

Licence Condition 4: Paragraph 8a

Licence Condition 4: Paragraphs 16 & 17

Licence Condition 5: Paragraph 6

National Report to Postcomm and Postwatch

Quarter 3 Cumulative Report, Period 1 – Period 9 2004



NATIONAL QUARTER REPORT
Period 1 2004 – Period 9 2004

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Table 1.

**Scheduled Service Standards National Products
Actual Cumulative Results (Period 1 2004 – Period 9 2004)**

Standard	Scheduled Standards				Tail of Mail			
	Full Year Target %		Period 1-9	Period 1-9	Full Year Target %		Period 1-9	Period 1-9
			Cum %	95% cl			Cum %	95% cl
1st Class Stamped & Meter All	92.5		90.9	0.3	99.9		99.7	0.0
2nd Class Stamped & Meter All	98.5		98.4	0.1	99.9		99.8	0.1
1st Class Postage Paid Impression	90.6		86.6	0.3	99.9		99.4	0.1
2nd Class Postage Paid Impression	97.4		95.8	0.3	99.9		99.4	0.2
1st Class Response Services	90.3		78.8	1.5	99.9		98.9	0.1
2nd Class Response Services	97.5		93.2	0.9	99.9		99.0	0.1
Special Delivery	99.0		98.0	#	99.9		100.0	#
All PCAs (except 3) To Achieve 91.0 For 1 st Class Stamped And Metered Posted To UK	118		63					
All PCAs To Achieve 92.5 For 1 st Class Stamped And Metered Intra Postcode Area	121		96					
Mailsort 1	91.0		91.0	2.0	99.9		99.9	0.0
Mailsort 2	97.5		96.9	0.6	99.9		100.0	0.0
Mailsort 3	97.5		98.1	0.7	99.9		99.9	0.1
Presstream 1	90.5		89.7	0.6	99.9		100.0	0.0
Presstream 2	97.5		97.3	1.1	99.9		100.0	0.0
Standard Retail Parcels	90.0		88.9	0.6	99.9		97.5	0.3

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

Table 2.

**Postcode Area (PCA) First Class Stamped and Metered
Actual Cumulative Results (Period 1 2004 – Period 9 2004)**

Postcode Area	Q1 All Posted	Q2 All Posted	Q3 All Posted	Q3 Cum All Posted	✓☒	Q1 Intra Posted	Q2 Intra Posted	Q3 Intra Posted	Q3 Cum Intra Posted	✓☒
AB Aberdeen	89.5	93.0	93.6	92.2	✓	97.0	96.2	96.2	96.4	✓
AL St Albans	92.7	93.5	94.8	93.7	✓	95.8	98.0	98.1	97.4	✓
B Birmingham	89.0	93.2	92.9	91.9	✓	90.9	93.9	95.0	93.3	✓
BA Bath	86.2	90.9	90.2	89.3	☒	91.8	94.3	92.2	92.9	✓
BB Blackburn & Burnley	86.4	93.3	93.9	91.4	✓	93.6	94.0	94.5	94.1	✓
BD Bradford	88.9	91.0	93.3	91.2	✓	94.0	97.7	96.3	96.1	✓
BH Bournemouth	90.6	91.4	93.1	91.7	✓	95.7	94.5	94.3	94.8	✓
BL Bolton	90.8	91.8	93.7	92.3	✓	90.7	93.5	93.0	92.5	✓
BN Brighton	87.3	92.8	91.1	90.8	☒	93.6	95.3	92.5	94.1	✓
BR Bromley	89.7	92.0	93.5	91.9	✓	98.2	96.7	95.0	96.6	✓
BS Bristol	88.3	92.2	90.8	90.6	☒	96.7	94.2	92.9	94.4	✓
BT Northern Ireland	84.9	90.8	93.6	90.1	☒	89.9	91.5	95.1	92.3	☒
CA Carlisle	90.1	92.9	93.1	92.2	✓	93.0	94.9	93.6	93.9	✓
CB Cambridge	84.3	91.7	90.7	89.2	☒	91.4	92.5	93.2	92.4	☒
CF Cardiff	86.4	91.9	91.6	90.3	☒	96.0	93.7	96.6	95.3	✓
CH Chester & Deeside	87.3	92.1	92.5	90.9	☒	95.3	94.1	94.5	94.6	✓
CM Chelmsford	86.7	91.5	90.6	89.7	☒	94.0	91.5	91.5	92.2	☒
CO Colchester	89.8	91.9	93.1	91.8	✓	94.7	95.0	94.4	94.9	✓
CR Croydon	88.7	90.1	93.3	90.8	☒	94.6	94.3	95.2	94.6	✓
CT Canterbury	92.0	94.6	93.0	93.2	✓	93.9	96.0	94.0	94.6	✓
CV Coventry & Warwickshire	85.0	89.8	92.5	89.4	☒	89.1	91.5	93.1	91.4	☒
CW Crewe	92.3	92.4	93.7	92.9	✓	96.1	91.1	93.0	93.2	✓
DA Dartford	85.3	93.2	90.4	89.9	☒	89.3	95.3	94.0	93.0	✓
DD Dundee	90.6	94.3	92.5	92.7	✓	92.8	96.5	93.5	95.0	✓
DE Derby	88.2	93.6	92.3	91.5	✓	95.7	97.1	96.9	96.6	✓
DG Dumfries	92.9	92.1	92.1	92.3	✓	96.5	94.4	94.4	95.0	✓
DH Durham	92.0	91.3	92.6	92.0	✓	94.4	94.3	97.5	95.5	✓
DL Darlington	87.6	92.9	94.7	91.8	✓	94.6	98.5	97.8	97.0	✓

✓ = Areas meeting or exceeding full-year target ☒ = Areas below full-year target

Table 2. Cont

**Postcode Area (PCA) First Class Stamped and Metered
Actual Cumulative Results (Period 1 2004 – Period 9 2004)**

Postcode Area	Q1 All Posted	Q2 All Posted	Q3 All Posted	Q3 Cum All Posted	✓☒	Q1 Intra Posted	Q2 Intra Posted	Q3 Intra Posted	Q3 Cum Intra Posted	✓☒
DN Doncaster	88.6	90.4	92.0	90.4	☒	91.7	92.4	94.9	93.1	✓
DT Dorchester	92.3	93.4	93.7	93.2	✓	97.9	97.0	95.8	96.9	✓
DY Dudley	87.9	93.3	92.3	91.5	✓	95.7	95.6	97.2	96.2	✓
E London E	82.7	90.1	83.4	85.5	☒	75.7	94.9	89.6	87.1	☒
EC City of London	90.9	91.9	90.5	91.1	✓	91.8	94.5	93.6	93.4	✓
EH Edinburgh	87.8	93.2	92.2	91.3	✓	93.9	95.3	94.0	94.4	✓
EN Enfield	88.6	93.7	93.6	92.2	✓	92.0	95.6	95.7	94.6	✓
EX Exeter	83.3	93.1	91.5	89.6	☒	93.4	97.7	95.0	95.4	✓
FK Falkirk	87.9	89.4	90.1	89.3	☒	92.2	88.9	90.9	90.9	☒
FY Fylde	86.1	93.1	95.0	91.8	✓	83.4	95.3	94.8	91.5	☒
G Glasgow	88.2	87.9	91.7	89.3	☒	88.3	88.3	94.2	90.5	☒
GL Gloucester	88.4	93.8	92.9	92.0	✓	94.7	95.8	96.1	95.6	✓
GU Guildford	88.7	90.3	93.1	90.8	☒	90.3	93.0	95.2	93.0	✓
HA Harrow	86.5	93.2	91.0	90.5	☒	93.9	91.6	92.3	92.5	✓
HD Huddersfield	87.2	94.4	91.3	91.2	✓	95.6	94.1	96.4	95.3	✓
HG Harrogate	91.1	91.2	90.4	90.9	☒	92.2	89.8	93.4	91.8	☒
HP Hemel Hempstead	89.6	92.3	93.5	91.9	✓	96.2	96.8	96.2	96.4	✓
HR Hereford	92.5	92.9	93.8	93.1	✓	94.9	92.7	96.4	94.6	✓
HS Hebrides	79.6	88.9	81.8	83.6	☒	94.0	94.6	91.8	93.6	✓
HU Hull	91.7	91.3	90.4	91.1	✓	95.2	95.5	95.9	95.6	✓
HX Halifax	83.1	94.2	91.7	90.5	☒	88.9	96.9	96.3	94.4	✓
IG Ilford	89.5	90.9	90.8	90.5	☒	95.0	93.5	91.9	93.0	✓
IP Ipswich	89.7	92.5	91.8	91.4	✓	92.8	94.8	96.7	94.8	✓
IV Inverness	86.4	90.7	92.4	90.0	☒	95.5	94.9	94.8	95.0	✓
KA Kilmarnock	88.1	92.7	93.4	91.6	✓	92.4	92.7	93.9	93.2	✓
KT Kingston upon Thames	90.2	94.9	92.7	92.8	✓	95.0	95.9	97.2	96.1	✓
KW Kirkwall	81.0	89.1	90.7	87.4	☒	97.7	95.5	93.4	95.3	✓
KY Kirkcaldy	90.9	95.2	89.9	92.1	✓	96.7	96.5	93.7	95.6	✓

✓ = Areas meeting or exceeding full-year target ☒ = Areas below full-year target

Table 2. Cont

**Postcode Area (PCA) First Class Stamped and Metered
Actual Cumulative Results (Period 1 2004 – Period 9 2004)**

Postcode Area	Q1 All Posted	Q2 All Posted	Q3 All Posted	Q3 Cum All Posted	✓☒	Q1 Intra Posted	Q2 Intra Posted	Q3 Intra Posted	Q3 Cum Intra Posted	✓☒
L Liverpool	87.8	88.3	89.9	88.8	☒	96.0	89.6	92.8	92.6	✓
LA Lancaster	89.2	94.3	93.5	92.4	✓	95.0	97.0	95.7	95.9	✓
LD Llandrindod Wells	87.7	94.4	94.4	92.3	✓	91.7	95.4	95.6	94.3	✓
LE Leicester	89.2	91.8	91.9	91.2	✓	92.6	90.8	94.7	92.8	✓
LL North Wales	89.3	93.9	92.1	92.0	✓	94.9	96.0	96.1	95.7	✓
LN Lincoln	92.2	93.6	92.2	92.7	✓	95.9	96.2	95.5	95.8	✓
LS Leeds	88.0	93.9	93.9	92.3	✓	97.9	94.6	95.6	96.0	✓
LU Luton	85.8	93.0	90.5	90.1	☒	86.3	96.2	93.7	92.6	✓
M Manchester	87.3	92.6	92.5	90.9	☒	91.6	95.7	95.5	94.4	✓
ME Maidstone	89.7	93.4	93.7	92.4	✓	93.8	96.7	94.8	95.1	✓
MK Milton Keynes	89.1	94.3	92.5	92.1	✓	95.4	96.5	96.3	96.1	✓
ML Motherwell	91.6	93.8	91.1	92.2	✓	94.2	99.5	92.5	95.5	✓
N London N	88.5	87.9	92.1	89.7	☒	90.5	91.9	91.9	91.5	☒
NE Newcastle	87.4	93.0	91.9	90.7	☒	94.3	96.1	93.0	94.5	✓
NG Nottingham	91.7	93.9	92.9	92.9	✓	95.9	94.0	94.2	94.6	✓
NN Northamptonshire	84.3	91.9	89.1	88.6	☒	95.9	96.6	93.8	95.3	✓
NP Newport	84.2	91.4	89.2	88.4	☒	93.6	94.5	93.5	93.9	✓
NR Norwich	86.7	90.1	88.4	88.5	☒	87.8	94.4	91.5	91.4	☒
NW London NW	86.1	92.4	90.8	90.0	☒	94.2	89.4	93.8	92.3	☒
OL Oldham	87.7	89.5	90.7	89.3	☒	88.4	90.0	93.5	90.6	☒
OX Oxford	68.0	90.8	90.1	84.0	☒	71.0	92.2	94.3	86.7	☒
PA Paisley	88.1	95.1	92.7	92.2	✓	91.6	93.4	94.6	93.2	✓
PE Peterborough	85.0	90.4	88.5	88.2	☒	93.6	90.9	85.8	90.2	☒
PH Perth	90.3	94.6	91.9	92.4	✓	94.8	97.9	95.0	96.0	✓
PL Plymouth	91.1	90.0	92.2	91.1	✓	96.8	93.1	95.4	95.1	✓
PO Portsmouth	89.3	93.3	88.6	90.7	☒	94.9	95.6	90.9	94.2	✓
PR Preston	90.7	93.0	91.1	91.7	✓	89.7	92.3	89.9	90.5	☒
RG Reading	89.7	92.7	93.7	92.2	✓	96.1	97.8	97.1	97.1	✓

