Mailsort 2	98.5		96.5	1.6
Mailsort 3	98.5		97.4	1.7
Presstream 1	92.5		90.5	1.1
Presstream 2	98.5		97.2	1.9

*Targets apply to last two months of the financial year

95% cl = 95% confidence limit

MAILSORT 1

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
89.3% (±4.6%)	90.9% (±4.9%)	90.0% (±4.5%)	89.5%	93.0%	-0.9%

Overview

At 90.0% Mailsort 1 has achieved its Quarter 3 flightpath target. Mailsort 1 cumulative performance is 0.7% better than at the same period last year.

Flight Path Plan - Quarter 3

Throughout 2002/3 Mailsort 1 performance improvements have been predominantly driven by local actions and adherence to core operational standards such as Distribution Centre and Mail Centre clearances. These actions most often relate to:

- reduction in the level of missorted bags and cages of mail
- local network improvements and handover procedures between Distribution and Mail Centres
- working closely with customers to improve volume forecasting and hence develop more flexible and effective manpower plans
- improving local collection arrangements

Details of local activities are provided within the Regional RDC reports submitted to Postcomm.

A review of the Regional Distribution infrastructure (part of the Transport Review) has continued through Quarter 3, leading to the closure of South Devon and Cornwall Distribution Centre in December. Mail that would previously have been processed through South Devon and Cornwall has been transferred to South Western Distribution Centre. The transfer of mail and employees was carried out with minimal disruption to service.

Prospects and Actions for Rest of Year

A number of quality improvement activities within the Distribution Centre network are scheduled for Quarter 4 and these activities will benefit all products in the Workshare portfolio (i.e. Mailsort 1, 2, 3, Presstream 1 and Presstream 2):

Transport Review: Thames Valley Distribution Centre is due to close early in Quarter 4 with mail transferring to South West and Southern Home Counties Distribution Centres. New sortation arrangements have been put in place to ensure successful transfer. Building work at the new Midlands Distribution Hub at Daventry will begin in Quarter 4, for a scheduled opening in late Autumn 2003.

Customer Issues: A programme of activity will be carried out to ensure both Mailsort and Presstream customers are compliant with the respective contractual arrangements for these products. These include checks for correct addressing standards and correct sortation and segregation (letters presorted to the correct bag and bags segregated to the correct cage). Each Distribution Centre will be audited to ensure that a consistent approach is taken during the customer verification and resolution process. In addition, Distribution Centres will be working closely with customers to overcome the issues of poor volume forecasting which makes staff alignment difficult and can result in failure to clear.

Out of Course Cages: This remains an area of key concern across the Distribution Centre network and work will be carried out in Quarter 4 to identify and deploy best practice, e.g. by improving lane markings and increasing checks in the lane despatch area.

Mail Centre Handover: A trial of new Mail Centre handover reports is being carried out in North West Distribution Centre. This will monitor arrival and workplan compliance procedures as set out in local Service Level Agreements and should lead to faster resolution of any cross unit issues. If successful, these procedures will be rolled out nationally.

Root Cause Analysis: Quality Test Letter exercises will be carried out (particularly for mail flows out of East Midlands Distribution Centre) to help identify and understand the root causes of service loss across the entire Mailsort and Presstream product range.

Network Improvements: Local network improvements will continue throughout Quarter 4 and improvements at Princess Royal Distribution Centre (as described for 1st Class Stamped and Meter mail) will also benefit Mailsort and Presstream products.

Mailsort 1 is currently on track with the planned flightpath and we believe the additional improvement activities scheduled for Quarter 4 will close the remaining gap between current and Exit performance.

MAILSORT 2

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
96.3% (±1.6%)	96.5% (±1.7%)	96.5% (±1.5%)	96.9%	98.5%	No change

Flight Path Plan - Quarter 3

Mailsort 2 performance both in Quarter 3 and cumulatively is 1.4% higher than the same period last year and this is a positive sign for overall achievement of the 2002/3 Exit Target. Given a normal seasonal drop of over 1% between Quarters 2 and 3 it is encouraging that Mailsort 2 has maintained the Quarter 2 performance level. However, the Quarter 3 result has fallen 0.4% short of the planned flightpath performance level and performance will require careful attention through Quarter 4.

