

**Licence Condition 4: Paragraph 8a**

**Licence Condition 5: Paragraph 6**

## **National Report to Postcomm and Postwatch**

**2005 / 2006 Quarter 3 Report**

**(21/03/2005 - 04/12/2005)**



**NATIONAL QUARTER 3 REPORT  
2005 / 2006**

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**Table 1.**

**Scheduled Service Standards National Products  
Actual Cumulative Results (Period 1 – Period 9 2005/06)  
(21/03/2005 – 04/12/2005)**

Standard	Scheduled Standards				Tail of Mail		
	Target %	Period 1-9 Cum %	Period 1-9 95% cl		Target %	Period 1-9 Cum %	Period 1-9 95% cl
1st Class Stamped & Meter All	93.0	94.0	0.1		99.9	99.8	0.0
2nd Class Stamped & Meter All	98.5	98.8	0.1		99.9	99.9	0.1
1st Class Postage Paid Impression	91.1	92.0	0.2		99.9	99.6	0.1
2nd Class Postage Paid Impression	97.4	97.3	0.2		99.9	99.6	0.2
1st Class Response Services	90.8	89.6	0.9		99.9	99.4	0.1
2nd Class Response Services	97.5	94.5	0.7		99.9	99.3	0.1
Special Delivery	99.0	98.8	#		99.9	100.0	#
All PCAs (except 3) To Achieve 91.5 For 1 <sup>st</sup> Class Stamped And Metered Posted To UK	118	115					
All PCAs To Achieve 92.5 For 1 <sup>st</sup> Class Stamped And Metered Intra Postcode Area	121	121					
Mailsort 1	91.5	93.8	1.7		99.9	99.9	0.0
Mailsort 2	97.5	98.6	0.5		99.9	100.0	0.0
Mailsort 3	97.5	99.5	0.3		99.9	100.0	0.1
Presstream 1	91.0	94.1	0.4		99.9	99.9	0.0
Presstream 2	97.5	98.4	0.8		99.9	100.0	0.0
Standard Retail Parcels	90.0	91.7	0.5		99.9	98.4	0.2

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

**Table 2.**

**Postcode Area (PCA) First Class Stamped and Metered  
Actual Cumulative Results (Period 1 – Period 9 2005/06)**

Postcode Area	1st Class Stamped and Metered Posted to UK					1st Class Stamped and Metered Intra PCA				
	Q1	Q2	Q3	Q1-3	✓☒	Q1	Q2	Q3	Q1-3	✓☒
AB Aberdeen	95.9	95.6	94.1	95.1	✓	97.7	97.9	97.3	97.6	✓
AL St Albans	97.0	92.6	93.6	94.3	✓	99.1	95.3	94.7	96.2	✓
B Birmingham	91.7	94.8	94.3	93.8	✓	93.5	95.9	94.6	94.8	✓
BA Bath	93.1	93.2	91.3	92.5	✓	94.5	93.3	92.5	93.4	✓
BB Blackburn & Burnley	94.3	95.2	93.4	94.3	✓	95.1	94.9	93.9	94.6	✓
BD Bradford	95.1	94.9	95.6	95.2	✓	98.8	96.2	95.1	96.6	✓
BH Bournemouth	93.8	95.8	96.1	95.4	✓	97.1	97.1	96.5	96.9	✓
BL Bolton	95.2	94.8	95.6	95.2	✓	93.6	91.8	95.5	93.7	✓
BN Brighton	94.0	95.6	95.4	95.1	✓	94.5	95.2	97.9	95.9	✓
BR Bromley	93.7	95.7	95.4	95.0	✓	96.5	98.4	97.4	97.5	✓
BS Bristol	90.2	94.5	90.2	91.7	✓	94.7	95.8	90.9	93.7	✓
BT Northern Ireland	92.2	94.2	91.5	92.7	✓	93.1	95.1	92.6	93.6	✓
CA Carlisle	95.3	95.6	96.3	95.8	✓	95.9	94.7	98.0	96.2	✓
CB Cambridge	94.9	93.3	94.9	94.4	✓	96.8	94.0	93.7	94.8	✓
CF Cardiff	93.2	95.5	93.0	94.1	✓	93.6	97.9	96.4	96.7	✓
CH Chester & Deeside	90.9	96.2	94.9	94.1	✓	93.3	95.5	96.0	94.9	✓
CM Chelmsford	93.0	95.4	93.9	94.2	✓	96.8	96.7	98.5	97.4	✓
CO Colchester	94.1	94.6	94.7	94.5	✓	95.6	96.4	97.2	96.4	✓
CR Croydon	92.2	95.8	93.0	94.2	✓	95.0	97.4	96.0	96.5	✓
CT Canterbury	94.6	96.9	94.4	95.4	✓	95.0	97.7	96.0	96.3	✓
CV Coventry & Warwickshire	92.3	94.0	94.2	93.6	✓	92.4	96.2	96.2	94.9	✓
CW Crewe	93.4	95.7	94.5	94.7	✓	94.2	96.1	94.3	94.9	✓
DA Dartford	92.2	97.1	94.9	95.0	✓	93.6	99.3	97.8	97.1	✓
DD Dundee	93.1	94.3	94.5	94.1	✓	92.4	95.5	95.5	94.6	✓
DE Derby	93.4	95.6	94.3	94.5	✓	96.2	96.7	96.3	96.4	✓
DG Dumfries	95.9	96.4	94.6	95.7	✓	97.4	96.8	95.3	96.5	✓
DH Durham	92.8	92.2	94.5	93.3	✓	93.9	93.8	97.1	95.3	✓
DL Darlington	93.6	95.4	93.9	94.5	✓	97.0	96.4	95.7	96.4	✓