✓ = Areas meeting or exceeding full-year target ☒ = Areas below full-year target

Table 2. Cont

**Postcode Area (PCA) First Class Stamped and Metered
Actual Cumulative Results (Period 1 2004 – Period 9 2004)**

Postcode Area	Q1 All Posted	Q2 All Posted	Q3 All Posted	Q3 Cum All Posted	✓☒	Q1 Intra Posted	Q2 Intra Posted	Q3 Intra Posted	Q3 Cum Intra Posted	✓☒
RH Redhill	89.5	94.2	94.2	93.0	✓	95.8	98.5	96.6	97.1	✓
RM Romford	90.5	90.6	92.1	91.2	✓	94.1	93.8	93.1	93.6	✓
S Sheffield	93.3	93.9	93.1	93.5	✓	96.5	95.5	95.9	95.9	✓
SA Swansea	88.7	88.7	89.5	89.1	☒	91.0	92.0	90.6	91.4	☒
SE London SE	90.7	88.8	90.4	90.0	☒	95.5	88.8	88.0	90.6	☒
SG Stevenage	87.4	91.8	90.3	90.0	☒	92.5	92.2	94.9	93.2	✓
SK Stockport	86.8	91.3	93.1	90.7	☒	88.6	95.6	92.3	92.3	☒
SL Slough	87.6	91.8	90.7	90.2	☒	95.7	93.6	93.2	94.1	✓
SM Sutton	88.3	94.0	89.7	90.9	☒	87.7	95.5	93.0	92.3	☒
SN Swindon	89.3	91.7	91.2	90.8	☒	95.5	94.1	95.2	95.0	✓
SO Southampton	89.0	93.2	92.1	91.6	✓	92.7	97.1	94.6	95.0	✓
SP Salisbury	89.3	93.3	92.0	91.8	✓	95.4	98.1	93.8	95.7	✓
SR Sunderland	90.3	95.6	95.2	93.9	✓	91.7	95.2	97.5	95.1	✓
SS Southend-on-Sea	88.9	92.9	89.6	90.5	☒	92.3	94.0	91.2	92.4	☒
ST Stoke-on-Trent	84.4	90.7	91.6	89.0	☒	87.9	92.4	93.6	91.3	☒
SW London SW	87.2	92.5	92.0	90.7	☒	93.1	94.2	93.1	93.5	✓
SY Shrewsbury & Mid Wales	86.4	93.2	93.7	91.5	✓	90.4	95.3	96.7	94.4	✓
TA Taunton	87.5	91.5	91.3	90.1	☒	93.8	93.3	95.4	94.4	✓
TD Borders	90.4	92.8	92.7	92.2	✓	92.7	95.2	95.0	94.4	✓
TF Telford	83.2	90.9	94.9	90.2	☒	92.8	94.3	95.2	94.2	✓
TN Tonbridge	89.3	91.2	91.3	90.7	☒	95.1	95.9	94.7	95.3	✓
TQ Torquay	86.1	91.1	90.2	89.3	☒	96.4	94.9	93.2	94.7	✓
TR Truro	92.1	92.4	96.1	93.6	✓	96.3	96.2	97.4	96.6	✓
TS Teesside	84.9	91.1	90.6	89.7	☒	93.1	95.6	93.9	95.0	✓
TW Twickenham	89.6	93.2	92.2	91.7	✓	94.6	96.7	95.9	95.8	✓
UB Uxbridge	86.1	90.7	89.5	89.0	☒	93.1	88.4	89.3	91.3	☒
W London West	87.1	89.4	92.9	89.7	☒	88.6	91.1	93.1	91.8	☒
WA Warrington	89.2	92.9	92.6	91.8	✓	94.8	95.3	97.4	95.9	✓

✓ = Areas meeting or exceeding full-year target ☒ = Areas below full-year target

Table 2. Cont

**Postcode Area (PCA) First Class Stamped and Metered
Actual Cumulative Results (Period 1 2004 – Period 9 2004)**

Postcode Area	Q1 All Posted	Q2 All Posted	Q3 All Posted	Q3 Cum All Posted	✓☒	Q1 Intra Posted	Q2 Intra Posted	Q3 Intra Posted	Q3 Cum Intra Posted	✓☒
WC London West Central	84.9	88.9	90.9	88.4	☒	90.3	95.4	96.3	94.0	✓
WD Watford	93.3	92.9	92.0	92.8	✓	96.8	94.9	97.0	96.2	✓
WF Wakefield	88.5	90.6	92.3	90.7	☒	88.1	93.6	93.5	92.0	☒
WN Wigan	93.7	93.4	95.1	94.3	✓	94.4	96.7	94.7	95.8	✓
WR Worcester	86.7	91.9	92.9	90.7	☒	96.3	94.1	94.9	95.1	✓
WS Walsall	85.9	93.0	93.7	93.1	✓	87.6	92.9	96.9	95.0	✓
WV Wolverhampton	88.4	91.2	93.3	91.3	✓	94.7	93.6	94.1	94.5	✓
YO York	89.8	93.4	94.3	92.6	✓	94.6	97.1	96.8	96.3	✓
ZE Lerwick	80.4	91.6	88.5	87.0	☒	93.1	96.8	97.7	96.0	✓

✓ = Areas meeting or exceeding full-year target ☒ = Areas below full-year target

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Table 3.

**Stamped; Metered; PPI; Response Services and Special Delivery
Actual Cumulative Results (Period 1 – Period 9)**

Standard	Scheduled Standards			
	Full Year Target %		Period 1-9 %	95% cl
1st Class Stamped & Meter All	92.5		90.9	0.3
2nd Class Stamped & Meter All	98.5		98.4	0.3
1st Class Postage Paid Impression	90.6		86.6	0.3
2nd Class Postage Paid Impression	97.4		95.8	0.3
1st Class Response Services	90.3		78.8	1.5
2nd Class Response Services	97.5		93.2	0.9
Special Delivery	99.0		98.0	#

***Target is full-year cumulative**

Product subject to continuous sampling (confidence limit inapplicable)

95% cl = 95% confidence limit

Quality of Service Action Plan Summary

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

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

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

By the end of Quarter 1 a number of new activities had been identified and deployed or scheduled for deployment. Table 2 therefore provides an update on the new improvement activities that were introduced in Quarters 1 and 2. Similarly, new activities that commenced during Quarter 3 are summarised in Table 3.

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

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

Activity	Schedule	Status
Integrated Quality Approach		
Quality Dashboard Software Developed	Quarter 1	Complete
Standard Operating Procedures Developed and Tested	Quarter 1	Complete
Employee Engagement Approach Developed	Quarter 1	Approach developed (Will be deployed with remainder of project)
Trial of Integrated Quality Approach Commenced	Quarter 1	Trial commenced Q4 – will drive national deployment plan for 05/06
Evaluate Integrated Quality Approach Trials	Quarter 2	Integrated with Employee Engagement Approach (above)
National Deployment of Quality Dashboards	Quarter 2	Being trialled in 3 sites Quarter 4
National Deployment of Standard Operating Procedures	Quarter 2	Trials of initial 14 mandatory SOPs commenced in Q4 – for national deployment in 2005/06
Diagnostic Activity		
RFID Proof of Concept Trial	Quarter 1	Not complete – new technological approach developed
Ongoing Quality Test Letter studies	Ongoing	Used for variety of tests during Quarter 1 and 2. All QTL stock diverted to testing 1 st Class PPI performance from Q3 onwards.
RFID Pilot Commences	Quarter 2	Not complete – new technological approach developed
Workplan Clearance, Monitoring and Control		
Introduce failure report at source	Quarter 1	Deployed and ongoing
Introduce daily root cause analysis conference calls	Quarter 1	Deployed and ongoing
Introduce weekly performance review with CEO and Operations Executive	Quarter 1	Deployed and ongoing
Operational Standards and Audit		
Develop operational standards to maximise the proportion of Mailsort 2 delivered on Day C	Quarter 1	Complete – being reviewed in line with new national workplan deployment
Formalise audit programme and procedures for Logistics	Quarter 1	Complete – being reviewed in line with new national workplan deployment
Develop standard self audit procedures for Operational Managers	Quarter 1	Complete
Scope formal reporting process and information system for centrally capturing self audit results	Quarter 1	Complete
Devise Q2-4 audit programme with greater emphasis on high impacting units	Quarter 1	Complete – led to introduction of High Impact Task Force
Ongoing programme of independent audit of Mail Centres, Collection Hubs and Delivery Units	Ongoing	Ongoing as planned
Commence Logistics audit programme	Quarter 2	Introduced and ongoing as planned – being reviewed in line with new national workplan deployment
Commence refreshed self audit programme	Quarter 2	Specification of self audit completed, training workshops held in Quarter 3, deployment commences Quarter 4

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

Activity	Schedule	Status
Employee Engagement and Communications		
Quality, Pride and Success conference	Quarter 1	Complete
Personal letter to Chairman to all employees	Quarter 1	Complete
Area General Manager communications	Quarter 1	Complete and ongoing via Quarterly Leadership Meetings
Courier/Today articles	Ongoing	Ongoing – each publication includes articles on Quality of Service – a special edition of Today, focussing only on customer issues published in Quarter 3
Publish monthly/quarterly quality of service results and league tables	Ongoing	Deployed and ongoing – results are published through a variety of channels to ensure maximum coverage and emphasis
Increased utilisation of Work Time Learning and Listening Sessions	Ongoing	Deployed and ongoing
Collections Performance		
Upgrade Access Barcoding Equipment in high impacting units	Quarter 1	Complete
Collections Routing Tool deployed	Quarter 1	Deployed and available for ongoing Area use
Fully deploy ABC in all postcode areas	By end of financial year	Ongoing as planned
Mail Centre Processing		
Deploy Mail Centre mandatory standards for traffic forecasting and contingency staffing	Quarter 1	Deployed and ongoing – processes relaunched in Quarter 3 to maintain emphasis
Introduce temporary contingency night staffing and vehicles until network arrival pattern stabilised	Quarter 1	Complete – normal staffing patterns have now been re-established
Review local inward workplans to maximise volume of machine walksorted mail for high impacting delivery offices	Quarter 1	Complete
Review of despatch times to ensure full clear down to main despatch, maximising volume on main despatch	Quarter 1	Complete – but PPI QTL exercise has identified further opportunities to maximise volume on main despatch
Review of potential to carry out air screening in Mail Centres	Quarter 1	Complete
Carryout packet containerisation trial	Quarter 1-2	Complete
Deploy Automation Doubles Detection in Integrated Mails Processor units	Quarter 1-2	Complete
Receive and evaluate supplier proposal for software upgrade to improve Flats read accuracy	Quarter 1-2	Delays occurred as software supplier has encountered technical problems – currently evaluating alternative solutions
Tops 2000 Flat Sorting Machines deployed in Phase 2 units	Quarter 1-2	Complete
Review and deploy generic inward workplan	Quarter 1-2	Complete – under review Q4, in line with changes to new national workplan
Robust risk assessment of further changes associated with Mail Centre Efficiency Review	Quarter 1-2	Complete
Solve known Address Interpretation resolution problems	By end of financial year	Ongoing as planned

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

Activity	Schedule	Status
Network		
Provision of improved materials handling equipment in Mail Centres and network hubs	Quarter 1	Complete
Increase the size and number of neighbouring mini-hubs	Quarter 1	Complete
Increase the number of direct neighbouring road services	Quarter 1	Complete
Re-introduce low volume early evening relief despatches where appropriate	Quarter 1	Complete
Introduce additional flights where necessary	Quarter 1	Complete
Improve accommodation at East Midlands Airport	Quarter 1	Complete (short term solution found – long term solution being developed)
Improve vehicle access to Newcastle Airport	Quarter 1	Complete
Introduce Network Air Performance Manager	Quarter 1	Complete
Improve bag and container labelling	Quarter 1	Complete
Deploy and enforce 'Move to Time' policy	Quarter 1 onwards	Deployed and ongoing
Update network schedule to allow best use of pre-advice system	Quarter 1 onwards	Deployed and ongoing
Review requirement for 2 nd Class rail services	Quarter 1-2	Complete – 2 nd Class rail services being trailed Quarter 3-4
Delivery		
Enforcement of existing contractual standards with Agency staff providers	Quarter 1 onwards	Deployed and ongoing
Review competency standards for Agency staff	Quarter 1	Complete
Develop clearer processes and accountabilities for recruiting and training new entrants	Quarter 1	Complete
Training programme for all Agency staff	Quarter 1	Plan reviewed – RM significantly reducing the requirement for Agency staff through a number of resourcing initiatives
Address local root causes of over-reliance on Agency Staff	Quarter 1	Deployed and ongoing
Introduce temporary contingency resource to ensure DO clearance whilst arrival patterns/new duty structures stabilise	Quarter 1 onward	Deployed and ongoing (as final SD revisions are deployed)
Ensure missort retrieval services are re-aligned post Single Delivery deployment	Quarter 1 onwards	Deployed and ongoing
Robust risk assessment of all Single Delivery revisions before deployment	Quarter 1 onwards	Deployed and ongoing – 24 Delivery Offices have still to deploy SDD and Royal Mail Management is working closely with employees and local/national CWU to ensure smooth deployment in these units by the end of the financial year.
Joint working with Communication Workers Union to resolve outstanding issues in high impacting delivery units	Quarter 1 onwards	Deployed and ongoing – as above
Tools for the job provision	Quarter 1 onwards	Deployed and ongoing now as 'business as usual'
Launch misdelivery reduction campaign	Quarter 2	Complete