Prospects and Actions for Rest of Year

Once again, performance improvement is mostly driven by local activity, as described in the Regional Distribution Centre Reports and summarised in Mailsort 1 section above. However, early analysis suggests that inadequate conformance to Mailsort 2 workplan in Mail Centres is contributing to the performance shortfall. A briefing will be sent to all Area Managers in Quarter 4 reminding them of Mailsort 2 workplan requirements. In particular, this will remind Areas of the need to accelerate mail onto Delivery Offices and to maintain Mailsort 2 integrity as a separate mail stream, i.e. it should not be mixed with Mailsort 3 traffic which may not be scheduled for delivery on the day it arrives in the Delivery Office.

Supporting communications will also be sent to Distribution Centre managers, highlighting the performance shortfall and emphasising the need to recover performance for this high volume product. Additionally, Distribution Centres will continue to maximise the volume of Mailsort and Presstream 2 postings carried on the 1st Class transport ("A") wave - accelerating its arrival at inward Distribution Centres and reducing the chances of workplan failure. Support from a central team of Mailsort experts will continue through Quarter 4, with particularly emphasis on the highest impacting Mail Centres, namely Belfast, London East, Peterborough, Northampton, Stockport, Preston, Dorset and Swansea.

Mailsort 2 performance will be closely monitored throughout Quarter 4 but we are confident the actions described above and in the Mailsort 1 section of this report will secure achievement of the 2002/03 Exit Target in normal conditions.

MAILSORT 3

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
97.7% (±1.7%)	98.2 (±1.6%)	97.4% (±1.7%)	96.9%	98.5%	-0.8%

Overview

We are pleased to report that Mailsort 3 has, once again, achieved the planned flightpath level of performance and has performed a mere 0.1% short of the required Exit level (once the adjustment factor is applied).

Flight Path Plan - Quarter 3

No specific flightpath activities were planned for Mailsort 3, other than the local activities described in the Regional Postwatch Reports. However, Mailsort 3 has and will continue to benefit from the activities described in the Mailsort 1 section.

Prospects and Actions for Rest of Year

Mailsort 3 remains on track with the planned flightpath. Therefore, we are confident of achieving the 2002/3 Exit Targets in normal conditions.

PRESSTREAM 1

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
91.1% (±1.1%)	91.5% (±1.1%)	90.5% (±1.1%)	90.3%	92.5%	-1.0%

Overview

We are pleased to report that Presstream 1 has achieved its planned flightpath level of performance. Quarter 3 performance is 1.9% higher than the same period last year and cumulative performance is 2.4% higher. Performance in Quarter 3 has been very stable month on month, never dipping below the planned 90.3% level.

Flight Path Plan - Quarter 3

Throughout 2002/3 Presstream 1 performance improvements have been predominantly driven by local actions and adherence to core operational standards such as Distribution Centre and Mail Centre clearances. The activities described in the Mailsort 1 section of this report have also supported performance improvement through Quarter 3.

Prospects and Actions for Rest of Year

Presstream 1 performance is relatively strong. Given the performance improvement activity planned in Quarter 4 (as described for Mailsort 1) we are confident of achieving the 2002/3 Exit Target in normal conditions.

PRESSTREAM 2

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
96.7% (±1.9%)	96.3% (±1.7%)	97.2% (±1.3%)	96.5%	98.5%	+0.9%

Overview

Presstream 2 performance has been particularly strong in Quarter 3, recovering from a poor Quarter 2 position and exceeding the flightpath target by 0.7%. Quarter 3 performance is 0.5% better than the same period last year and cumulatively 0.7% better.

Flight Path Plan - Quarter 3

Throughout 2002/3 Presstream 2 performance improvements have been predominantly driven by local actions and adherence to core operational standards such as Distribution Centre and Mail Centre clearances. The activities described in the Mailsort 1 and 2 sections of this report have also supported performance improvement through Quarter 3.