**Table 2 Cont.**

**Postcode Area (PCA) First Class Stamped and Metered  
Actual Cumulative Results (Period 1 – Period 9 2005/06)**

Postcode Area	1st Class Stamped and Metered Posted to UK					1st Class Stamped and Metered Intra PCA				
	Q1	Q2	Q3	Q1-3	✓☒	Q1	Q2	Q3	Q1-3	✓☒
DN Doncaster	94.2	95.2	95.9	95.2	✓	94.2	96.7	98.4	96.5	✓
DT Dorchester	92.0	96.2	93.9	94.2	✓	93.7	97.6	96.6	96.1	✓
DY Dudley	94.0	94.3	94.0	94.3	✓	94.6	97.2	94.0	95.5	✓
E London East	92.3	86.9	89.2	89.3	☒	95.0	90.3	93.4	92.7	✓
EC City of London	92.9	93.0	93.2	93.1	✓	96.3	92.8	95.5	94.7	✓
EH Edinburgh	91.9	92.2	93.7	92.7	✓	95.7	96.3	95.3	95.7	✓
EN Enfield	94.6	93.5	94.7	94.3	✓	95.9	94.9	93.2	94.6	✓
EX Exeter	94.7	94.7	90.7	93.4	✓	96.5	96.2	95.7	96.1	✓
FK Falkirk	92.8	94.1	94.5	94.0	✓	97.7	93.3	94.7	95.0	✓
FY Fylde	93.5	95.6	92.7	94.1	✓	94.2	95.1	92.4	94.0	✓
G Glasgow	94.2	91.9	94.4	93.5	✓	95.0	91.3	97.2	94.5	✓
GL Gloucester	92.6	94.4	93.9	93.8	✓	95.6	95.5	95.5	95.5	✓
GU Guildford	93.9	96.1	94.1	94.7	✓	94.7	96.6	94.1	95.2	✓
HA Harrow	92.4	94.1	93.9	93.7	✓	93.9	94.8	93.0	94.3	✓
HD Huddersfield	94.8	93.6	94.6	94.3	✓	95.8	97.7	95.6	96.3	✓
HG Harrogate	91.5	93.6	94.6	93.4	✓	96.0	94.7	93.7	94.7	✓
HP Hemel Hempstead	93.0	94.2	93.7	93.6	✓	94.2	94.1	96.4	95.0	✓
HR Hereford	94.2	95.0	93.0	94.0	✓	94.4	97.6	94.7	95.6	✓
HS Hebrides	89.8	91.5	89.1	90.2	⊕	89.1	96.0	91.7	92.8	✓
HU Hull	94.7	96.7	94.9	95.5	✓	97.5	97.3	97.0	97.2	✓
HX Halifax	92.5	92.7	94.8	93.4	✓	96.0	97.2	94.5	95.8	✓
IG Ilford	92.0	93.4	92.3	92.6	✓	94.7	93.2	94.8	94.2	✓
IP Ipswich	94.2	95.5	95.3	95.1	✓	96.3	96.8	97.1	96.8	✓
IV Inverness	91.8	94.9	93.7	93.6	✓	94.7	97.3	96.1	96.2	✓
KA Kilmarnock	92.7	96.3	96.0	95.1	✓	93.7	98.2	98.9	96.9	✓
KT Kingston upon Thames	95.0	94.0	96.6	95.1	✓	96.0	95.7	97.0	96.2	✓
KW Kirkwall	91.7	93.7	88.1	91.3	⊕	95.1	94.5	91.6	93.8	✓
KY Kirkcaldy	95.8	96.6	92.6	95.0	✓	97.9	97.7	97.2	97.6	✓