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

Activity	Schedule	Status
Delivery continued		
Develop trained pool of Agency staff	Quarter 2	Initiative delayed but Royal Mail now scoping the cost/benefits of maintaining a pool of trained Royal Mail casual staff who can be deployed, as required, to any unit or work area within a particular geographic area (to be complete by end financial year)
Launch No-Doorstepping campaign	Quarter 2	Complete
Re-affirm best practice resourcing procedures	Quarter 2	Royal Mail has deployed significant changes to its resourcing policy, recruitment processes and manpower planning techniques which support a best practice resourcing model
Develop new (post SDD) resourcing model	Quarter 2	Complete - as above
Review the organisation and use of reserve force	Quarter 2	Complete - as above
Reinforce Starting Post standards	Quarter 2	Complete – as above
Review regional pay rates for Agency staff	Quarter 2	Initiative considered but decided not to proceed at that time.
Develop innovative solutions to encourage Agency staff to repeatedly work for Royal Mail	Quarter 2	Initiative no longer necessary as RM has significantly reduced its reliance on Agency staff – new initiative being scoped looking at use of Royal Mail pool of trained contingency staff.
Distribution Centre Processing		
Refresher Mails Verification Training	Quarter 1	Deployed and ongoing
Complete Mails Verification on site trials	Quarter 1	Complete
Ongoing Mails Verification checks and customer feedback on non compliant mailings	Quarter 1 onwards	Deployed and ongoing
Mailsort Database Change	Quarter 2	Complete
Also see Operational Standards and Audit actions relating to Logistics		
Pipeline Optimisation		
Pipeline Optimisation workshop	Quarter 1	Complete
Detailed scoping and deployment planning of workshop ideas	Quarter 2	Ongoing but no significant changes to operational pipeline planned for 2004/05.
Mailsort 2 improvement activities		
Customer Operational Managers working with customers to encourage earlier postings	Quarter 1	Deployed and ongoing
Agree and deploy local Day C action plans	Quarter 1	Deployed and ongoing
Increase volume of Mailsort 2 on A Wave	Quarter 1 onwards	Deployed and ongoing
Communications on commercial importance of Mailsort 2	Quarter 1 onwards	Deployed and ongoing
Also see Operational Standards and Audit actions relating to Logistics		
Please note: Many of these activities have been superseded by deployment of the new national workplan which looks specifically at increasing processing windows for Mailsort 2 and 3.		

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

Activity	Schedule	Status
PPI Improvement Activities		
Deploy more robust compliance checks and feedback mechanisms for non-compliant PPI mailings	Quarter 1 onwards	Deployed and ongoing
Customer Operational Managers Training workshops	Quarter 1	Complete
Evaluate requirement for follow up workshops	Quarter 1	Currently no requirement for follow up workshops as communications and upward feed issues being addressed through a variety of other channels, e.g. Territorial Quality Leads, Commercial Manager Forums, National Quality Forum.
QTL Testing	Quarter 1	All QTL stock has been diverted to test performance on 1 st Class PPI mail from Quarter 3 onward – 1,000 additional QTLs have been purchased to support this initiative.
PPI Improvement Activities continued		
Changes to End to End survey to increase PPI sample sizes and provide greater panellist coverage	Quarter 1-2	Complete – sample sizes now in line with 1 st Class Stamped and Meter survey
Adherence to PPI Operational Standards	Quarter 1 onwards	Deployed and ongoing
High impact support	Quarter 1 onwards	Deployed and ongoing via Quality Excellence Task Force
Response Services Improvement Activity		
Recruit customers to trial new product	Quarter 1	Complete
Complete lab tests on automated solution for new product	Quarter 1	Complete
Complete field tests on automated solution for new product	Quarter 1	Complete
Maximise automation of existing product	Quarter 1 onwards	Ongoing
Adherence to Response Services operational standards	Quarter 1 onwards	Ongoing
Customer stationery checks	Quarter 1 onwards	Ongoing
Complete Phase 2 customer trials of new product	Quarter 2	Complete
Launch new product	Quarter 2	Complete

The following table provides an update on new activities which were introduced in Quarters 1 and 2 that were not outlined in the original Quality of Service Plan. A more detailed description of each of these activities is provided in previous Quarterly Reports and in the narrative sections which follow later.

Table 2: Update on new activities introduced in Quarter 1 and 2 (but not included in the original Quality of Service Action Plan)

Activity	Schedule	Status
Organisational Restructuring		
Letters and Logistics arms of business both reporting to Chief Executive	Quarter 1	Complete
New Operations Director and Operations Executive Appointed	Quarter 1	Complete
Single point accountability introduced for Quality of Service at Royal Mail Holdings Board Level	Quarter 1	Complete
Realignment of central quality team	Quarter 1	Complete
Letters and Logistics to become a single business from start of 2005/06	2005/06	Planning and restructuring commenced Quarter 4 2004/05
Integrated Quality Approach		
Introduction of Quality Diagnostics measures into Pipeline Productivity Measurement System	Quarter 2	Complete
Review and integration of overall IQA deployment plan	Quarter 2	Complete
Quality Dashboard trials	Quarter 2	Trail commenced early Quarter 4
Full scoping of people strand	Quarters 2-3	Complete – now preparing for 2005/06 phased deployment
Diagnostic Activity		
Complete review of RFID deployment strategy	Quarter 2	Review completed – new technological approach to be deployed
“Letting Managers Manage”		
Introduction of one daily e-mail to operational managers and Infopoint procedures which ensure non-business critical reports/data capture is not carried out.	Quarter 2	Deployed and ongoing
Resetting Behavioural Standards		
Operations Director’s behavioural standards launched	Quarter 2	Deployed and ongoing
Operational Standards and Audit		
Review of all audit questions	Quarter 1	Complete
Design of new self audit procedures	Quarter 2	Complete
Realignment of independent audit resource (incorporating Quality Excellence Task Force)	Quarter 2	Complete
Quality Excellence Task Force		
Introduction of Quality Excellence Task Force to support improved performance in high impacting units	Quarter 2	Deployed and ongoing

Table 2: Update on new activities introduced in Quarter 1 and 2 (but not included in the original Quality of Service Action Plan) continued

Activity	Schedule	Status
Mail Centre Processing		
Reinforce compliance to national sortation standards as set out by Simplified Sortation initiative	Quarter 1	Complete
Systematic elimination of restrictive operating practices (also applies to Collections, Distribution Centres and Delivery)	By end of financial year	Ongoing
Peak Pressure planning for August Bank Holiday (also applies to Distribution Centres and Delivery Offices)	Quarter 2	Complete
Comprehensive review and testing of entire integrated national workplan (also applies to Distribution Centres and Delivery)	Quarter 2	Complete
Independent review of deployment of Mail Centre Mandatory Standards	Quarter 2-3	Complete
Network		
New layouts, yard management and van identification systems deployed at National Distribution Centre	Quarter 1	Complete
Introduction of contingency drivers and vehicles at key network points	Quarter 2	Deployed and ongoing
Airport feeder routes and 1 st Class network routes given priority status to ensure they are given priority driver and vehicle coverage	Quarter 2	Deployed and ongoing
Introduction of early relief road despatches to units at risk of bulking out	Quarter 2	Deployed and ongoing
Human Resourcing Strategy		
Deployment of new resourcing policy - converting temporary to permanent contracts	Quarters 2-4	On schedule
Changes to overall recruitment process	Quarter 2 onwards	Deployed and ongoing
Improved induction training for new recruits	Quarter 2 onwards	Deployed and ongoing
Improving the provision and quality of Agency staff	Quarter 2	Complete
Reducing unauthorised absence levels	Quarters 2-4	Deployed and ongoing
PPI Improvement Activities		
Migration of low value accounts to more appropriate payment channel	Quarters 1-4	Ongoing
New PPI Indicia	Quarter 2	Complete
Purchase of 1000 additional QTLs to be used to test 1 st Class PPI performance	Quarter 3	Complete
QTL testing and report back	Quarter 4 onwards	On schedule

Table 2: Update on new activities introduced in Quarter 1 and 2 (but not included in the original Quality of Service Action Plan) continued

Activity	Schedule	Status
Special Delivery Improvement Activities		
Deployment of Special Delivery Analysis Tool	Quarter 2 onwards	Complete
Performance Management focus on high impacting Mail Centres and network routes	Quarter 2 onwards	Ongoing
Addressing Special Delivery procedural errors	Quarter 2 onwards	Ongoing

The following table provides a summary of new activities deployed during Quarter 3 which were not set out in the original National Quality of Service plan.

Table 3: Summary of new activities introduced in Quarter 3 (and early in Quarter 4)

Activity	Schedule	Status
Integrated Quality Approach		
Launch primary communication of planned approach through Area General Manager and Commercial Managers planning forums	Quarter 3	Complete
Ensure operational units are taking the required PPMS diagnostic measures	Quarter 3 onwards	Ongoing
Use PPMS diagnostic data to understand root causes of service delay and highlight high impacting units for performance management purposes	Quarter 3 onwards	Ongoing
Employee Engagement		
Special 'customer' edition of Today magazine	Quarter 3	Complete
Letter from Operations Director to all managers	Quarter 3	Complete
Diagnostic Activity		
Complete RFID deployment planning and secure funding	Quarter 3	Funding secured, now planning for 2005/06 deployment
Operational Standards and Audit		
Launch of self audit and new audit questions via a series of training workshops	Quarter 3	Complete
Mail Centre Processing		
Automation Utilisation Study carried out	Quarter 3	Complete
New national workplan signed off by Operations Executive and communicated to all operational managers	Quarter 3	Complete
Peak Pressure planning for Christmas and post Christmas period (also applies to Distribution Centres and Delivery Offices)	Quarter 3	Complete
Relaunch of Mail Centre mandatory standards via training workshops – incorporating recommendations from independent review	Quarter 3	Complete
Redesign and mandatory deployment of units based tools for manpower planning	Quarter 3-4	On schedule
Network Improvement Activities		
Complete independent review of compliance to Move to Time policy	Quarter 3	Complete
Develop and deploy action plan based on findings of review of Move to Time policy	Quarter 3-4	On schedule
York container audit and best practice repatriation guidelines deployed	Quarter 3	Complete
Purchase of additional York containers	Quarter 3	Complete
Ongoing review of aircraft fleet and routing configuration ensuring aircraft/pilot/airport 'all weather' capabilities are aligned and that optimum aircraft used on each route	Quarter 3 onwards	Ongoing

Table 3: Summary of new activities introduced in Quarter 3 (and early in Quarter 4) continued

Activity	Schedule	Status
Distribution Centre Processing		
Trial of trayed Mailsort 700 customer mailing	Quarter 3	Complete
Review of Mailsort 1/Presstream 1 performance through Princess Royal Distribution Centre	Quarter 3	Complete
Enhance Performance Management		
Introduction of National Quality Forum	Quarter 3	Deployed and ongoing
Head of Quality Programmes post created	Quarter 3	Deployed and ongoing
Quality Project Office set up	Quarter 3	Deployed and ongoing
2005/06 Quality of Service Plan Development		
Development, communication and sign-off of 2005/06 QoS plan	Quarter 3-4	On schedule
Special Delivery		
Launch Special Delivery uplift programme and develop ToR	Quarter 3	Complete

The following table provides a summary of new activities – not previously outlined in the National Quality of Service Plan – which are scheduled for Quarter 4 deployment.

Table 4: Summary of new activities scheduled for deployment in Quarter 4

Activity	Schedule	Status
Diagnostic Activity		
Secure funding for RFID deployment	Quarter 4	Complete
Commence RFID deployment	Quarter 4	Detailed liaison and contract negotiations with 3 rd party suppliers commencing Quarter 4 – to support phased deployment in 2005/06
Mail Centre Processing		
New national generic workplan launched and deployed (also applies to Distribution Centres and Delivery Offices)	Quarter 4	On schedule
Resourcing Issues		
Scope Royal Mail pool of trained contingency employees to be deployed as necessary within a particular geographic area	Quarter 4	On schedule
Maintain focus on reduction of sick absence through 'Win a Car'	Quarter 4	On schedule
Response Services		
Refresh customer delivery details post Single Delivery Deployment	Quarter 4	On schedule
2005/06 Planning		
Develop 2005/06 National Quality of Service Plan	Quarter 4	On schedule
Communicate 2005/06 QoS Plan for integration with local Area plans	Quarter 4	On schedule
National Workplan		
Review audit questions and align with new workplan	Quarter 4	On schedule
Review daily reporting requirements and realign with new workplan	Quarter 4	On schedule
PPI QTLs		
Share ongoing results from PPI QTL exercise to Operations Executive and Areas for appropriate action	Quarter 4	On schedule
Special Delivery		
Deploy agreed actions from Special Delivery uplift programme	Quarter 4	On schedule

1st CLASS STAMPED AND METER

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath ¹	Full Year Cumulative Target
88.4%±0.3%	92.2±0.2%	91.9±0.2%	90.9±0.3%	91.7%	92.5%

Overview

1st Class Stamped and Meter mail has demonstrated strong performance in Quarter 3. At 91.9%, performance has only fallen by 0.3% on the previous Quarter when normally we would expect a seasonal decline of over 1%. In fact, the result was the best Quarter 3 performance in almost 10 years.