Problems encountered at Southern Home Counties Distribution Centre in Quarter 2 have been rectified to give a perfect Quarter 3 posted performance of 100%.

Prospects and Actions for Rest of Year

Given the strong Quarter 3 performance and the improvement actions scheduled for Quarter 4 we are confident of achieving the 2002/03 Presstream 2 Exit Target in normal conditions.

Section 4.

STANDARD PARCELS

Review of Results

April - June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	Flight path Target For Quarter 3	February- March 2002 Exit Target	Change since last quarter
82.0% (±1%)	88.3 (± 1%)	91.3% (±1%)	88.7%	90.0%	+3.0%

Overview

Standard Parcels performance has improved by a further 3% in Quarter 3, exceeding the planned flightpath levels by 2.6% and the required February/March Exit level by 1.3%. This achievement is particularly significant when considering the level of volume growth in this stream. Original estimates suggested that 27m items per annum would transfer to the Service Delivery network but recent forecasts predict volumes in the region of 36m.

Flight Path Plan - Quarter 3

The Quarter 3 flightpath plan focused on embedding the transfer of Parcels into the Service Delivery network and stabilising performance at the required level.

Prospects and Actions for Rest of Year

Standard Parcels performance has continued to improve since its transfer into the Service Delivery pipeline. The main issue for Quarter 4 is ensuring enough network capacity to handle the increased volume of three dimensional items - particularly through Princess Royal Distribution Centre (see 1st Class Stamped and Meter section) and ensuring that this volume growth does not impact on network performance for other products.

However, given the recent performance trend, we are confident of achieving the 90% Exit target for Standard Parcels in normal conditions.

TAIL OF MAIL

The tail of mail measure quantifies the percentage of mail delivered within 3 days of the due service for each of the letter mail services covered in this report. In Quarter 3, 1st Class Stamped and Meter and Presstream 1 have successfully met the 99.9% Licence Target. However, the following products have performed marginally below the expected level:

1 st Class PPI	99.6%
1 st Class Response Services	99.3%
Mailsort 1	99.5%

In the 2nd Class product range only PPI failed to achieve the 99.9% level with a result of 99.8%.

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

LOST MAIL/SUBSTANTIAL DELAY

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

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

Section 5.

Post Office Limited Performance
Quarter Results (October - December 2002)
Queuing Time Statistic - National

% of Customers served within 5 minutes

	Oct - Dec Performance %	*Target %	95% cl %
National	90.7	94.1	1.0

*Target applies to last two months of the financial year

95% cl = 95% confidence limit

Analysis of main variations:

Quarter 3 performance was 1.3% short of the revised seasonal quarterly target. The quarter started with promise and we beat the October target by 0.1% with a performance of 94.0%. Unfortunately we were unable to sustain that level of performance in November, which only realised a result of 93.2%. The largest gap in meeting our target for the quarter was December where we achieved 85.0% of customers served within five minutes against a target of 88.1%. December was made particularly difficult as in our current financial predicament, the traditional extra funds to help maintain queuing times was not available. However, in our directly managed segment we had a total embargo on annual leave for the four clear weeks preceding Christmas week to help sustain performance. Analysis shows that our large agency branches, predominantly the FPO/MSPOs also found it difficult to maintain performance in our busiest trading month.

Next Quarters Activities

As per our revised flightpath that was sent to Postcomm in October the following are the ongoing activities to help meet target in the last quarter.

Performance Management Deployment

After the Service and Efficiency teams' visited the worst seventy two directly managed branches, a full audit of processes and procedures was carried out and individual action plans were developed to improve performance. These branches will be continually monitored to ensure the necessary improvements are forthcoming.

The RLMs for the commercial and community segments will visit their fragile branches to ensure that agents are aware of their responsibility in helping the business to achieve target and to ensure they have individual plans that are robust.