**Table 2 Cont.**

**Postcode Area (PCA) First Class Stamped and Metered  
Actual Cumulative Results (Period 1 – Period 9 2005/06)**

Postcode Area	1st Class Stamped and Metered Posted to UK					1st Class Stamped and Metered Intra PCA				
	Q1	Q2	Q3	Q1-3	✓☒	Q1	Q2	Q3	Q1-3	✓☒
L Liverpool	94.4	93.2	92.2	93.2	✓	96.0	95.9	94.9	95.6	✓
LA Lancaster	94.7	94.7	94.6	94.7	✓	94.3	96.4	95.7	95.6	✓
LD Llandrindod Wells	93.6	94.1	94.4	94.0	✓	94.4	94.2	94.7	94.4	✓
LE Leicester	94.7	96.2	94.8	95.4	✓	96.6	97.1	94.6	96.4	✓
LL North Wales	91.2	95.4	95.9	94.6	✓	93.3	97.2	97.7	96.6	✓
LN Lincoln	96.6	95.5	95.8	96.0	✓	97.4	95.6	97.2	96.7	✓
LS Leeds	93.4	94.5	95.1	94.4	✓	98.5	95.2	97.0	96.8	✓
LU Luton	93.8	95.2	93.7	94.2	✓	96.8	97.7	97.3	97.3	✓
M Manchester	92.3	93.8	92.5	92.9	✓	93.9	93.2	94.8	94.0	✓
ME Maidstone	91.7	93.2	93.9	93.0	✓	93.6	97.4	94.5	95.2	✓
MK Milton Keynes	94.2	92.5	95.6	94.1	✓	97.7	94.4	96.0	96.0	✓
ML Motherwell	93.5	90.2	94.0	92.6	✓	94.6	94.4	95.4	94.8	✓
N London N	94.4	93.3	94.1	94.1	✓	93.7	92.7	91.4	92.6	✓
NE Newcastle	95.0	95.4	94.1	94.9	✓	96.0	96.8	96.3	96.4	✓
NG Nottingham	94.9	94.7	95.7	95.1	✓	95.7	96.2	97.2	96.4	✓
NN Northamptonshire	90.7	88.3	93.2	90.7	☒	95.8	90.3	95.8	94.0	✓
NP Newport	91.1	94.7	93.1	93.1	✓	94.4	95.5	95.4	95.1	✓
NR Norwich	92.9	94.1	93.4	93.5	✓	96.8	96.2	96.3	96.4	✓
NW London NW	92.0	93.0	95.2	93.5	✓	93.4	93.2	94.7	93.8	✓
OL Oldham	92.8	93.4	95.3	93.9	✓	96.7	95.4	97.3	96.4	✓
OX Oxford	92.4	94.8	93.7	93.8	✓	92.5	95.4	92.4	93.5	✓
PA Paisley	94.5	94.4	94.2	94.3	✓	94.4	95.6	97.8	96.0	✓
PE Peterborough	92.9	94.5	93.4	93.5	✓	94.8	96.0	96.9	96.0	✓
PH Perth	94.6	95.6	92.3	94.0	✓	97.0	97.1	94.5	96.2	✓
PL Plymouth	92.9	93.9	94.4	93.7	✓	96.9	98.9	95.9	97.3	✓
PO Portsmouth	91.7	95.0	93.6	93.5	✓	94.1	94.0	95.1	94.4	✓
PR Preston	94.5	93.9	94.6	94.3	✓	95.6	94.6	98.0	96.1	✓
RG Reading	93.4	95.3	94.8	94.6	✓	97.5	97.0	95.7	96.7	✓

**Table 2 Cont.**

**Postcode Area (PCA) First Class Stamped and Metered  
Actual Cumulative Results (Period 1 – Period 9 2005/06)**

Postcode Area	1st Class Stamped and Metered Posted to UK					1st Class Stamped and Metered Intra PCA				
	Q1	Q2	Q3	Q1-3	✓☒	Q1	Q2	Q3	Q1-3	✓☒
RH Redhill	93.6	94.8	95.2	94.7	✓	95.8	97.8	97.0	96.9	✓
RM Romford	92.9	91.1	89.8	91.1	☒	92.9	94.3	91.7	93.0	✓
S Sheffield	96.1	96.0	95.5	95.9	✓	96.8	96.1	96.5	96.5	✓
SA Swansea	95.6	94.3	93.4	94.5	✓	94.4	94.5	94.0	94.6	✓
SE London SE	93.1	90.6	95.4	93.7	✓	92.6	92.2	96.0	95.5	✓
SG Stevenage	94.9	95.5	95.4	95.4	✓	96.3	97.0	95.9	96.4	✓
SK Stockport	92.4	95.0	92.9	93.6	✓	96.4	97.1	98.5	97.3	✓
SL Slough	92.9	92.7	94.4	93.4	✓	92.6	94.0	95.8	94.3	✓
SM Sutton	94.4	95.9	94.8	95.2	✓	95.9	96.4	97.0	96.6	✓
SN Swindon	94.2	95.5	94.5	94.8	✓	96.2	96.9	95.1	96.0	✓
SO Southampton	93.9	93.2	95.3	94.2	✓	96.7	96.4	97.5	96.9	✓
SP Salisbury	93.9	93.9	95.6	94.5	✓	97.7	96.2	94.6	96.1	✓
SR Sunderland	96.1	96.3	96.0	96.2	✓	96.7	96.6	96.1	96.4	✓
SS Southend-on-Sea	92.2	94.8	96.1	94.5	✓	95.1	95.5	96.8	95.9	✓
ST Stoke-on-Trent	93.2	92.4	92.2	92.7	✓	95.4	94.2	94.8	95.1	✓
SW London SW	89.9	91.3	94.8	92.0	✓	96.4	92.2	93.8	94.0	✓
SY Shrewsbury & Mid Wales	94.3	95.6	96.4	95.5	✓	96.8	97.0	97.8	97.2	✓
TA Taunton	93.9	93.2	92.6	93.2	✓	93.7	96.1	93.2	94.4	✓
TD Borders	93.9	94.0	94.3	94.1	✓	96.0	96.5	97.4	96.9	✓
TF Telford	93.9	94.4	96.5	95.0	✓	95.7	96.9	94.9	95.9	✓
TN Tonbridge	96.3	96.4	95.2	96.0	✓	96.0	98.4	95.2	96.5	✓
TQ Torquay	92.9	94.2	92.8	93.5	✓	94.0	96.7	94.4	95.4	✓
TR Truro	95.0	95.1	93.6	94.5	✓	95.5	95.2	94.4	95.0	✓
TS Teesside	94.1	91.4	94.5	93.6	✓	95.3	92.6	96.4	95.1	✓
TW Twickenham	94.5	95.5	94.0	94.8	✓	97.6	97.2	97.0	97.2	✓
UB Uxbridge	94.8	92.8	93.2	93.5	✓	92.8	94.1	92.6	93.1	✓
W London West	95.0	94.0	94.9	94.6	✓	97.2	92.0	95.3	94.9	✓
WA Warrington	95.0	94.1	95.9	95.0	✓	96.3	94.0	98.3	96.2	✓