Our 2004/05 National Quality of Service plan was set out in 2 phases:

- **Stabilising the Pipeline:** This phase focussed on completing deployment of the major change activities associated with the Royal Mail Renewal Plan and restoring stability to the pipeline. This phase was largely completed during Periods 1 to 4, i.e by the end of June.
- **Delivering Our Promises:** This phase of the plan focuses on sustaining and building on the stability delivered in the earlier phase through robust performance management. This phase commenced in Period 5.

It is worth noting that cumulative performance for Period 5 – 9, the results which relate to the Delivering Our Promises phase of the plan, was 92.3% (only 0.2% behind the full year target level)

These facts clearly demonstrate the success of our Quality of Service recovery programme and give clear evidence of sustained and continuous improvement since the end of Period 4. A similar pattern of improvement has been seen across almost all products in Quarter 3.

National Quality of Service Action Plan- Quarter 3 Update

The Period 1-4 Stabilising The Pipeline activities have all been completed and we firmly believe that these activities have been successful in restoring stability in our pipeline and building a strong foundation on which to drive any remaining improvements in performance. The Stabilising The Pipeline activities have been described in some detail in the Quarters 1 and 2 National Reports and are therefore not repeated here.

¹ It should be noted that Quarterly flightpath figures are indicative of how Royal Mail expects to perform throughout the year. They are not absolute targets and are not a requirement of the Licence and should not be interpreted as further targets which are to be judged against a stark pass or fail criterion.

We are now progressing through the Delivering Our Promises phase of the 2004/05 Quality of Service Plan. This phase firmly re-establishes customer service issues at the heart of all we do through rigorous adherence to the principles of performance management and development of key enabling activities such as the Integrated Quality Approach.

The following narrative focuses on the main improvement activities scheduled for deployment during Quarter 3:

Performance Management and Tracking of the Quality of Service Plan

Quality of Service performance continues to be closely monitored at all levels of the organisation through our ongoing Performance Management procedures. These procedures require that, as a minimum, every manager has a monthly performance review with his/her line manager to review performance against their scorecard measures, understand the root causes of any shortfalls against target and develop/deploy any necessary remedial actions. In addition, daily conference calls have been introduced to ensure problems occurring the previous day are discussed openly and addressed in a timely manner. Royal Mail actively encourages the open and honest reporting of operational failures as it is only through this honesty that problems are identified and corrective actions are taken.

On a weekly basis the Chief Executive meets with his Operations Executive to review key customer performance for the previous week – specifically looking at Mail Centre, Network and Delivery clearance performance and USO collection and delivery performance. This meeting ensures a consistent and timely focus on key quality of service drivers at the most senior levels of the organisation. Actions and key leadership messages arising from this meeting are cascaded through the operational line via Territorial Directors.

In Quarter 3 we also introduced a monthly National Quality Forum, largely made up of members of the Operations Executive with regular contributions from the Sales and Marketing Directors. The purpose of this group is to take a longer term view of the management of quality of service issues. This forum routinely reviews customer performance for the previous month, highlighting geographic or pipeline ‘hotspots’ and deciding on corrective actions. The performance review element of this forum provides Territorial Directors with a pack from which they can target their performance management on the particular units or stages in the pipeline that are contributing most to quality of service delay.

At this meeting the Standards of Service Compliance Officer reports back on any concerns or issues raised by Postcomm and Postwatch.

This forum also monitors progress of the key initiatives contained within the National Quality of Service Plan and plays a pivotal role in development of direction, strategy and goals for future service performance. It also critically assesses the customer service risks associated with deployment of any change initiative.

Resourcing/Manpower Planning

Effective manpower planning is one of Royal Mail's top initiatives and has senior level Business support. Quarter 3 activity focussed on the redesign of unit based tools for manpower planning and resource management. These enhanced tools allow standard and robust manpower planning to take place at all operational units and allow upward aggregation of resource requirements.

Deployment of the updated software is being carried out in 3 phases, following a national launch event in January 2005. The first twelve areas commenced deployment in January. The second phase has 11 Areas deploying in early February and the remaining Phase 3 Areas will deploy from mid February onwards. Deployment is supported by 3 Territorial Lead Managers who will assist in deployment of the software and ensure that consistent reporting processes and procedures are implemented nationally. In particular, the Territorial Leads will help ensure that manpower plans are updated on a weekly basis and that processes/procedures do not degrade over time. Technical and systems support is also being provided by the national deployment team.

Deployment of this new manpower planning tool complements the two Mail Centre mandatory standards which ensure staffing levels are correct and hence secure robust Mail Centre clearances. These standards are daily traffic forecasting and contingency resourcing (known as White Book Staffing within Royal Mail). These standards were launched early in 2004/05 but an independent review of deployment during Quarter 2 showed opportunities for improvement in the way they had been deployed. This led to the software, procedures and guidelines being updated and these were relaunched through a series of mandatory workshops (for Mail Centre Managers) in Quarter 3.

Finally, in preparation for 2005/06, manpower planning guidelines and supporting documentation for next year, such as best practice advice, have now been made available to all Areas.

Effective manpower planning has been set out as a key priority for Quarter 4 and beyond by Royal Mail's Chairman and Chief Executive at recent Operational Managers events (see Communications for more details).

Integrated Quality Approach

In 2004, Royal Mail has embarked on a two year strategy aimed at providing Areas with a three stage Integrated Quality Approach that will drive and sustain performance improvements. The three stages are:

- Re-establishing compliance to standards
- Investing in robust measurement systems to inform planning and aid effective decision making
- A programme of employee involvement to engage all front line employees in the continuous management and improvement of customer service in their work areas.

IQA is premised on the fact that quality performance will be achieved if the operation is managed in a way that is consistent, day in day out. The approach will provide a clear set of requirements, a consistent set of tools to improve quality and descriptions of how the tools should be used to achieve the behavioural change required.

Creating the environment and the motivation for people to learn to do things differently and continue to maintain that behaviour is a key challenge. The extent of the behavioural and cultural change required is not being under-estimated within Royal Mail and the activities completed so far during 2004/05 have focussed on building the foundations for deployment of the 'people' strand in 2005/06.

The Integrated Quality Approach (IQA) is designed to support the capture of accurate 'defect' data to ensure we understand the real root causes of service delay and do not waste time and energy looking at the wrong things. It involves the deployment of Standard Operating Procedures which provide clear guidance on how to complete tasks and why they should be completed in a certain way. And, most importantly, the approach engages front line employees in the control and management of customer issues via a number of mechanisms such as daily team performance reviews. IQA also supports compliance to national standards through a programme of self and independent audit which ensures we work to common standards and procedures across all operational units.

The IQA programme of activity has been split into 3 distinct strands this year: Systems, People and Audit. Key IQA activities which have been completed during Quarter 3 are:

- National pipeline process maps have been developed and captured electronically. A software tool now holds the process map and links each step in the process to its Standard Operating Procedure, supporting documentation, audit questions, etc. This allows us to test the impact of any product, service or operational change on the pipeline and automatically flags up all the procedures, etc, which would require updating as a result of that change – thus ensuring that all supporting information remains up to date at all times.
- Standard Operating Procedures for each stage of the pipeline have been completed and a model for national deployment has been developed.
- Technical system testing for the Quality Dashboard (the Quality Dashboard is the visual representation and aggregation of the in-process measures which will be used for performance review at all levels) has been completed.
- A new national workplan has been developed and signed off within the organisation (see later for more details) and all supporting processes and documentation has been updated to support deployment of the new workplan.

- A Collections Daily Performance Report has been deployed to complement the Mail Centre and Delivery Daily Reports which are already in operation. This report captures key performance information (such as USO Compliance) and supports more robust and timely performance management of the collection operation. This report is largely populated through the Access Barcoding System (where ABC has been deployed).
- A Logistics Daily Performance Report has been developed for deployment alongside the new national workplan.
- The Quality Diagnostics module of the Pipeline Productivity Measurement System has been embedded and we are now focussing on ensuring all units are taking the required measures on a daily basis.
- We have continued with the programme of independent audit and re-audit as scheduled.
- Self audit questions and procedures have been developed, tested and communicated through a series of workshops in Quarter 3.

Key activities scheduled for Quarter 4 are:

- The Quality Dashboard is now being user tested in 3 Areas: Thames Valley, Chester and East of Scotland. The user tests will run until the end of this financial year and full national deployment of the system will be phased over Quarter 1 and 2 of the following year.
- We are currently trialling the deployment of 14 customer facing (i.e. collections and delivery) Standard Operating Procedures in 14 offices. The trial will run until the end of the financial year, when these 14 SOPs will be deployed nationally on a mandatory basis. The phased deployment model for the remaining SOPs is also being developed during Quarter 4.
- The new national workplan will be deployed during Quarter 4. To support deployment we have updated the relevant questions within the Mail Centre and Delivery Office Daily Report and the independent and self audit questions. We will also deploy the new Logistics Daily Performance report alongside deployment of the new workplan.
- The independent operational audit resource has been ring-fenced and will focus on units which have a high impact on Quality of Service and USO Compliance. A presentation is being arranged for Postcomm and Postwatch to explain the revised independent audit process.

- The new self audit approach is being deployed nationally during Quarter 4. This approach requires that:
 - Work Area Managers, Shift Managers and Delivery Office Managers carry out a daily audit of their areas based on a set of key questions
 - Delivery Sector Managers audit each of their Delivery Offices once per month
 - Mail Centre Managers audit each of their shifts once per month
 - Area General Managers carry out the necessary checks to ensure that the self audit procedures are being carried out correctly within their Area.

- Development of the over-arching People strand with associated project plan and key deliverables will be completed and signed off within the organisation – allowing deployment to commence early in 2005/06.

Task Force

The Quality Excellence Task Force approach was launched in Quarter 1 in response to a shortfall in performance against flightpath. The Task Force approach is now a formalised part of the management process and is a key enabler to driving up geographic performance, i.e. boosting performance in postcode areas that are failing the Minimum Floor target or are having a particularly large negative impact on national performance for a particular product.

The Task Force approach was described in some detail in the Quarter 2 report – but continues to evolve as we learn from each new site visited. During Quarter 3 the Task Force has provided support to Essex, Glasgow, North West Midlands, Romford & Ilford, Birmingham, Edinburgh (for PPI performance) and Manchester. Since receiving Task Force assistance, we are already seeing improvement in performance in these postcode areas. For example, all units have reduced clearance failures compared to previous months and most have already improved their 1st Class Stamped and Meter Posted and Intra performance (generally by more than the national average)

Quarter 4 Task Force visits are currently scheduled for Liverpool, South East London, Brighton, Portsmouth and Uxbridge during Quarter 4 – and a visit to Northampton has been completed. Performance and delivery of agreed improvement plans for these Areas will be closely monitored.

New National Workplan

During Quarter 3 development work for a new national workplan has been completed. A standard way of working across the entire Royal Mail network is imperative if sustained quality improvements are to be achieved. The new national workplan provides everyone in the network with a clear definition of product arrival times and despatch times at each point of the pipeline and ensures that timings between Mail Centres, Distribution Centres and Delivery units are completely aligned.

The new workplan also ensures that products are processed on a single shift, giving clearer accountability for the clearance and quality of clearance (i.e. level of missorts) of that product. The new workplan insists that Intra mail is always marked with pink labels to ensure it can be identified and processed at the appropriate time and ensures that Mailsort 3 postings maintain their integrity throughout the pipeline. This last point is particularly important for Mailsort 2 performance as it prevents Mailsort 2 mailings being 'mixed' with Mailsort 3 and then receiving Mailsort 3 service. The workplan also makes use of colour coding systems for Mailsort/Presstream postings to ensure they are processed on the correct day.

Deployment of this new national workplan will commence in Quarter 4 subject to the initiative passing a stringent set of risk management criteria, i.e. ensuring there is no negative impact on quality of service performance. As mentioned previously, the new workplan has been communicated widely throughout the organisation and all supporting documentation, daily reporting procedures and audit questions have been updated accordingly.

RFID and QTLs

For many years Royal Mail has made use of Electronic Quality Test Letters (QTLs) to help supplement our understanding of where delays are occurring in our pipeline. Sometimes QTLs are used to test the generic performance of the pipeline and often they are used to test the performance of specific products. During Quarter 3 all existing QTL stock has been diverted onto the 1st Class PPI product which has never consistently performed at the target performance level. More details of this study are given in the 1st Class PPI section of this report.

The QTL approach is now being overtaken by new technology. Royal Mail had developed plans to use the new and developing Radio Frequency Identification Technology and the project has been given financial authority to proceed with an investment of over £12million. The proposal will enable all the entrances and exits in key operational buildings to be fitted with RFID aerials. In addition, we will purchase a number of mobile units which can be temporarily installed in work areas or smaller units as necessary.

Research International, the company who independently manages our End to End survey, will place RFID tags in the sample items posted by panellists. As these tags enter and leave our buildings they will be recognised and the event will be recorded². It will then be possible to get a greater understanding of where delays or missortation errors have occurred for the samples which have not been delivered on the correct day.

During Quarter 4 we will be working with our third party suppliers on planning and preparation to commence installation of RFID in 2005/06 and beyond on a phased basis.