Counters Incentive Scheme

We have now negotiated with the CWU that the service component in the incentive scheme is to be solely focused on the waiting time element. We expect this initiative to have a positive impact in the last quarter as staff focus their energies towards the year end results.

Planning

Outlet Service Plans are now mandatory to complete and Heads of Area are required to randomly select at least ten branches a month to ensure the plans are thought through and robust.

Admin support

Admin staff will support the retail line in maintaining and improving service on our 'hot spot' days throughout February and March. Over 300 admin staff have volunteered to spend 1750 man-days in the branches during this period.

Section 6.

Table 1.

**Royal Mail National Performance
Cumulative Results April – December 2002**

Standard	Scheduled Standards			Tail of Mail			Loss / Substantial Delay		
	Year End *Target %	Apr - Dec Cum %	Apr - Dec Cum 95% cl	Year End *Target %	Apr - Dec Actual %	Apr - Dec 95% cl	Year End *Target %	Apr - Dec Actual %	Apr - Dec 95% cl
1st Class Stamped & Meter All	92.5	91.8	0.1	99.9	99.9	0.0	100.0	100.0	0.0
2nd Class Stamped & Meter All	98.5	98.7	0.1	99.9	100.0	0.0	100.0	100.0	0.0
1st Class Postage Paid Impression	92.5	83.4	0.9	99.9	99.7	0.2	100.0	100.0	0.0
2nd Class Postage Paid Impression	98.5	97.0	0.4	99.9	99.9	0.1	100.0	99.0	0.0
1st Class Response Services	92.5	78.0	1.7	99.9	99.4	0.1	100.0	99.9	0.0
2nd Class Response Services	98.5	93.4	1.1	99.9	99.9	0.0	100.0	100.0	0.0
Special Delivery	99.0	98.8	0.0	99.9	100.0	#	100.0	100.0	#
% of Postcode Areas with 90%+ for 1st class stamped & metered posted quality of service	100.0	88.1							
% of Postcode Areas with 92.5%+ for 1st class intra stamped & metered posted quality of service	100.0	85.1							
Mailsort 1	93.0	90.3	2.8	99.9	99.5	0.2	100.0	100.0	0.0
Mailsort 2	98.5	96.5	0.9	99.9	99.9	0.1	100.0	100.0	0.0
Mailsort 3	98.5	97.8	1.0	99.9	100.0	0.0	100.0	100.0	0.0
Presstream 1	92.5	91.1	0.6	99.9	99.9	0.0	100.0	100.0	0.0
Presstream 2	98.5	96.8	1.3	99.9	100.0	0.1	100.0	100.0	0.0
Standard Retail Parcel (End to End) ^Ω	90.0	89.8	1.0	99.9	99.9	0.1	100.0	100.0	0.0
% of People queuing for less than 5 minutes at P.O. Counters	95.0	92.6	1.0						

*Targets apply to last two months of the financial year # Product subject to continuous sampling (confidence limit inapplicable) 95% cl = 95% confidence limit

◆ Cumulative Target

^Ω The cumulative result for the Standard Parcel will start anew from July 2002 with the transfer of this service to Royal Mail Service Delivery.

Table 2.

Postcode Area Performance Cumulative April – December 2002
1st Class Stamped and Metered

Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered			
	All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>		All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>		All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>
AB Aberdeen	93.6	✓	96.2	✓	DN Doncaster	93.7	✓	95.6	✓	L Liverpool	90.4	✓	95.7	✓
AL St Albans	92.6	✓	96.6	✓	DT Dorchester	94.3	✓	95.4	✓	LA Lancaster	92.7	✓	96.3	✓
B Birmingham	91.3	✓	92.5	✓	DY Dudley	89.5	<input checked="" type="checkbox"/>	92.6	✓	LD Llandrindod Wells	90.9	✓	93.4	✓
BA Bath	91.2	✓	94.1	✓	E London E	90.8	✓	86.7	<input checked="" type="checkbox"/>	LE Leicester	93.5	✓	97.0	✓
BB Blackburn & Burnley	90.5	✓	93.6	✓	EC City of London	90.9	✓	96.2	✓	LL North Wales	92.2	✓	96.0	✓
BD Bradford	94.0	✓	96.8	✓	EH Edinburgh	92.8	✓	92.2	<input checked="" type="checkbox"/>	LN Lincoln	94.3	✓	96.3	✓
BH Bournemouth	93.1	✓	96.1	✓	EN Enfield	93.5	✓	94.6	✓	LS Leeds	91.4	✓	96.2	✓
BL Bolton	93.3	✓	95.9	✓	EX Exeter	92.0	✓	94.0	✓	LU Luton	92.2	✓	95.0	✓
BN Brighton	92.8	✓	95.5	✓	FK Falkirk	91.8	✓	93.5	✓	M Manchester	90.2	✓	91.6	<input checked="" type="checkbox"/>
BR Bromley	93.4	✓	96.8	✓	FY Fylde	93.1	✓	94.9	✓	ME Maidstone	93.4	✓	95.0	✓
BS Bristol	92.0	✓	95.2	✓	G Glasgow	92.1	✓	94.4	✓	MK Milton Keynes	89.8	<input checked="" type="checkbox"/>	94.0	✓
BT Northern Ireland	89.7	<input checked="" type="checkbox"/>	93.1	✓	GL Gloucester	90.6	✓	94.9	✓	ML Motherwell	91.0	✓	92.7	✓
CA Carlisle	92.8	✓	94.7	✓	GU Guildford	90.8	✓	92.5	✓	N London N	91.7	✓	93.3	✓
CB Cambridge	95.2	✓	96.3	✓	HA Harrow	90.9	✓	94.7	✓	NE Newcastle	92.3	✓	94.9	✓
CF Cardiff	90.6	✓	95.8	✓	HD Huddersfield	94.4	✓	97.3	✓	NG Nottingham	93.8	✓	95.3	✓
CH Chester & Deeside	90.4	✓	92.0	<input checked="" type="checkbox"/>	HG Harrogate	92.3	✓	94.9	✓	NN Northamptonshire	91.2	✓	93.4	✓
CM Chelmsford	89.0	<input checked="" type="checkbox"/>	95.1	✓	HP Hemel Hempstead	90.8	✓	95.0	✓	NP Newport	91.3	✓	94.6	✓
CO Colchester	89.1	<input checked="" type="checkbox"/>	91.5	<input checked="" type="checkbox"/>	HR Hereford	93.1	✓	95.1	✓	NR Norwich	90.2	✓	92.4	<input checked="" type="checkbox"/>
CR Croydon	91.8	✓	95.2	✓	HS Hebrides	86.0		89.6	<input checked="" type="checkbox"/>	NW London NW	89.1	<input checked="" type="checkbox"/>	87.8	<input checked="" type="checkbox"/>
CT Canterbury	94.0	✓	96.3	✓	HU Hull	93.9	✓	95.8	✓	OL Oldham	91.8	✓	94.9	✓
CV Coventry & Warwickshire	92.5	✓	94.3	✓	HX Halifax	93.8	✓	96.1	✓	OX Oxford	91.0	✓	94.6	✓
CW Crewe	92.7	✓	97.0	✓	IG Ilford	90.2	✓	92.3	<input checked="" type="checkbox"/>	PA Paisley	93.1	✓	95.9	✓
DA Dartford	92.2	✓	94.9	✓	IP Ipswich	89.9	<input checked="" type="checkbox"/>	93.6	✓	PE Peterborough	90.6	✓	94.5	✓
DD Dundee	92.5	✓	95.1	✓	IV Inverness	91.8	✓	95.8	✓	PH Perth	91.9	✓	93.9	✓
DE Derby	94.3	✓	95.2	✓	KA Kilmarnock	92.4	✓	93.9	✓	PL Plymouth	90.0	✓	95.4	✓
DG Dumfries	95.1	✓	96.8	✓	KT Kingston upon Thames	93.4	✓	96.6	✓	PO Portsmouth	90.5	✓	92.8	✓
DH Durham	94.1	✓	96.9	✓	KW Kirkwall	90.4		92.2	<input checked="" type="checkbox"/>	PR Preston	92.5	✓	94.8	✓
DL Darlington	93.2	✓	94.5	✓	KY Kirkcaldy	93.5	✓	92.9	✓	RG Reading	92.4	✓	95.7	✓