**Table 2 Cont.**

**Postcode Area (PCA) First Class Stamped and Metered  
Actual Cumulative Results (Period 1 – Period 9 2005/06)**

Postcode Area	1st Class Stamped and Metered Posted to UK					1st Class Stamped and Metered Intra PCA				
	Q1	Q2	Q3	Q1-3	✓☒	Q1	Q2	Q3	Q1-3	✓☒
WC London West Central	92.9	94.3	91.4	92.9	✓	94.7	94.4	94.8	94.9	✓
WD Watford	95.5	97.0	94.7	95.9	✓	96.1	99.3	98.7	98.2	✓
WF Wakefield	90.8	95.3	93.5	93.4	✓	93.8	97.1	94.6	95.2	✓
WN Wigan	94.5	95.2	93.3	94.3	✓	94.8	95.7	96.6	95.7	✓
WR Worcester	94.5	95.3	94.4	94.8	✓	95.4	96.6	96.7	96.3	✓
WS Walsall	92.7	92.4	95.0	93.4	✓	94.1	92.7	95.0	94.0	✓
WV Wolverhampton	91.6	93.7	91.4	92.4	✓	92.9	96.1	94.8	94.9	✓
YO York	94.6	93.7	95.3	94.6	✓	97.5	95.4	96.4	96.3	✓
ZE Lerwick	91.1	91.5	91.9	91.5	⊕	97.3	97.6	96.4	97.1	✓

☒ = Areas below full-year target

✓ = Areas meeting or exceeding full-year target

⊕ = Exempted from postcode area targets

### **Overview of Quarter 3 – Quarter and Cumulative**

Quarter 3 covers the period 5 September 2005 – 4 December 2005. The Cumulative results cover the period 21 March 2005 – 4 December 2005.

The strong performance in the first half of the reporting year continued in Quarter 3 with some best-on-record results for the quarter.

	Quarter 3	Best Quarter 3 On Record
1st Class Stamped and Meter	94.0	✓
2nd Class Stamped and Meter	98.9	✓
Mailsort 2	98.7	✓
Mailsort 3	99.4	✓
Presstream 1	94.2	✓
Presstream 2	98.8	✓
1st Class PPI	91.8	✓
2nd Class PPI	97.4	✓
1st Class Response Services	89.4	✓

Cumulatively (Quarters 1-3) 9 of the 13 products are above the full-year Licence target level and are on course to beat the full-year target with best on record performance – as follows:

	Full Year Target	Q1-3 Cumulative Actual (c/w full year target)
1st Class Stamped and Meter	93.0	94.0 (+1.0)
2nd Class Stamped and Meter	98.5	98.8 (+0.3)
1st Class PPI	91.1	92.0 (+0.9)
Standard Retail Parcels	90.0	91.7 (+1.7)
Mailsort 1	91.5	93.8 (+2.3)
Mailsort 2	97.5	98.6 (+1.1)
Mailsort 3	97.5	99.5 (+2.0)
Presstream 1	91.0	94.1 (+3.1)
Presstream 2	97.5	98.4 (+0.9)

Of the remaining 4 products which are below the full year Licence target levels after Quarters 1-3, 2nd Class PPI is only 0.1 below full year target level (97.3 cw 97.4) and Special Delivery is only 0.2 below full year target level (98.8 cw 99.0). The other 2 are the old Response Services products for which Royal Mail has already confirmed that the Licence target levels are not realistic for the product specification. The actual cumulative performance for the 1st Class and 2nd Class Response Service products are above the Royal Mail internal target levels as submitted to Postcomm and Postwatch in the Annual QoS Plan. It is also worth noting that although 2<sup>nd</sup> Class PPI and 1<sup>st</sup> Class Response Services are not performing at target level the cumulative result at the end of Quarter 3 is the best on record for both of these products. Similarly, the cumulative result for Special Delivery is the best since the inception of the Licence.

The geographical results cumulatively to Quarter 3 are overall the best on record. All 121 Postcode Areas are on course to achieve the 1st Class Stamped and Meter Intra full year target level as set by the Licence, and all but 3 are on course to achieve the 1st Class Stamped and Meter Posted to UK target level.

Although the Christmas and New Year pressure period between 5 December – 2 January is excluded from the Licence targetry for all products except Special Delivery, the results for this period are included as an annexe to this report. This annexe also provides a like for like comparison between the reported Christmas 2004 results and Christmas 2005 performance – comparing results for the period 1-21 December. This table shows a general improvement in 2005 performance.

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**Table 3.**

**Stamped; Metered; PPI; Response Services; Special Delivery and Standard Retail Parcels  
Actual Cumulative Results (Period 1 - Period 9 2005/06)**

Standard	Scheduled Standards			
	Full Year Target %		Period 1 - 9 %	95% cl
1st Class Stamped & Meter All	93.0		94.0	0.1
2nd Class Stamped & Meter All	98.5		98.8	0.1
1st Class Postage Paid Impression	91.1		92.0	0.2
2nd Class Postage Paid Impression	97.4		97.3	0.2
1st Class Response Services	90.8		89.6	0.9
2nd Class Response Services	97.5		94.5	0.7
Special Delivery	99.0		98.8	#
Standard Retail Parcels	90.0		91.7	0.5

\*Target is full-year cumulative

# Product subject to continuous sampling (confidence limit inapplicable)

95% cl = 95% confidence limit

## Overview of Quality of Service Action Plan Deployment

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

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

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

During each quarter a number of new activities are identified and deployed or scheduled for deployment. Table 2 therefore provides an update on the new improvement activities that were introduced in Quarters 1-3 and/or are scheduled for deployment in Quarter 4.