² Although there will be a delay before the data becomes available to Royal Mail – to ensure that samples travel anonymously through the pipeline

Communications

Royal Mail has an ongoing communications campaign designed to raise and maintain awareness of customer service issues. This campaign makes use of regular monthly articles in in-house publications such as the Courier and Today as well as poster campaigns, conferences and direct letters to managers/front line employees. Specific examples of communication activity in Quarter 3 include:

- Today Special – A special issue of the Today magazine was published which focussed entirely on customer service issues. This was described in some detail in the Quarter 2 Report.
- Planning Forums – Planning forums with Area General Managers and Area Commercial Managers have been held during Quarter 3 in preparation for the 2005/06 Quality of Service plan. These forums allow two way communication of the key quality of service inhibitors and required enabling activities.
- New Workplan – a programme of communications has been carried out, including posters for all work areas, to support deployment of the new national workplan
- Win a Car campaign – Adverts in Courier, posters and a travelling roadshow have been used to promote the ‘Win a Car’ campaign. This campaign is designed to discourage unnecessary sick absence by allowing employees with a 100% attendance record to enter a prize draw to win one of 37 cars³.
- First Class People Award – This campaign was launched in the national press in November and invites members of the public to nominate employees who deliver remarkable service.
- Ops Daily: All operational managers receive a single daily e-mail in which key business issues are cascaded. Quality of Service issues regularly feature, on an almost daily basis, in the Ops Daily e-mail.
- Chairmans award: On a monthly basis the Chairman gives an award to an individual employee for exceptional contribution – this scheme started in October.
- Work Time Learning and Listening – we continue to use ‘Talkabout’ packs to engage our frontline employees in the management of customer issues during weekly Work Time Learning and Listening sessions.
- Quarterly Leadership Meeting – where the Chairman and Chief Executive meet with the most senior operational managers to set out key priorities for the coming months. Throughout 2004/05 restoration of Quality of Service to our customers has been positioned as the number one priority for the organisation.

³ With holiday vouchers are runner up prizes

- Operational Manager's Conferences are also held on a 6 monthly basis where the Chairman and Chief Executive communicate the key priorities for the organisation. The January Conference set out:
 - Relentless focus on reducing errors
 - USO compliance
 - Tight manpower planning
 - Deployment of the new national workplan
 - Honest reporting
 - Self audit
 - Engaging front line employees

as the key challenges and priorities for Operational Managers in Quarter 4 and beyond. It is important to note that these were not presented as the key 'customer' priorities but as the key priorities for the company overall.

Pipeline Specific Improvement Activities: Collections

The deployment of Access Barcoding has continued through Quarter 3 and will be completed during Quarter 4 – when a Project End review will be carried out to agree that all parts of the ABC project have been delivered as planned; ensure that all areas now have the necessary equipment and training to use, monitor and maintain the system; and to help the national deployment team understand what went well with the project and what improvement opportunities have been identified for use in future projects of this nature.

The Collections Routing Tool is now deployed and available for Areas to use as required. A national agreement with the Communication Workers Union was obtained during Quarter 3 that facilitates the use of the tool as a replacement for the earlier Trandos system in planning future collections revision activity. A deployment support team has also been set up to provide help to Areas using the tool. The support team will keep areas up to date with developments, advise on the details of specific planning activities and processes, advise on training opportunities and provide technical support for the software.

As mentioned previously, Standard Operating Procedures for 14 customer facing operations are being trialled during Quarter 4 for mandatory deployment early in the new year. These 14 SOPs include collections from pillar boxes, customer premises and Post Office branches.

Every Quarter 3 we have to take extra precautions during the firework season to prevent damage to our postbox estate, prevent damage to mail held within postboxes and minimise the risk of injury to our customers and employees. This means that some high risk pillar boxes must be fitted with restrictor plates. As always, business policy and guidelines were cascaded through the operation and a standard customer communication was prepared for all restricted boxes.

Pipeline Specific Improvement Activities: Mail Centres

A number of Mail Centre improvement activities – in addition to those mentioned previously (manpower planning, Mail Centre mandatory standards, operational standards and audit and new national workplan) – have been deployed during Quarter 3. These include:

- Address Interpretation: - To date our Address Interpretation technical supplier has addressed 129 of the known 166 missortation errors. 18 other fixes are currently in the test phase and the remainder will be completed in February⁴. In addition, they have developed improved software for recognising outgoing foreign mail and this has been successfully deployed. A proposal to reduce missortation rates on the new Flat Sorting Machines had been accepted by Royal Mail but the supplier has encountered some technical difficulties in deploying that solution. Alternatives are now being investigated.
- Mail Centre Efficiency Review: Deployment of the Mail Centre Efficiency Review continues with no disruption to customer service. To date all units have deployed the first two stages of change and all but one unit have completed the final stage.
- Automation Doubles: Deployment of Automation Doubles technology has now been completed.
- Automation Utilisation: As part of the Automation Utilisation study an initiative has commenced that will provide principles and guidelines as to what constitutes the most effective and efficient sort plan configuration for automated equipment. This initiative will look at the support and training of CRAMP managers who are responsible for configuring mechanised sorting plans.
- Missortation: A lot of time and effort goes into the preparation and sorting of mail to meet due despatches but it is just as important to ensure that mail is not placed in the wrong bag or tray and/or the incorrect label is applied to a bag, tray or bundles. Work continues to address and reduce the level of missortation in the pipeline. The new PPMS Quality Diagnostic measures are starting to highlight the 'hotspots' where missortation is most likely to happen and this information is being used for Performance Management. A 'Talkabout' document has also been developed for use at Work Time Listening and Learning sessions.

Pipeline Specific Improvement Activities: Network

A number of network improvements were deployed during the Stabilising The Pipeline phase of our plan – these have been described in detail in the Quarter 1 and Quarter 2 National Reports. During Quarter 3 we have continued to make refinements to our network operation. These include:

⁴ Although 2 cannot be fixed as their solution would create even greater problems elsewhere. We will, therefore, continue with 100% manual checks for these known mis-read errors.

- Work has been carried out to ensure that aircraft fitted with all weather capability are used in airports with similar capability to maximise our ability to fly in conditions of poor visibility.
- We have ceased the use of flights at Heathrow and moved the operation to Stansted Airport. The movement of all 1st Class mail between Scotland and the South of England is now all to/from Stansted in three containerised jet aircraft.
- On a trial basis we have reintroduced trains to carry 2nd class mail between Princess Royal Distribution Centre, Warrington Rail Terminal and Scotland. The results of this trial will be evaluated in March and a decision will be taken as to whether Royal Mail continues with rail as part of its modal mix in 2005/06.
- Additional road services from the National Distribution Centre were introduced to deal with Autumn increases in traffic volumes
- The Hercules aircraft used between Newcastle and Stansted was replaced by a Boeing 737, improving reliability on the route
- New network links to Heathrow Worldwide Distribution Centre were introduced for foreign mail
- New direct road services were introduced from the National Distribution Centre to London (Rathbone Place, W1) and Paddington Mail Centre (W2)
- A trial of presort customers traying mail instead of using bags are ongoing
- An independent internal review of the Network Transport Operation was carried out. The findings of this report have led to the following improvement activities being deployed:
 - Improvements to the pre-advice system which records details of vehicle movements (which will be linked to the Quality Dashboard reporting system)
 - The Network Change Process has been reviewed so that controls and links to the network systems are enhanced
 - Service Level Agreements between Mail Centres and Network Hubs are being refreshed to clearly identify service details and improve performance management
 - Network analytical tools and root cause analysis is being reviewed
- In the run up to Christmas, a national York audit was carried out and best practice advice on utilisation and repatriation of Yorks was provided to all Areas. An additional 15,000 Yorks were purchased at a cost of over £2m.
- To address a nationwide shortage in trained LGV drivers, Royal Mail has run a very successful national recruitment campaign and has advertised internally for employees who are interested in training to become LGV drivers.

- In October we successfully launched the new Royal Mail Consignment Management System. This application holds the Master Schedule for mail distributed across the Royal Mail Network and produces mail container labels.
- The focus has been raised on the number of 2nd Class items, particularly packets, which are travelling on 1st Class air services (and potentially bulking out 1st Class mail that must travel on those services). Performance Management information is now shared on a regular basis to drive out these bad practices.
- Planning work has commenced to support the merger of Logistics and Letters in the new financial year. The new Network Director and his top team have now been appointed.

A number of further network activities are scheduled for Quarter 4 – they include:

- Introduction of a jet operation on the Bournemouth-East Midlands-Bournemouth route (from 1st February)
- Mail from Cornwall to the South East of England will transfer from road to air (from 7th February)
- More capacity made available on flights between Liverpool and Gatwick (from 10th January)
- Introduction of a revised Sunday network with fewer flights but greater reliability and flexibility via a road based network hub at the National Distribution Centre (from 16th January)
- Relocation of the Thames Valley mini hub to Swindon Mail Centre (from 31st January)

Pipeline Specific Improvement Activities: Delivery

Since the Quality of Service Recovery Plan was implemented Royal Mail's unequivocal approach has been to deploy Single Daily Delivery only when there is assurance that there will be no adverse Quality of Service impact. During Quarter 2 robust risk assessments, signed off by the Territorial Directors have been carried out before a Delivery Unit migrates to the single delivery – thus minimizing the risk of disruption to customer service. We have also worked closely with the Communication Workers Union to help ensure smooth transitions.

To date only 24 of 1400 main Delivery Offices and 1200 Scale Payment Delivery Offices are still to transfer to Single Delivery and plans are in place to ensure most will transfer by the end of the financial year. However, 5 units may take slightly longer as deployment of the revision is dependent on structural changes to the building. We have worked very closely with employees and both local and national representatives from the Communications Workers Union to ensure smooth transition to the single delivery in these units.

A number of other delivery related improvement activities have continued through Quarter 3:

- Restrictive practices: Royal Mail continues to systematically address and eliminate the restrictive practices that have interrupted Quality of Service achievement in the past. The majority of these practices occur in the delivery operation and most are being addressed as part of the transition to a single delivery.
- Tools for the Job: The 'tools for the job' equipment provision programme that was part of the overall Single Delivery deployment has now been completed and equipment provision has now transferred to a 'business as usual' activity.
- Human Resourcing: Resourcing issues have been a key driver of many of the problems encountered when migrating to the Single Delivery. A full update on Human Resourcing activities is provided later.
- Standard Operating Procedures: As stated previously, all Standard Operating Procedures have now been developed and 14 mandatory customer facing SOPs are being trailed in Quarter 4. This first phase of mandatory SOPs focuses on collections and delivery related activity.

Human Resourcing:

The way in which Royal Mail recruits, trains and manages its employees is integral to improving performance across all scorecard measures. Royal Mail continues to deploy initiatives that support improvements in Quality of Service, focussing on:

- Resourcing Policy
- Recruitment procedures
- Induction training and support
- Agency staffing
- Absence Management

These activities have been described in some detail in previous Quarterly Reports. An update of progress made during Quarter 3 is shown below:

Resourcing Policy

Now that major change programmes such as Transport Review and Single Delivery are coming to completion Royal Mail has changed its resourcing policy. During the transitional period Royal Mail was routinely offering temporary rather than permanent contracts and had a high reliance on Agency Staffing in order to minimise the need for redundancy. Royal Mail's policy is now to offer permanent contracts as the norm and to only rely on Agency staff and/or fixed term contracts in exceptional circumstances, e.g. to cover workload peaks at Christmas or to cover long term sick absence or maternity leave.

In the last 6 months Royal Mail has converted over 10,000 jobs from temporary to permanent status. Similarly, the reliance on Agency casuals has reduced from nearly 4,500 in June 2004 to under 2,500 in January 2005. In fact, many of the Agency staff used in January were employed as contingency to secure clearance performance at a time of year when sick levels are historically high. We therefore expect to see this figure reduce in February and March.

Recruitment Procedures

Royal Mail is focussing on reducing the number of vacancies within the organisation and reducing the lead times between recruitment and placement of new recruits. As part of the manpower planning initiative (described previously), Areas continue to develop their 14 week rolling resource plans and work closely with Personnel to recruit to know vacancies.

We have now reduced the number of vacancies in Delivery Offices from a peak of over 2,500 in the summer to around 1,700 in January⁵ through:

- Widening the recruitment net through advertising campaigns, recruitment fairs, appealing to friends and family of individuals already working for Royal Mail and inviting Christmas casual staff to apply for permanent positions (with their line manager's endorsement)
- Accelerating the recruitment process by making conditional offers of employment on the day of interview (subject to health and criminal record checks), moving to singleton interviewing to reduce a bottleneck in the number of trained interviewers, introduction of a national vetting centre
- Inviting existing Royal Mail employees to apply for LGV driving training to address a nationwide shortage in skilled drivers.

In fact, over the last few months we have seen the number of joiners exceed the number of leavers giving a net increase to headcount and reducing the 'vacancy gap'.

Induction training and support

We have also taken positive action to reduce the number of individuals who leave Royal Mail within their first few months of employment as 26% of operational employees leave Royal Mail have within their first 6 months. To address this we have introduced a one day induction course followed by workplace training supported by coaches (experienced operational employees) to help them 'learn the ropes'. We are also developing a new 'Learn as you go' induction programme.

⁵ An average of approximately 1 vacancy per delivery office – although there are marked variations across the UK

Interviews of individuals leaving Royal Mail had shown one of the key reasons for leaving was that they were asked to cover a different walk every day and did not have a period of stability. We have therefore also taken action to ensure that new joiners in Delivery Units stay on the same delivery walk for a period of at least 6 weeks while they learn more about the organisation.