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

Table 2. (continued)

Postcode Area Performance Cumulative April – December 2002 (continued)
1st Class Stamped and Metered

Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered			
	All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>		All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>		All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>
RH Redhill	93.6	✓	95.6	✓	SS Southend-on-Sea	85.9	<input checked="" type="checkbox"/>	90.8	<input checked="" type="checkbox"/>	W London West	90.4	✓	89.7	<input checked="" type="checkbox"/>
RM Romford	90.8	✓	92.5	✓	ST Stoke-on-Trent	90.1	✓	92.9	✓	WA Warrington	92.4	✓	94.7	✓
S Sheffield	94.5	✓	96.3	✓	SW London SW	88.7	<input checked="" type="checkbox"/>	92.4	<input checked="" type="checkbox"/>	WC London West Central	88.6	<input checked="" type="checkbox"/>	86.4	<input checked="" type="checkbox"/>
SA Swansea	94.2	✓	95.8	✓	SY Shrewsbury & Mid Wales	91.8	✓	95.1	✓	WD Watford	91.7	✓	95.3	✓
SE London SE	89.5	<input checked="" type="checkbox"/>	91.8	<input checked="" type="checkbox"/>	TA Taunton	91.7	✓	94.8	✓	WF Wakefield	92.9	✓	94.5	✓
SG Stevenage	92.6	✓	96.1	✓	TD Borders	92.2	✓	93.8	✓	WN Wigan	92.3	✓	94.0	✓
SK Stockport	92.3	✓	94.5	✓	TF Telford	89.9	<input checked="" type="checkbox"/>	94.0	✓	WR Worcester	93.5	✓	95.3	✓
SL Slough	90.7	✓	93.9	✓	TN Tonbridge	94.7	✓	95.0	✓	WS Walsall	88.4	<input checked="" type="checkbox"/>	91.4	<input checked="" type="checkbox"/>
SM Sutton	91.0	✓	92.1	<input checked="" type="checkbox"/>	TQ Torquay	91.6	✓	95.7	✓	WV Wolverhampton	91.2	✓	92.2	<input checked="" type="checkbox"/>
SN Swindon	92.1	✓	95.2	✓	TR Truro	93.5	✓	96.1	✓	YO York	93.7	✓	96.5	✓
SO Southampton	90.7	✓	94.7	✓	TS Teesside	92.7	✓	94.9	✓	ZE Lerwick	92.1		95.4	✓
SP Salisbury	89.9	<input checked="" type="checkbox"/>	94.2	✓	TW Twickenham	91.0	✓	95.1	✓					
SR Sunderland	95.0	✓	95.5	✓	UB Uxbridge	90.9	✓	96.7	✓					

✓ = Areas meeting or exceeding target = Areas below target

Section 7.

Table 1.

Month Performance December 2002

Standard	December Period 1 Letters %	December Period 2 Letters %	December Period Counters %
1st Class Stamped & Meter All	90.9	68.9	
2nd Class Stamped & Meter All	98.5	94.9	
1st Class Postage Paid Impression	84.9	59.9	
2nd Class Postage Paid Impression	96.2	90.4	
1st Class Response Services	80.8	52.2	
2nd Class Response Services	92.5	87.6	
Special Delivery	98.3	97.3	
Mailsort 1	89.6	69.4	
Mailsort 2	95.5	92.9	
Mailsort 3	97.8	98.7	
Presstream 1	90.3	79.8	
Presstream 2	98.2	90.6	
Standard Retail Parcel	89.7	83.6	
% of People queuing for less than 5 minutes at P.O. Counters			84.9

Note : December Period 1 = 18 November - 1 December

December Period 2 = 2 December - 21 December

December Period Counters = 1 December - 31 December

Table 2.