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

**Table 1: Update on Quarter 1 - Quarter 3 Activities as scheduled in National Quality of Service Plan**

Activity		Schedule	Status
<b>Delivering Improvements Yourself (Integrated Quality Approach)</b>			
01	<b>National Workplan Deployment</b>		
	Communication and roll out of plan	Quarter 1	Plan communicated in Oct for full compliance in Feb 06
	Performance Management of Standards against new National Workplan	Quarter 1	Commenced
	Audit of Standards against new National Workplan	Quarter 1	Commenced
	Self Audit of Standards in Mail Centres against new National Workplan	Quarter 1	Commenced
02.1	<b>Standard Operating Procedures - Collections &amp; Delivery</b>		
	Customer Facing SOPs developed and trialed	Quarter 1	Complete
	Customer Facing SOPs rolled out	Quarter 1	Complete
	Review performance against SOPs	Quarter 1	Complete
	Identify areas of non-compliance and implement corrective action	Quarter 1	Complete
	Remaining Delivery and Collections SOPs developed	Quarter 2	Complete
	Secondary SOPs assured	Quarter 2	Complete
	Secondary SOPs deployed	Quarter 2	Complete
02.2	<b>Standard Operating Procedures - Processing</b>		
	SOPs developed	Quarter 1	Complete
	SOPs rolled out	Quarter 2	Complete
	Review performance against SOPs	Quarter 2	Complete
	Identify areas of non-compliance and implement corrective action	Quarter 2	Complete
03	<b>Individual Performance Standards</b>		
	IPS Deployed	Quarter 1	Complete
	Review of Performance against IPS	Quarter 1	Ongoing
04	<b>Self Audit</b>		
	Deployment of Self Audit Packs	Quarter 1	Complete
	Deployment of Intranet data repository	Quarter 1	Complete
	All work Area Managers and Delivery Office Managers are using the Self-audit	Quarter 1	Complete

	process to ensure on-going compliance to SOP's		
05	<b>Manpower Planning</b>		
	Roll out of Manpower Planning tool completed in 3 phases	Quarter 1	All 3 phases complete
06	<b>DIY (IQA) Systems - Quality Dashboard</b>		
	User testing undertaken in 3 Areas	Quarter 1	Complete
	Quality Dashboard System deployed to 15 Areas	Quarter 1	Successfully rolled out in Q3
	Deployment to remaining 16 Areas	Quarter 2	Successfully rolled out in Q3
	E-learning modules developed to support knowledge transfer of the Dashboard System	Quarter 2	Delayed until 2006/7. Classroom based training is being used until full development of the Dashboard is completed.
07	<b>RFID</b>		
	RFID - Procurement order placed	Quarter 1	Complete
	Pilot sites installed	Quarter 2	13 week pilot began in Jan 2006 for completion end March 2006
	Phased deployment commences	Quarter 2	Deployment will follow pilots in Apr 2006 subject to full appraisal of pilot
08.1	<b>DIY (IQA) Deployment - Change Managers</b>		
	Change Managers - Resource deployed in 15 Areas	Quarter 1	Complete
	Resource deployed in remaining 16 Areas	Quarter 2	Complete
08.6	<b>DIY (IQA) Deployment - Communications</b>		
	Workplan change	Quarter 1	Complete
	Adherence to Standards frontline campaign	Quarter 1	Ongoing
	SOPs deployment in Delivery and Collections	Quarter 1	Complete
	SOPs deployment in Mail Centres and Collections	Quarter 1	Complete
	Self Audit Deployment	Quarter 1	Complete
	Materials for DOMs and WAMs to support pre-shift discussions	Quarter 2	Currently being planned for deployment in Q3

08.7	<b>DIY (IQA) End State</b>		
	Work Area Managers and Delivery Office Managers initiate daily 5 minute discussion with frontline staff on performance	Quarter 3	Pre-shift discussions taking place in some units and support being given to all to increase coverage
	Managers employ daily reports to enhance performance team briefs. Local quality improvement action plans developed	Quarter 3	Managers beginning to use QCS reports to monitor and improve performance
	Staff fully engaged in quality performance	Quarters 3-4	Good staff engagement in some units – others being supported
	Best practice networks established within Areas	Quarter 3	DIY Academy established and ideas placed on Intranet database
	Professional networks created to provide upward feed on national improvement opportunities	Quarter 3	DIY Academy fulfilling function at present but will be considered in the future
	Improvements to Quality Control Reporting system	Quarter 3	Work continuing to improve QCS system
	<b>People Plan</b>		
9	<b>Work Time Learning</b>		
	Continued deployment of weekly WTL sessions and ongoing development of issue specific learning packs	Ongoing	Ongoing as planned
10	<b>Frontline Induction Training</b>		
	Revised Induction Training Course deployed	Quarter 1	Complete
	Training material updated to reflect development of Standard Operating Procedures	Quarters 1-2	Complete for all SOPs rolled out
11	<b>Work Place Coaches</b>		
	Trial and review approach in 2 Areas	Quarter 1	Complete
	Select and train Work Place Coaches	Quarters 1-3	Investment appraisal process completed and WPCs deployed in 5 Areas. Full deployment by Sep 2006.