Agency Staffing

As stated previously, with the exception of Christmas, we have significantly reduced our reliance on Agency staffing (from a peak of nearly 4,500 in the spring to around 2,500 in January). We will always have some requirement for Agency/casual cover for peak pressure periods and periods of high unexpected absence, e.g. when a flu epidemic hits a particular Delivery Office.

We therefore continue to work closely with our Agency suppliers to improve the reliability and provision of resource. As well as extending their opening hours, deploying an accreditation scheme and the introduction of ID badges, we have also agreed with the Agency that all agency staff will be fully vetted – including criminal record checks – before being assigned to roles within the business.

The 14 week manpower planning process helps support this by providing the Agency with as much prior notice as possible. Several locations are now using a ‘core ordering’ process where the Agency block books staff for a weekly or monthly (instead of daily) period and these individuals are deployed between a variety of Delivery Units in a localised area as required.

Royal Mail is also looking to develop ‘pools’ of trained casual staff within a particular geographic area. These staff will have previous experience of working within the Royal Mail operation and will be deployed, as required, to any unit within the pre-defined area. Royal Mail is currently scoping the costs and benefits of this solution.

Absence Management

A new attendance procedure was launched early in Quarter 2 which is helping managers to manage absence levels more effectively by keeping in touch with employees during their period of absence and supporting them in their return to work. This process ensures managers are kept up to date with the status of employees sick absence. In Quarter 3 an updated version of the Absence Tracker was made available. This tracker has been adapted, based on feedback from users, to automatically flag up trigger points for sending attendance letters, conducting face to face meetings and carrying out return to work interviews. The tracker has also been updated so that medical certificates can be tracked in line with the new processes.

We have also continued with our ‘win a car’ promotion which allows a prize draw entry for employees with a 100% attendance record over a predetermined period of time – where employees can win one of 37 Ford Focus cars. To support this promotion, a Ford Focus car branded with the words ‘be in to win’ has visited a number of operational sites across the country with the driver distributing promotional material. In addition, adverts have appeared monthly in the Courier newspaper. The prize draw will take place in late February.

We also continue to focus on Health and Safety issues for our employees – ensuring their work environment is free from the risk of accident or injury.

Through these activities non-attendance levels have fallen from a peak of 7.4% in June to just over 6% in January (a month where historically sick absence levels have been high).

Actions and Outlook for Rest of Year:

A number of Quarter 4 activities have been described above. In the main, Royal Mail will:

- Continue the real-time performance management approach
- Continue its relentless focus on reducing errors by ensuring quality diagnostic measures are taken and acted upon
- Deploy the new national workplan in a controlled manner
- Deploy self audit and continuing the programme of independent audit
- Continue to focus on manpower planning and human resourcing issues – ensuring we have the right people in the right place at the right time

The 2004/05 National Quality of Service plan explained that the full year cumulative target of 92.5% would not be achieved for 1st Class Stamped and Meter mail as we brought the 2003/04 major change programmes to conclusion at the beginning of the year. The plan forecast a full year cumulative result of 92.0% and a Quarter 4 performance of 93.0%. However, performance in Periods 1 – 4 was lower than anticipated and the reasons for this have been explained in previous Quarterly Reports. This has prevented achievement of the 92.0% full year forecast.

We are encouraged by the improvements that have been achieved this year (giving a P5-9 performance of 92.3% for 1st Class Stamped and Meter mail and a Quarter 3 result which was the best for a decade) and will strive to deliver further improvements in Quarter 4. However, the severe weather in January – described as ‘exceptional’ and ‘unprecedented’ in the media - caused considerable disruption to Royal Mail operations. Despite deploying contingency measures and responding with all reasonable endeavours it proved impossible to maintain the due level of service because of basic breakdowns in the national road, rail and air infrastructure. Other utilities, public services and competitors were similarly affected. This disruption will undoubtedly have impacted on our Quality of Service performance for Periods 10 and 11.

We continue to aim for a performance of 93.0% in Quarter 4 – which will secure a cumulative P5-12 performance at the target level of 92.5%. But this is unlikely to be achieved without adjustment as force majeure for impact of the severe weather.

MINIMUM POSTCODE AREA TARGETS

Review of Results

1st Class Stamped and Meter Posted

The schedule of minimum service standards requires all Postcode Areas (excluding HS, KW and ZE) to achieve an average performance of at least 91.0% for 1st Class Stamped and Meter Posted to the UK throughout the 12 month period ending March 2005, excluding the Christmas and New Year period. Progress against this standard is shown in the table below:

Quarterly Cumulative Results

% of Postcode Areas Averaging 91.0% or above for 1 st Class Posted Stamped and Meter		
April-December (Quarter 1-3) Result	April-December (Quarter 1-3) Flightpath	Full Year Cumulative Target
63 of 118	79 of 118	118 of 118

Performance against the 1st Class Stamped and Meter Posted Floor has again improved with 63 postcode areas achieving the target on a cumulative basis at the end of Quarter 3 (compared to 54 postcode areas at the end of Quarter 2). Clearly many postcode area results have been affected by the lower national performance in Periods 1 to 4 this year – where the deployment of major change programmes affected Quality of Service. Since then, almost all postcode areas have made significant improvements.

Of the 55 postcode areas that are failing the Floor on a cumulative basis, 15 are performing only marginally below the Floor and should recover their cumulative position by the end of the year (namely BN, CH, CR, GU, HG, M, NE, PO, SK, SM, SN, SW, TN, WF, WR)⁶.

This leaves 40 postcode areas that are at serious risk of failing to achieve the full year cumulative target. However, it is important to note that of these 23 have performed at or above the Floor level during Periods 5-9, i.e. since the Stabilising the Pipeline improvement activities have been completed, and are therefore only performing below the Floor on a cumulative basis as a result of poor performance in Periods 1-4. These are: BS, BT⁷, CB, CF, CM, CV, DA, DN, EX, G, HA, HX, IV, LU, N, NW, SL, SS, ST, TA, TF, TQ and W.

This leaves 17 postcode areas that:

⁶ Although this may require adjustment for the exceptionally bad weather in January (mentioned previously) – as some postcode areas, mainly those in the North, were affected more than others and this may have affected achievement of the 1st Class Posted and Intra minimum floor for those postcode areas.

⁷ Note: security alerts in July have had a negative impact on BT Posted and Intra Floor performance

- are failing the Floor on a cumulative basis and
- are unlikely to recover the cumulative position by the end of the year and
- have not performed at or above the Floor level during Periods 5-9

The table below provides a summary of these postcode areas, showing their Period 1-4 versus their Period 5-9 performance:

Postcode Area	Period 1 to 4 Performance	Period 5 to 9 Performance	Improvement
BA	87.7	90.6	+2.9%
E	85.5	85.5	+0.0%
FK	88.9	89.6	+0.7%
IG	90.0	90.8	+0.8%
L	87.1	89.9	+2.8%
NN	86.5	90.1	+3.6%
NP	85.5	90.6	+5.1%
NR	87.6	89.1	+1.5%
OL	88.4	90.1	+1.7%
OX	74.6 ⁸	90.8	+16.2%
PE	85.4	90.4	+5.0%
SA	86.8	90.7	+3.9%
SE	88.9	90.9	+2.0%
SG	89.0	90.8	+1.8%
TS	88.1	90.8	+2.7%
UB	88.2	89.6	+1.4%
WC	85.5	90.7	+5.2%

Even though these postcode areas have not performed at the 91% level for any consistent period of time during this year, it is important to note that almost all have made significant improvements over the last 5 months. Quality of Service improvement plans for BA, E, FK, L, NP, NN, NP, NR, PE, SA, SE and UB were recently shared with Postcomm and Postwatch.

⁸ Industrial Action

1st Class Stamped and Meter Intra

The schedule of minimum service standards requires all Postcode Areas to achieve an average performance of at least 92.5% for 1st Class Intra Stamped and Meter throughout the 12 month period ending March 2005, excluding the Christmas and New Year period. Progress against this standard is shown in the table below:

Quarterly Cumulative Results

% of Postcode Areas Averaging 92.5% or above for 1 st Class Intra Stamped and Meter		
April-December (Quarter 1-3) Result	April-December (Quarter 1-3) Flightpath	Full Year Cumulative Target
96 of 121	93 of 121	121 of 121

Performance against the 1st Class Stamped and Meter Intra Floor has improved again in Quarter 3 with 96 postcode areas achieving the target on a cumulative basis (compared to 89 postcode areas at the end of Quarter 2). In fact, cumulative performance is now ahead of the planned flightpath level set out in the 2004/05 National Quality of Service plan.

Of the 25 postcode areas currently performing below the 92.5% Floor level, 7 are performing only marginally below the Floor and should recover their cumulative position by the end of the year. These are BT⁹, CB, CM, NW, SM, SK and SS.

This leaves 18 postcode areas that are at serious risk of failing to achieve the full year cumulative target. However, it is important to note that of these 18 postcode areas, 8 have performed at or above the Floor level during Periods 5-9, i.e. since the Stabilising the Pipeline improvement activities have been completed, and are therefore only performing below the Floor on a cumulative basis as a result of poor performance in Periods 1-4. These are: FY, G, HG, NR, OX¹⁰, ST, W and WF.

This leaves 10 postcode areas that:

- are failing the Floor on a cumulative basis and
- are unlikely to recover the cumulative position by the end of the year and
- have not performed at or above the Floor level during Periods 5-9

These postcode areas are CV, E, FK, N, OL, PE, PR, SA, SE and UB – most of which have made considerable improvement in performance between Periods 1-4 and Period 5-9. Again, it should be noted that Quality of Service improvement plans for E, FK, PE, PR, SA, SE and UB have recently been shared with Postcomm and Postwatch.

⁹ Note: security alerts in July have had a negative impact on BT Posted and Intra Floor performance

¹⁰ Oxford performed below the Minimum Floor level in the early part of the year because of serious unofficial industrial action. Since then Oxford has made a significant recovery.

2nd CLASS STAMPED AND METER

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
98.0±0.3%	98.6±0.2%	98.5±0.2%	98.4±0.1%	98.5%	98.5%

Overview

During Quarter 3, 2nd Class Stamped and Meter mail has once again performed at the 98.5% target level of performance – not only sustaining the improvements made in Quarter 2 but offsetting an expected seasonal drop in performance of up to 0.5%. Again, this clearly demonstrates the benefits of our combined improvement activities. The cumulative performance is now 0.1% behind the full year target performance level.

Cumulative performance for Period 5-9 is 98.6% (0.1% above the target level). This clearly demonstrates that performance for this product has fully recovered.

National Quality of Service Action Plan – Quarter 3 Update

There are no activities in the Quality of Service plan which are unique to 2nd Class Stamped and Meter mail. However, this product has clearly benefited from the Stabilising The Pipeline and general improvement activities described in the 1st Class Stamped and Meter section of this report.

Actions and Outlook for Rest of Year:

2nd Class Stamped and Meter performance has consistently performed at the 98.5% target level over the last two quarters. We are therefore confident that this can be maintained through Quarter 4 and that the full year cumulative target will be achieved.

1st CLASS POSTAGE PAID IMPRESSION

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
82.1±1.2%	88.1±0.4%	88.7±0.3%	86.6±0.3%	86.9%	90.6%

Overview

In Quarter 2 we saw a step change improvement in 1st Class PPI performance – with the product performing around 2% better than its previous ‘high’. Encouragingly, we have seen further improvement in Quarter 3, with average performance increasing by another 0.6% on the previous Quarter. This is particularly re-assuring as historically 1st Class PPI performance has fallen by around 2% between Quarters 2 and 3. Again, this clearly demonstrates the effectiveness of our improvement plans.

At 88.7%, Quarter 3 performance was 0.7% higher than the planned flightpath level for that Quarter and this has helped close some of the cumulative gap (performance is now running 0.3% behind the cumulative flightpath level). In fact, 88.7% represents the best Quarter 3 performance since 1996.

In each of Periods 5 to 9 performance has been constant at 88.4 – 89.1%. This is a significant underlying improvement on previous years and is a culmination of a range of activities and approaches. However, the QTL exercise described below will help us understand whether performance has now reached its natural ceiling (given its wider fall to earth and unique revenue collection and handling procedures) or whether further operational improvements can be made without changes to the service specification for this product.

National Quality of Service Action Plan - Quarter 3 Update

Clearly the generic activities described in the 1st Class Stamped and Meter section of this report have helped drive the improvements in 1st Class PPI performance – particularly the network improvements (as PPI has a much wider fall to earth than Stamped and Meter mail and hence is more dependent on robust network performance).

Throughout the year we have also focussed on the unique activities necessary to drive improvements for this product stream. The improvement activities deployed so far include:

- Changes to the contractual Terms and Conditions which require customers to:
 - provide advance notice of large volume postings (helping Royal Mail ensure the correct levels of resource are in place)
 - segregate and present mail in a manner most expeditious to processing, e.g. keeping 1st and 2nd class mail separate.