Month Performance December 2002 (continued)

The figures in this table reflect results : December 1 for Letters and December for Parcels

Standard	Tail of Mail			Loss / Substantial Delay			
	Target %	Actual %	95% cl		Target %	Actual %	95% cl
1st Class Stamped & Meter All	99.9	99.9	0.0		100.0	100.0	0.0
2nd Class Stamped & Meter All	99.9	100.0	0.1		100.0	100.0	0.1
1st Class Postage Paid Impression	99.9	99.5	0.3		100.0	100.0	0.2
2nd Class Postage Paid Impression	99.9	99.6	0.4		100.0	99.9	0.2
1st Class Response Services	99.9	99.5	0.3		100.0	99.9	0.2
2nd Class Response Services	99.9	99.9	0.2		100.0	100.0	0.2
Special Delivery	99.9	100.0	#		100.0	100.0	#
Mailsort 1	99.9	99.4	0.7		100.0	100.0	0.5
Mailsort 2	99.9	99.9	0.1		100.0	100.0	0.1
Mailsort 3	99.9	100.0	0.1		100.0	100.0	0.1
Presstream 1	99.9	99.7	0.1		100.0	100.0	0.1
Presstream 2	99.9	100.0	0.5		100.0	100.0	0.5
Standard Retail Parcel	99.9	99.5	0.1		100.0	100.0	0.0
% of People queuing for less than 5 minutes at P.O. Counters							

Product subject to continuous sampling (confidence limit inapplicable)

95% cl = 95% confidence limit

Section 8.

Licence Condition 5 - Paragraph 6 - Customer Handling Quarter Results (October - December 2002)

	% Calls answered to quality standard aim - 85% in 15 seconds	% Cases closed to quality standard aim - 100% (inland) in 10 working days
Royal Mail	51%	79 %
Post Office Limited	89%	89%
Total	69%	79%

Commentary on performance

Data Capture

Speed to answer

Customer Management telephony systems do not allow a record of performance against USO-related complaint handling work only.

Case turnaround

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

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

Complaint Handling

As detailed in last quarter's report the final element of the restructuring of our customer service centres is now complete with the closure of our large centre in London. This centre handled up to 3k calls per day and 1k cases. This work has now been successfully migrated into our end state sites with minimal impact on service standards. Indeed it is pleasing to report that our performance on the speed measure has improved this quarter and continues to do so, although it is disappointing to see our cases closed in target has dipped slightly. We are also pleased to report that most of the issues we had around our new infrastructure and technology have been resolved. Indeed with some enhancements we have been able to improve our call handling times thus delivering a more speedy response to our customers.

During the period we have experienced a number of issues outside our control, which have had a varied impact on service. These include a number of site evacuations, a minor earthquake and external criminal activity causing a serious fire in a BT exchange during which we lost a significant number of trunk services to Salford Quays, Belfast and Bangor. This latter issue persisted for six days with the BT service only returning on an intermittent basis. Staff at our London site were also caught up in the Tube industrial action, leading to reduced manning. The resilience of our new network coped well, albeit putting more stress on the available sites and overall the impact was minimised. There were also a number of periods where call volumes were well in excess of forecast and although the network cannot have limitless capacity, it was able to handle this increase better than before.

We have also refocused on our quality aims and measures and have updated and reissued our Customer Handling Standards. Deployment of this document will help ensure we deliver consistent levels of service across our network.

The action plans put in place following our root cause analysis are progressing. We have introduced a number of initiatives in this period including changes to our telephony technology to deliver fixed percentages of the network calls to our larger sites thus allowing much better alignment of resource to workload. As a result of this we are running an aggressive recruitment campaign for part time staff to help us meet the peak demands, introducing evening casework teams and migrating some of our casework to the evening freeing up daytime telephone resource. These initiatives are obviously dependent on our recruitment drives and we anticipate these will be more successful after the Christmas period. We have also put in place a network revisions team revising duty patterns with our key centres and this again will help us manage our peaks and troughs of work more effectively. We have heavily invested in a new management information system and this helps us identify "performance hot spots" allowing us to drive up our agent productivity and customer service.