	1500 work place coaches deployed	Quarter 2	See comment above
12	<b>Apprenticeships</b>		
	Over 1000 apprenticeships will be trialled in a number of selected Areas	Quarters 1-4	Phase 1 complete – 150 apprentices employed in 7 Areas Phase 2 – 11 additional Areas to receive Apprentices and funding being sought for Scotland, N Ireland and Wales
13	<b>“My Development” Managerial training</b>		
	9 courses, involving over 600 managers already completed	Quarter 1	Complete
	18 courses planned for 05/06	Quarters 1-4	10 courses completed to Q3. 5 further courses planned for Q4.
	Course content updated to reflect development and deployment of IQA elements	Quarter 1	Complete
	Additional modular leadership training packages to support front line mgmt capability to engage with staff	Quarter 2	Complete
14	<b>Behavioural Workshops</b>		
	Workshop support materials made available	Quarter 1	Further delayed due to slow progress of negotiations with CWU
	Deployment of Workshops	Quarter 1	Workshops have only taken place at Ops Exec /National CWU level
15	<b>Resourcing</b>		
	Continuing migration of temporary staff to permanent status and to ensure both vetting of new employees and adequate training and support of casual staff	Ongoing	Ongoing as planned
16	<b>Attendance Management</b>		
	Complete Attendance Procedure negotiations with Trade Unions	Quarter 1	Further delayed due to lack of agreement with CWU on roll out
	Reshape and implement the 04/05 Attendance Incentive scheme	Quarter 1	Complete

	Complete trial of the revised Attendance Procedure	Quarter 2	Further delayed due to lack of agreement with CWU on roll out
	Deploy revised Attendance Procedure	Quarter 2	See comment above
	Identify Phase 2 Attendance Management Actions	Quarter 2	See comment above
	Prepare and commence implementation of Phase 2 deployment plan	Quarter 2	See comment above
17	<b>Industrial Relations Framework</b>		
	All front line and other key managers, along with union reps will participate in 1 day training events	Quarters 2-3	Delayed due to slow progress in negotiations with CWU
18	<b>Royal Mail Way</b>		
	Phase One – set up and capability building	Quarter 1	Complete
	Phase Two – Core Implementation	Quarter 1	Work began in Quarter 3
	Phase Three – Embedding Royal Mail Way	Quarter 2	Delayed to Quarter 4
	Phase Four – Sustainment	Quarters 3-4	Will take place in Quarter 1 2006/7
	<b><u>Pipeline Specific Improvement Activities</u></b>		
19	<b>Collections Performance</b>		
	Full utilisation of ABC data in Collections Performance Management	Quarter 1	Work progressing on new Networked system – will continue into 2006/7
20	<b>Production Management and Control - Workload Scheduling Tool rollout</b>		
	Workload scheduling tool design stage complete	Quarter 1	Complete
	Pilot Application	Quarter 1	Complete
	Business Case presentation	Quarter 1	Complete
	Planned roll out	Quarters 2-4	Deployment proceeding
21	<b>Auto-utilisation</b>		
	Design diagnostic tool	Quarter 1	Complete
	Deploy key performance indicator to show measure % automated against capacity for each Mail Centre	Quarter 1	Delays to full automation of system. Interim 'semi-automated' solution

			remains in place at present.
	Reduce sort plan numbers across shifts	Quarters 2-4	Ongoing as planned
	Re-fresh automation training	Quarters 2-4	Ongoing as planned
22	<b>Network Performance Management</b>		
	Daily conference calls and monitoring of adherence to “Move to Time” policy. Audits of compliance at units and review of contingency arrangements	Ongoing	Ongoing as planned
23	<b>Deployment of Distribution Management System (DMS)</b>		
	Initial trial activity of system	Quarter 1	Complete
	Detailed Proof of Concept trials in 2 Areas	Quarter 1	Complete
	Full Business Case submission	Quarter 1	Completed in Quarter 2
	Implementation of Phase 1 (Midlands and Anglia)	Quarter 4	Ongoing as planned
24	<b>Distribution Planning Tool</b>		
	Train Paragon schedulers	Quarters 2-3	Complete
	Establish and cleanse current state national duties	Quarters 1-2	Complete
	Produce initial Paragon schedules	Quarters 1-4	Ongoing as planned
	Operational input verification	Quarters 1-4	Ongoing as planned
25	<b>Double Decker Trailers</b>		
	Purchase initial 40 Double Deck trailers	Quarter 1	Completed
	Resolve site restrictions at 6 sites	Quarter 1	Completed
	Devise Phase 1 deployment plan	Quarter 1	Completed
	Build business case for resolving site restrictions at remaining sites	Quarter 2	Completed
	Devise Phase 2 deployment plan	Quarter 2	Completed
	Phase 2 deployment	Quarters 2-	Progressing with minor delays.

		4	Deployment will be completed by end Quarter 1 2006/7
26	<b>Ongoing conveyance of mail by rail</b>		
	Trial ends	Quarter 1	Complete
	Trial evaluated	Quarter 1	Complete
	Decision made	Quarter 1	Complete
27	<b>Air Network Review Investment Programme</b>		
	New Management structure at airports	Quarter 3	Work continuing. Implementation due Quarter 1 2006/7.
	Provision of Bomb Box at key network sites	Quarter 2	Delayed but due to be installed end Q4
	Additional handling staff at specific airports	Ongoing	Ongoing as planned
	Upgrades and alterations to specific air routes	Ongoing	Ongoing review in line with contract renewals
	Improvements at East Midlands Airport – business case approval	Quarter 2	Complete
	Additional handling equipment at key airports	Ongoing	Progressing as planned
28	<b>Bagless Network – Mail Centre Flows</b>		
	Trial	Quarters 2-3	Trial commenced Nov 2005
	Evaluate trial		Work underway
	<b>Progress full business case</b>		Will depend on deployment option chosen
29	<b>Bagless Network – Mailsort Traying</b>		
	Trials underway	Quarter 1	Complete
	Business case presented	Quarter 1	Deferred following budget prioritisation exercise