- The appointment of Customer Operational Managers in each Mail Centre¹¹ who liaise with customers over compliance issues such as those described above and give customer guidance and support on best practice processing and materials handling procedures.
- The introduction of more robust compliance checks – ensuring that any non-compliance to the Terms and Conditions of the contract are addressed with the customer (via the Customer Operational Manager) and ensuring that Royal Mail is not penalised, in Quality of Service terms, for mistakes made by the posting customer.
- We continue to drive down the number of low value PPI accounts, i.e. accounts which no longer generate the minimum volumes required to qualify for PPI, by converting these customers to more appropriate payment methods such as Stamp, Meter or SmartStamp.
- We have also invested £1m in increasing the End to End survey sample sizes for 1st Class PPI mail. This not only improves the confidence limits associated with the results (removing some of the ‘noise’ previously encountered in the numbers) but also provides more robust diagnostic information.
- Compliance with and audit of PPI specifications continues – helping ensure all Mail Centres process PPI mail in the prescribed way.
- New PPI indicia have also been introduced, replacing the hundreds of designs that our customers have used over the years. This standardisation of indicia gives us greater ability to automate the processing of PPI mail and thus helps improve quality of service.

During Quarter 3 we have introduced a new diagnostic activity. We have diverted all current Electronic Quality Test Letter (QTL) stock and purchased further QTLs¹² to give more robust root cause analysis of the service delay. Research International, the independent research agency that runs the End to End Quality of Service study, have asked PPI panellists to insert QTLs with their test items. By reading the traces for failed samples we can:

- Understand where delays are most likely to occur in the pipeline
- Understand which units are having the highest negative impact on PPI performance
- Understand whether panellist behaviour and/or accuracy is impacting on PPI performance

In addition to the analysis of traces for failed samples, we are also capturing key information from samples which achieved the required service. The benefits of this are twofold:

¹¹ And Regional Distribution Centre – for Mailsort and Presstream postings

¹² With a further 1,000 to be purchased in Quarter 4 if necessary

- We can determine where units are non-compliant with key aspects of the national workplan
- We can compare the journey of a 'passed' versus a 'failed' sample and gain best practice information from that achieved service.

The investment and preparation for this QTL study happened in Quarter 3. However, results of the first batch of QTLs only became available at the start of Quarter 4 and improvement plans are now being deployed to address the identified root causes. This exercise will give us a greater understanding of how much further we can expect performance for this product to improve.

This study has already highlighted that a number of customers are continuing to present their 1st and 2nd Class mail mixed. A communication has been sent to all operational managers and Customer Operational Managers explaining that this practice does not comply with the Terms and Conditions of the contract and is a major cause of Quality of Service delay and should be taken up with the customer immediately.

Actions and Outlook for Rest of Year:

Like 1st Class Stamped and Meter mail, the exceptionally bad weather in January will have impacted on Period 10 and 11 performance and adjustments to the Quarter 4 results will be necessary to understand the true underlying performance and evaluate the benefits of our improvement activities.

The QTL exercise will give us a much clearer picture of what performance level is actually achievable for this product with the current service specification. The results of the study will be shared with Postcomm when sufficient QTL samples have been employed and analysed to give confidence in the overall results obtained.

2ND CLASS POSTAGE PAID IMPRESSION

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
94.3±0.9%	96.8±0.4%	96.1±0.5%	95.8±0.3%	97.2%	97.4%

Overview

2nd Class PPI results are less encouraging and have not followed the same pattern of improvement witnessed for 1st Class PPI and Stamped & Meter mail. At 96.1%, we have seen some decline in performance since Quarter 2 – although much of this is seasonal. The product is currently performing 1.4% behind the cumulative flightpath level. However, the average Period 5-9 performance was more encouraging at 96.5% - 0.9% below the target level.

National Quality of Service Action Plan - Quarter 3 Update

The National Quality of Service plan does not contain any unique activities specific to 2nd Class PPI performance. However, the Stabilising the Pipeline activities described in the 1st Class Stamped and Meter section of this report and the PPI improvement activities in the 1st Class PPI section have helped.

Actions and Outlook for Rest of Year:

Royal Mail has embarked on a substantial root cause analysis QTL exercise for 1st Class PPI mail. This exercise may give some useful information as to where 2nd Class PPI service is being delayed. During Quarter 4 we hope to deliver further improvements in performance for 2nd Class PPI mail and close much, if not all, of the remaining 0.9% gap between underlying P5-9 performance and the 97.4% target. However, should improvements not been achieved in Quarter 4, Royal Mail will consider extending the 1st Class QTL study to the 2nd Class PPI product.

1ST CLASS RESPONSE SERVICES

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
74.1±3.2%	81.9±2.4%	79.5±2.3%	78.8±1.5%	83.7%	90.3%

Overview

1st Class Response Services results have plateaued. At 79.5%, the Quarter 3 result has dropped since the previous Quarter – although much of this is seasonal - and is well behind the planned flightpath level. There is clear evidence that this product, with its current service specification, is not capable of performing at the 90.3% target performance level. A service specification which requires counting and billing of items at the Delivery Office in time to connect with delivery is not compatible with a single delivery operation.

National Quality of Service Action Plan - Quarter 3 Update

The 1st Class Response Services product shares the same processes and operations as the 1st Class Stamped and Meter product and therefore should benefit from the improvement activities which have driven the significant improvements in 1st Class Stamped and Meter performance. However, 1st Class Response Service has not followed a similar improvement trend and this is largely due to manual counting and billing procedures in the delivery operation.

Royal Mail has already indicated that the 90.3% target cannot be achieved with the current service specification and that the manual billing and counting procedure was incompatible with a single delivery operation. To this end, Royal Mail has developed and deployed a new Response Services product in consultation with major customers, Postcomm and Postwatch.

This new product was launched in Quarter 2 and customers are continuing to migrate from the old to the new product. As predicted, Quality of Service has fallen as the mix of manual and machinable mail has changed for the residual product. A proportion of machinable mail in the existing product has, and will continue to, migrate to the new Response Services Plus product – leaving a higher proportion of items which require manual billing and counting (and correspondingly get lower Quality of Service).

Throughout Quarter 3 Royal Mail has continued to maximise performance for this product through:

Automation: We have installed new software in all Mail Centres so that customers are automatically billed for items which pass through our automated sorting equipment. A number of technical improvement opportunities were identified and deployed during Quarter 3. A set of instructions has been released which help ensure that all machine sorting plans are correctly configured to recognise and process Response Services mail.

Operational Standards and Audit: We have continued to independently audit performance against the key operational specifications for Response Services during Quarter 3.

Customer Compliance: We continue to check for customer non-compliance issues – particularly with regard to stationery issues – and address these accordingly. We have also introduced checks on any Response Services Plus items that are being handled manually (as these items may be outside of the agreed product specification). All Delivery Offices have received a user guide and measurement tool to allow them to check conformance for manually processed items so that any instances of non-compliance can be addressed with the customer.

Single Delivery Changes: During the migration to Single Delivery a number of customers have changed their delivery preferences. For example, some PO Box customers have changed the time that they empty their box (some later in the day, some earlier). Some business customers have specified that they no longer want a 2nd delivery and some have opted for a timed delivery. In some instances this means that customers may not be receiving their Response Services mail until the following day – as they have opted to collect/receive their mail before the billing operation has been completed. We are now in the process of updating our customer records so that this information can be sent to Research International. Research International will then check to ensure that none of the customers who collect mail too early are Response Service panellists.

High Impacting Units: We continue to share information on best practice on high impacting units – ensuring that local root causes and remedial actions are being performance managed.

Actions and Outlook for Rest of Year:

The full year cumulative target for this product will not be achieved.

2ND CLASS RESPONSE SERVICES

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
94.2±1.5%	93.7±1.5%	91.7±1.5%	93.2±0.9%	94.6%	97.5%

Overview

As with its 1st Class equivalent, it is now clear that 2nd Class Response Services is not capable of performing at the 97.5% target level. Performance fell by over 2% in Quarter 3 and is running over 4% behind the planned flightpath level.

National Quality of Service Action Plan - Quarter 3 Update

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

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

Actions and Outlook for Rest of Year:

As indicated, the full year cumulative target for 2nd Class Response Service will not be achieved.

SPECIAL DELIVERY

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
97.8%	98.3%	97.8%	98.0%	98.9%	99.0%

Overview

We would normally expect a decline in Special Delivery performance of up to 0.5% between Quarters 2 and 3 because of seasonal impacts. The decline in Quarter 3 is in line with seasonality.

National Quality of Service Action Plan - Quarter 3 Update

The significant improvements which have been made to 1st Class Stamped and Meter performance – particularly those in the network – should have driven some improvements in Special Delivery performance. We are therefore disappointed with the lack of improvement in the results.

However, our ongoing root cause analysis has shown that many Quality of Service ‘failures’ are actually procedural errors, i.e. where an item was delivered according to the specification but for some reason was not confirmed as being delivered on time by our track and trace system. However, Royal Mail recognises that confirmation of delivery is a key component of the service offering for this product and has no hesitation in paying compensation to customers when this confirmation has not been made.

We continue to see growth in Special Delivery volumes and we have seen particular growth from large businesses using Special Delivery to distribute high value items such as foreign currency and mobile phones. The product now requires significant review to ensure we continue to meet changing customer needs for speed and security and have an operational specification which consistently meets these needs.

To this end we have launched a Special Delivery Uplift programme of activity. This initiative is sponsored by (and reports to) the Operations Executive and is driven by a cross functional group of operational, security and product experts. The key objectives of the initiative are wide ranging:

- To ensure that all Special Delivery operational and technical procedures are fit for purpose and can be complied with throughout the pipeline

- To review and republish Standard Operating Procedures and develop a 'How to Fix' guide to ensure accuracy and improve understanding
- To provide contingency guidelines that cover all aspects of the SD operation
- To ensure that all Business standards and initiatives are aligned for Special Delivery
- To ensure that security guidelines for the Special Delivery product are practical and being deployed
- To assess if there is a need for change to the current Special Delivery product specification and/or identify if there is a need for a new product for high volume Special Delivery posters who require 'security' rather than next day guaranteed delivery.
- To review frontline training arrangements and criteria used for locker room staff allocation
- To ensure that Cash Handling and Distribution¹³ delivery and collection procedures meet the Special Deliver product specification.

In addition to this initiative we continue to:

- Performance manage Special Delivery performance on a weekly basis with the Operations Executive – highlighting the key root causes of service delay and worst performing units
- Ensure Special Delivery items are treated as priority on the transport network
- Communicate best practice throughout all operational units

Actions and Outlook for Rest of Year:

Arithmetically, Special Delivery can no longer achieve its full year cumulative target, i.e. it would have to perform at over 100% for the rest of the year to achieve a 99% full year performance. However, through the actions above we are determined to drive further improvement in performance in Quarter 4¹⁴

¹³ The arm of the business which provides secure distribution of cash and high value mailings

¹⁴ Although the extremely bad weather in January will have a detrimental affect on Quarter 4 performance

STANDARD RETAIL PARCELS

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
87.8±1.5%	90.1±1.3%	88.6±1.2%	88.9±0.6%	89.9%	90.0%

Overview

At 88.6%, Standard Parcels performance has fallen by 1.5% in Quarter 3. Although this is disappointing it is less than the historical movement between Quarter 2 and Quarter 3 as a result of the very high Autumn volumes. The underlying performance during Periods 5-9 was 89.2%, 0.8% below target level.

National Quality of Service Action Plan - Quarter 2 Update

Standard Parcels benefits from all the generic improvement activities described in the Stamped and Meter section of this report and we believe it is now capable of performing at the 90.0% target level.

Actions and Outlook for Rest of Year:

We will continue to drive improvements in Standard Parcels performance through the activities described previously in the report and will endeavour to achieve the 90% performance level during Quarter 4. However, we are unlikely to achieve 90% on a full year basis.

Table 4.

**Pre-sort Products
Actual Cumulative Results (Period 1 2004 – Period 9 2004)**

Standard	Scheduled Standards			
	Year End Target %		Period 1-6 %	95% cl
Mailsort 1	91.0		91.0	2.0
Mailsort 2	97.5		96.9	0.6
Mailsort 3	97.5		98.1	0.7
Presstream 1	90.5		89.7	0.6
Presstream 2	97.5		97.3	1.1

95% cl = 95% confidence limit

MAILSORT 1

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
86.7±4.0%	92.0±3.3%	93.5±2.8%	91.0±2.0%	90.9%	91.0%

Overview

At 93.5%, the Quarter 3 result for Mailsort 1 is well above target. In fact, this was the best Quarter 3 result since 1996.

Performance has improved by 1.5% since Quarter 2 – despite an expected seasonal decline – and the product is now ahead of planned flightpath on both a quarterly and cumulative basis. The product has performed successfully above target level in both Quarters 2 and 3. Period 5 to 9 cumulative performance was 93.5%, demonstrating that the recovery actions have been successful and that the product is once again consistently performing at or above the target level.

National Quality of Service Action Plan - Quarter 3 Update

Stable performance in our Distribution Centres has been the key driver of improved performance across the entire Mailsort/Presstream product range. During Quarter 3, clearance failures in Regional Distribution Centres were a rare occurrence – largely driven by accurate traffic forecasting and robust manpower planning. Mailsort volumes (particularly Mailsort 2 and 3) increase significantly in Quarter 3 as home shopping retailers attempt to generate Christmas sales. Careful and detailed planning for this peak pressure period has helped secure this excellent performance.