We are beginning to see the results of our initiatives reflecting in better performance in our speed measure. We are confident we will be able to build on this overall improved performance this quarter and our commitment to continue to improve our relationship with our customers.

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

Royal Mail

Royal Mail	Unresolved at start	Received in quarter	Resolved in quarter	Unresolved at end	Recompense £ *
Royal Mail Total	93,102	412,206	419,793	85,515	3,413,929
Loss	58,228	205,625	210,539	53,314	2,550,955
Delay	6,995	37,293	38,761	5,527	142,197
Redirection Failure	6,153	29,415	29,628	5,940	54,133
Misdelivery	4,345	23,247	23,517	4,075	24,675
Damage	2,573	13,644	13,549	2,668	219,444
Other	14,808	102,982	103,799	13,991	422,524

Complaint resolution action plan update

Deployment continues on the actions advised to Postcomm through the Condition 4 Complaints Action Plan and the Condition 8 Loss Action Plan documents. The Loss Action Plan details the 24 contributory causes of loss agreed with Postcomm and Postwatch and details actions on damage, delay, mis-delivery and re-directions in the overall context of loss.

With regard to loss, quarter 3 has seen ongoing communication between Royal Mail and major customers to improve addressing accuracy and use of return addresses on items. Royal Mail has launched the Address Suppression product that enables the cleansing of customer mailing databases through data captured by Royal Mail. In addition information share capabilities between operations and sales have been enhanced in order to identify customers with address accuracy issues.

An internal communication has been issued re-enforcing policy around doorstepping. Incidence of doorstepping has reduced by 60% since the end of quarter 1. Further communication on the issue is planned in quarter 4 and improvements to the P739 (while you were out) process and the Callers Office process are also planned.

Continuing deployment of the Quality of Service action plan remains the key action in response to delay (see Condition 4 Quarterly updates).

Roll out of improved delivery and materials handling equipment continues in a drive to mitigate damage to items. This includes the replacement of the standard letter tray, and the trialling of A4 flat letter trays. Standard Operating methods have also been updated and deployed with respect to flats items and packets. Trials continue on modifications to automated sorting equipment with the objective of reducing machine jams and consequential damage. So far trials have provided positive results and an investment case will be presented for consideration.

Mis-delivery improvement activity has now been deployed to 37 of the 40 units identified for mandatory action. Follow up visits and deployment effectiveness audits have shown significant improvements in these offices. Monitor of customer complaints data shows reductions for all but one of these units in quarter 3. As advised in the quarter 2 update training for casual staff and new entrants has been updated and generally well received.

Post Office Ltd

	Unresolved at Start of 3 rd Quarter	Received in 3 rd Quarter	Closed in 3 rd Quarter	Unresolved at End of 3 rd Quarter	Total Compensation Payout
Advice Provision	25	264	252	37	£ 1,782.00
Change Discrepancies	44	126	133	39	£ 412.00
Cus Serv at Transaction	193	589	598	184	£ 1,712.00
Service Failures	133	408	383	158	£ 929.00
Branch Facilities	90	378	406	62	£ 467.00
Other	208	678	682	204	£ 966.00
TOTAL	693	2443	2454	684	£ 6,268.00

Complaint resolution action plan update

Work is in hand with a target roll out date in late 2003 to update the Horizon system to support the full range of mails products. This will ensure counter staff advise customers correctly, prevent mis-selling, increase customer satisfaction and should significantly reduce complaints of poor advice provision. Mails related products account for 50% of such complaints.

A Complaint Handling Manager has now been appointed within Post Office Ltd to monitor both complaint handling methods and results in terms of customer satisfaction.

Work is continuing to improve the quality and understanding of data derived from customer complaints to establish a robust root cause analysis process. This will provide practical feedback to Product and Network Management from which to determine product and service improvements by identifying major issues.