30	<b>EU Working Time Directive - Risk</b>		
	Establish the High Level Impact in Network and Royal Mail Logistics areas	Quarter 1	Complete
	Develop detailed unit level impact assessment and solutions	Quarters 1-4	Progressing as planned
	Develop monitoring tools to ensure compliance	Quarter 4	Appropriate software being sought
31	<b>7.5 tonne vehicle speed restriction to 56mph - Risk</b>		
	Scope and define pipeline impact	Quarter 1	Completed
	Define outline business response	Quarter 1	Completed
	Engage stakeholders in defining the business response	Quarter 2	Completed
	Plan pipeline changes	Quarters 2-4	Progressing as planned
32	<b>Delivery Best Practice</b>		
	Establish resource and design training programme	Quarter 1	Complete
	Roll out Best Practice initiative	Quarters 1-2	Progressing following initial delays
	<b>Product Specific Improvement Activities</b>		
33	<b>Special Delivery Product Review</b>		
	Review commences	Quarter 1	Complete
	Review findings presented to Operations Executive	Quarter 1	Complete
	Review findings presented to Letters Board	Quarter 1	Complete
	Action plan developed for deployment	Quarter 2	Complete
34	<b>Standard Parcels Review and Performance Management</b>		
	Analysis of Standard Parcels Quality loss	Quarter 1	Complete
	Communication of issues to high impacting units	Quarter 1	Complete
	Ongoing monitoring of Standard Parcels Quality loss	Quarter 1	Performance closely monitored
	Performance review by Operations Executive	Quarter 1	Complete
	Additional remedial action planning where required	Quarter 1	Complete

35	<b>PPI QTL Review and next steps</b>		
	QTL exercise deployed	Quarter 1	Deployed and ongoing
	Ongoing analysis of QTL exercise findings	Quarter 1	Deployed and ongoing
	Extension of QTL study	Quarter 1	Complete and ongoing
36	<b>Response Services - maximise performance and new product migration</b>		
	Performance Management of existing Response Services product in order to maximise performance	Ongoing	Ongoing as planned
	Customer incentives to migrate to new product	Quarter 1	Ongoing as planned
	<b>Other Generic Activities</b>		
37	<b>Performance Management</b>		
	Performance Management process	Ongoing	Ongoing as planned
38	<b>Independent Audit</b>		
	Rolling programme targeting high impact units	Ongoing	Ongoing as planned
39	<b>Quality Excellence Taskforce</b>		
	Rolling programme of taskforce reviews targeting poor performing Postcode Areas and individual high impact units	Ongoing	Ongoing as planned

The following table provides an update on new activities which were introduced in Quarters 1-3 or planned for in Quarter 4 that were not outlined in the original Quality of Service Plan.

**Table 2: Update on new activities introduced in Quarters 1 - 3 (not included in the original Quality of Service Action Plan)**

	<b>Activity</b>	<b>Schedule</b>	<b>Status</b>
05	<b>Manpower Planning</b>		
	Launch improved version of tool	Quarter 2	Completed
	Develop individual Area workshops to enhance understanding and usage	Quarter 3	Completed
	Develop e-Learning national training package	To Be Confirmed	
02	<b>Standard Operating Procedures</b>		
	Review and refine SOPs for Network operations	Quarter 4	Work underway and progressing as planned
	Review and refine SOPs for RDCs	Quarter 4	Work underway and progressing as planned
	Review and refine SOPs for International operations	Quarter 4	Work underway and progressing as planned
	Integrate new Network, RDC and International SOPs into Self Audit process	Quarter 4	Work underway and progressing as planned
18	<b>Royal Mail Way</b>		
	Additional deployment of Royal Mail Way into Edinburgh MC	Quarter 1	Complete
	Contractual negotiations with external consultants	Quarter 2	Complete
	Consultants working with seven sites	Quarter 3	Work continuing

35	<b>PPI QTL Review and next steps</b>		
	Extension of review to examine 2 <sup>nd</sup> Class PPI performance	Quarter 2-3	Work is continuing
	<b>Postcode Area QTL Testing</b>		
	Introduction of QTL testing to support root cause analysis and fix activity for PCAs failing to perform at Minimum Floor level	Quarter 2-3	Studies continuing
	<b>RS QTL Testing</b>		
	1 <sup>st</sup> Class Response Services QTL Testing	Quarter 3	Commenced in Q3

## **1<sup>st</sup> CLASS STAMPED AND METER**

### **Quarterly Results**

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
93.6±0.2%	94.3±0.2%	94.0±0.2%	94.0%±0.1%	93.0%

### **Overview**

At 94.0% in Quarter 3 and with a cumulative result for Quarters 1–3 of 94.0%, 1<sup>st</sup> Class Stamped and Metered has performed excellently, exceeding the higher Licence target for 2005/6 by a full 1%.

The improved reliability of our transport network, together with the 24 hour fix logic applied to all key workplan clearances, have been significant factors in the marked performance gains made since Quarter 3 of 2004/5. During Quarter 3 of 2005/6 the reliability of the Network has been tested, by factors outside Royal Mail's control. The air network, which for some long distance routes is the only method of transport fast enough to make the necessary connections, is vulnerable to poor weather conditions, particularly fog. However, although inevitably some failures have resulted from these incidents, reliability throughout the Network (including road and rail) has been excellent and, where problems have been encountered, contingency resource has been employed quickly to prevent / limit service failure, thus preventing the seasonal decline we have seen in Quarter 3 in previous years.