Many of the generic Mail Centre, Delivery and Network improvements described earlier in this report have also supported the improved performance for presort products.

Activities such as daily conference calls to review network performance and agree remedial actions, adherence to the Move To Time policy, compliance audits at Mail Centres and Network hubs have all contributed to maintaining managerial grip and attention to detail.

Similarly, ongoing customer activities such as customer compliance checks and close liaison over traffic forecasting have helped maintain stability.

Actions and Outlook for Rest of Year:

The new improvement activities planned for Quarter 4 which impact on the presort product range are:

- Deployment of the new national workplan
- Launch of Logistics Daily Report
- Launch of Logistics self audit

We are confident of maintaining Mailsort 1 performance at the 91.0% target level through Quarter 4 – although performance will undoubtedly have been affected by the severely bad weather in January. Making allowance for this bad weather we are confident of achieving the full year cumulative target for this product.

MAILSORT 2

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
95.8±1.3%	97.7±1.0%	97.1±1.1%	96.9±0.6%	97.4%	97.5%

Overview

Mailsort 2 performance has also been relatively strong. It has fallen back slightly on the Quarter 2 position but most of this decline is seasonal. The Quarter 3 result this year is the best Quarter 3 in over 10 years. In fact, the product achieved the planned Quarter 3 flightpath performance level and this has helped close the cumulative gap considerably (the gap was 3.5% at the end of Quarter 2 and is now 0.6%).

Underlying performance for Periods 5 – 9 was at the 97.5% target level. This demonstrates that, for this first time, Mailsort 2 has performed at the target level for a sustained period of time.

National Quality of Service Action Plan - Quarter 3 Update:

Mailsort 2 improvement activities are largely described in the Mailsort 1 section of this report. Mailsort 2 is now performing consistently at the target performance level, so no further Mailsort 2 specific improvement activities have been identified at this stage. Performance will be closely monitored to ensure there is no slippage.

Actions and Outlook for Rest of Year:

Given Mailsort 2 has performed at the 97.5% target level during Periods 5- 9 we are confident of maintaining performance at this level during Quarter 4 but will not achieve the full year cumulative target because of the low performance at the start of the year.

MAILSORT 3

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
97.1±1.7%	98.6±1.1%	98.6±1.0%	98.1±0.7%	97.5%	97.5%

Overview

Mailsort 3 performance has remained strong – maintaining the 98.6% performance level achieved during the summer months. This product is now comfortably achieving the planned flightpath performance levels and is cumulatively ahead of the full year target level by 0.6%. In fact, performance for Periods 5-9, the Delivering Our Promises period, was 99.0%.

National Quality of Service Action Plan - Quarter 3 Update:

Once again, Mailsort 3 improvement activities have been largely described in the Mailsort 1 section of this report. The National Quality of Service plan did not specify any improvement activities unique to Mailsort 3 and the product is now clearly performing consistently at the required level.

Actions and Outlook for Rest of Year:

Mailsort 3 performance is currently performing well above the target performance level. We are therefore confident of performing at the 97.5% level during Quarter 4 and achieving the full year cumulative target for this product.

PRESSTREAM 1

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
85.8±1.3%	91.2±1.0%	91.8±0.9%	89.7±0.6%	90.3%	90.5

Overview

Like most other presort products, Presstream 1 has built further on the improvements seen in Quarter 2. At 91.8%, performance has improved by 0.6% on the previous quarter (despite an expected seasonal dip) - making this the best Quarter 3 performance in 9 years.

Quarter 3 performance is ahead of the planned flightpath level on a three month average basis and both Quarter 2 and 3 results were above the 90.5% target level for this product. Similarly, Period 5-9 performance was 91.8% - comfortably above the target performance level.

These results all demonstrate that the product is now consistently performing at or above the target level. The cumulative position has improved by over 1% since last Quarter. However, a poor Quarter 1 performance means the product remains 0.6% behind the cumulative flightpath level.

National Quality of Service Action Plan - Quarter 3 Update

The key activities that support improvements in Presstream 1 performance are described in the Mailsort 1 section of this report. The produce has now demonstrated that it is capable of performing at or above the target performance level.

Actions and Outlook for Rest of Year:

Over recent months Presstream 1 has performed consistently above the target level. We therefore expect to maintain performance at the 90.5% performance level during Quarter 4¹⁵ and close some (but not all) of the remaining cumulative performance gap¹⁶.

¹⁵ Although this may require adjustment for the severe weather in January.

¹⁶ Although we need to understand the impact of the bad weather in January to be confident of maintaining target level performance during Quarter 4.

PRESSTREAM 2

Review of Results

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	April-December (Cumulative Result)	April-December Cumulative Flightpath	Full Year Cumulative Target
96.4±1.6%	98.4±1.0%	96.9±1.9%	97.3±1.1%	97.4%	97.5

Overview

At 96.9%, Quarter 3 performance has fallen slightly for Presstream 2. However, this is largely due to seasonality as the product has only performed 0.1% behind the planned flightpath level for the Quarter and remains only 0.1% behind the cumulative flightpath (and 0.2% behind the full year cumulative target level- largely due to the poor Quarter 1 result).

In fact, underlying P5-9 performance for this product is 97.6% - 0.1% above the target level. This demonstrates that the product is now capable of performing at the target performance level on a consistent basis.

National Quality of Service Action Plan - Quarter 3 Update:

Once again, the key activities which support improvements in Presstream 2 performance are described in the Mailsort 1 section of this report.

Actions and Outlook for Rest of Year:

In Quarter 4 we are confident of seeing some improvements on the Quarter 3 result - bringing Quarter 4 performance back to the 97.5% target level. However, we are unlikely to close all of the remaining cumulative gap for this product.

TAIL OF MAIL

The tail of mail measure quantifies the percentage of mail delivered within 3 days of the due service for each of the letter mail services covered in the report.

The table below summarises Quarter 3 cumulative tail of mail performance by product:

1 st Class Stamped and Meter	99.7%
2 nd Class Stamped and Meter	99.8%
1 st Class PPI	99.4%
2 nd Class PPI	99.4%
1 st Class Response Services	98.9%
2 nd Class Response Services	99.0%
Mailsort 1	99.9%
Mailsort 2	100%
Mailsort 3	99.9%
Presstream 1	100%
Presstream 2	100%
Standard Parcels	97.5%

Table 5.

**Scheduled Service Standards National Products
Actual Quarter 3 Results (Period 7 2004 – Period 9 2004)**

Standard	Scheduled Standards				Tail of Mail		
	Full Year Target %	Period 7-9	Period 7-9	Full Year Target %	Period 7-9	Period 7-9	
		Actual %	95% cl		Actual %	95% cl	
1st Class Stamped & Meter All	92.5	91.9	0.2	99.9	99.8	0.0	
2nd Class Stamped & Meter All	98.5	98.5	0.2	99.9	99.8	0.1	
1st Class Postage Paid Impression	90.6	88.7	0.3	99.9	99.5	0.1	
2nd Class Postage Paid Impression	97.4	96.1	0.5	99.9	99.2	0.3	
1st Class Response Services	90.3	79.5	2.3	99.9	98.9	0.2	
2nd Class Response Services	97.5	91.7	1.5	99.9	98.4	0.2	
Special Delivery	99.0	97.6	#	99.9	100.0	#	
All PCAs (except 3) To Achieve 91.0 For 1 st Class Stamped And Metered Posted To UK	118	86					
All PCAs To Achieve 92.5 For 1 st Class Stamped And Metered Intra Postcode Area	121	104					
Mailsort 1	91.0	93.5	2.8	99.9	99.8	0.1	
Mailsort 2	97.5	97.1	1.1	99.9	100.0	0.0	
Mailsort 3	97.5	98.6	1.0	99.9	99.9	0.1	
Presstream 1	90.5	91.8	0.9	99.9	100.0	0.0	
Presstream 2	97.5	96.9	1.9	99.9	100.0	0.1	
Standard Retail Parcels	90.0	88.6	1.2	99.9	97.2	0.6	

Product subject to continuous sampling (confidence limit inapplicable)

95% cl = 95% confidence limit

Target – Target is full-year cumulative

Table 6**Period 9 2004 Performance (8th November 2004 – 5th December 2004)**

Standard	Actual %	c/I %
1st Class Stamped & Meter All	91.5	0.4
2nd Class Stamped & Meter All	98.0	0.4
1st Class Postage Paid Impression	88.3	0.6
2nd Class Postage Paid Impression	96.7	0.8
1st Class Response Services	80.2	3.9
2nd Class Response Services	92.3	2.4
Special Delivery	98.0	#
Mailsort 1	92.3	5.4
Mailsort 2	98.3	1.5
Mailsort 3	99.1	1.4
Presstream 1	92.4	1.6
Presstream 2	97.6	3.0
Standard Retail Parcel	87.4	2.0

Product subject to continuous sampling (confidence limit inapplicable)

Table 7**Quality of Service for postings made between 1st December and 21st December 2004**

Standard	Actual %	c/I %
1st Class Stamped & Meter All	66.1	0.6
2nd Class Stamped & Meter All	93.9	0.7
1st Class Postage Paid Impression	62.8	1.2
2nd Class Postage Paid Impression	88.6	1.8
1st Class Response Services	47.2	4.9
2nd Class Response Services	92.3	4.0
Special Delivery	97.3	#
Mailsort 1	79.1	11.2
Mailsort 2	94.0	3.1
Mailsort 3	98.8	2.3
Presstream 1	82.6	2.7
Presstream 2	95.9	4.5
Standard Retail Parcel	*88.0	3.0

Product subject to continuous sampling (confidence limit inapplicable)

Note: These figures have been produced to enable like for like comparison with the same period last year

***This figure is for postings from 1 – 15 December 2004. 15 December was the Last Recommended Posting Date for Christmas for Standard Parcels and no sample parcels were posted after that date.**

Table 8.**Licence Condition 4.16 + 4.17 - Complaint Resolution****Quarter 3**

Royal Mail	Unresolved at Start	Received in Quarter	Resolved in Quarter	Unresolved at End	Recompense £
Royal Mail Total	69,345	486,186	505,698	49,833	4,982,069
Lost	43,730	213,133	215,807	41,056	3,379,072
Delay	3,480	51,062	53,867	675	37,091
Mis-Delivery	5,791	44,939	48,586	2,144	161,223
Redirection Failure	2,689	46,791	48,044	1,436	276,863
Delivery Procedures	1,867	27,134	28,494	507	30,405
Other	11,788	103,127	110,900	4,015	1,097,417

Delay

See previous parts of this Report.

Loss

The review of standard operations procedures (SOPs) is continuing. Deployment of the updated SOPs will take place after extensive field trials. The deployment of the SOPs will focus on the customer facing element of the business. This deployment will be supported by training packages and audited daily by the Delivery Office manager and periodic external reviews. Face to face meeting with the 31 area management teams have been completed. Over the next quarter further briefings will be given to all the area teams to facilitate improved performance management of complaints with particular focus on loss, mis-delivery and redirections. Particular attention will be given to engaging frontline management on the use of compensation and complaint data particular to their unit.

These briefings are part of a wider integrated communications plan engaging frontline management and staff via in-house communication channels and work time learning and listening sessions. The integrated communications plan will also involve input from security, marketing and customer services.

Skills sessions focusing on loss reduction are being developed for cascade to frontline employees

A reviewed security/operational way of working policy is currently being finalised. Once agreed by the functional top teams the updated way of working will be deployed across all area operational teams and local security teams. Security led audits of high risk units are continuing

Activity to reduce our reliance on agency staff and to improve the effectiveness of the agency staff we employ continues.

Mis-delivery

A skill session on mis-delivery is being drafted for cascade to frontline employees. This will be supported by an integrated communications plan.

Damage

Actions aimed at reducing damage to mail items continue to be rolled out.

Root cause analysis of damage continues. Results from this analysis will be used to develop skills sessions for frontline staff and to inform the regular briefings given to Area Management Teams.

Upgrading of delivery equipment is continuing.

Re-directions

A cross functional project team is now in place to undertake a comprehensive review of the product specification and deploy improvement activity across the product offering and pipeline.

Table 9.

**Licence Condition 5.6 – Complaints Handling
Q3 Report**

	% Calls answered to quality standard aim – 80% in 20 seconds	% Cases closed to quality standard aim - 100% (inland) in 30 calendar days
Royal Mail	83%	95%

Commentary on performance

Data Capture

Speed to answer

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

Case turnaround

For the cases closed to the 30 calendar days measure, the performance refers to inland products for Royal Mail. International turnaround times are agreed and set by the Universal Postal Union (UPU) and are substantially longer than 30 days, so have been excluded. The complaints data includes both operational complaints and complaints about policy and specification; enquiries are excluded.

Complaint Handling

Quarter 3 shows continued improvement on both our call handling and cases closed in target performance measures.

On call handling for Royal Mail, our advisors handling times have continued to improve, resulting in a further improvement in Grade of

Service from 82% to 83% against a target of 80%.

Our cases closed to target measure for Royal Mail again reflect the improvement in advisor performance, with results up 3 percentage points from last quarter to 95%.

We expect to maintain this level of performance based on our current forecast. In addition, a number of new posts are now in place to further improve the customer experience across the business with a key focus on more rigorous monitoring of adherence to customer handling standards, in tandem with activities to drive up quality.