'Under the roof' operations in Mail Centres, Delivery Offices, Network Hubs and Regional Distribution Centres have also contributed to what the Quarter 3 result demonstrates is a consistent high level of performance. In addition to stricter adherence to the National workplan, units have now given increased focus to the issues of mis-sortation and mis-delivery. This activity is being supported by the DIY programme.

## **National Quality of Service Action Plan- Quarter 3 Update**

**As previous reports have explained, and the excellent results now being consistently achieved demonstrate, the vision of a “relentless focus on quality” has been and continues to be successful in the work undertaken at all levels within Royal Mail.**

**Weekly meetings of the Operations Executive continue to scrutinize performance along the entire length of the complex operational pipeline. These meetings are supported by a network of daily conference calls and e-mail communications within operational Areas and Logistics teams. Problem areas are identified and remedial action taken quickly. Underlying issues are exposed by root cause analysis and plans put in place to solve them.**

**In addition to these activities,** culture change, pipeline-specific and product-specific initiatives have addressed further areas of improvement. These activities are described in the National Quality of Service Plan for 2005/6 that was shared with Postcomm and Postwatch.

Below are detailed the key activities contained in the 2005/6 Quality of Service Plan and progress against them during Quarter 3. As with previous reports, some activities have been delayed and are now progressing to new timescales. Where this is the case, this is stated along with the reasons why the delay has occurred.

It is also worth noting that in some cases where consultation is required with the CWU a careful approach is being taken to ensure all parties are engaged in maximising the positive effects of the initiative. Again, a full explanation is provided for each element.

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

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

#### **1. National Workplan**

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

Implementation of the new Workplan in operational units and in our transport network has progressed as planned during Quarter 3. The necessary monitors and controls to ensure ongoing compliance to the new standards have also been introduced.

#### **2. Standard Operating Procedures (SOPs)**

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

As described in previous reports, the 14 SOPs that cover the critical Customer Facing work elements were the first to be reviewed and re-launched. Work then began on the remaining SOPs. All work areas within the Collection, Delivery and Processing operation now have revised SOPs and are fully aligned with the new National Workplan. Whilst there was a slight slippage to the timescales contained within the Quality of Service Plan for 2005/6, the benefit gained from having the CWU fully engaged in the review process has been significant and managers are now using SOPs to coach and refresh understanding with front line employees.

The SOP initiative in the QoS plan for 2005/6 limited itself to defining activities in Delivery Offices and Mail Centres. However, work is currently underway to review SOPs in the Network, in Regional Distribution Centres and in Royal Mail's International operation. These additional activities are included in Table 2 above.

### **3. Individual Performance Standards (IPS)**

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

### **4. Self Audit**

Self Audit has been introduced to monitor adherence to standards on a daily basis. The Self Audit questionnaire requires Delivery Office Managers and Work Area Managers (in Mail Centres, Regional Distribution Centres and Network Hubs) to focus on key elements of the pipeline operation. Failure against a key question prompts consideration of a drop down menu of enablers and root cause steers by the manager. These daily audits are one of a wide range of diagnostic measures that feed into daily, weekly and monthly reviews – and help provide evidence which is used to identify where opportunities exist to drive Quality of Service improvement – by directing the relevant manager to areas where less than 'excellence' exists.

Self Audit questions and guidelines have been updated for both Delivery Offices and Regional Distribution Centres (RDCs) to ensure key issues continue to be addressed on a daily basis. The revised Delivery Office package was deployed in October 2005 and the RDC package is due to be rolled out early in Quarter 4.

### **5. Manpower Planning**

Weakness in manpower planning in the past put Quality and Universal Service Obligations at risk because units were not always adequately resourced. The Royal Mail Management Board identified the need to strengthen controls regarding resource planning disciplines and therefore

install reliable forecasting and planning processes. From this an objective was set in late 2004 for a uniform approach to manpower planning to be created and implemented in all operational units by the end of the 2005/06 financial year.

Improved manpower and resource planning has been embedded into operational units during 2005/6 via use of the Manpower Planning Tool. The results of this have been seen, for example, as units have made better preparation for high absence periods or periods of high mail volumes. Successful deployment of the initiative has had a positive impact on the Quality of Service improvements made throughout the year.

A new version of the Manpower Planning Tool was successfully deployed in late 2005. Work has now commenced to further revise the tool and this new version will be available for use from March 2006.

In addition to the unit tool, a Manpower Planning Tool for planning managerial resource has also been developed. The tool is designed to assist unit managers in Mail Centres, Regional Distribution Centres, Network hubs and larger Delivery Offices to plan allocation of managers. The tool will be available for use on a 'pull' basis from March 2006. The e-learning training package is still under development and a completion date is to be confirmed.

## **6. DIY Systems - Quality Control System (QCS)**

The Quality Control System, formerly known as the "Quality Dashboard" will enable operational managers at every level to access a pictorial synopsis of performance. Based on real time data, information provided will direct managers to improvement opportunities within the pipeline, allowing individuals to drill down to their office or work area to identify the impact that the performance of a constituent part has upon the whole.

The QCS tool was not rolled to Area Commercial Managers and Quality Analyst Managers in July as originally planned as further work was undertaken to understand the benefits associated with this significant investment.

Following delays discussed in previous reports, the present version of QCS was successfully rolled out to all Areas in Quarter 3. 425 user licences have been purchased and shared between the 31 Areas and Network hubs / Regional Distribution Centres.

Further enhancements to the system have been identified and therefore the development of E-learning modules has been delayed until these changes have been deployed. In the interim, to support the knowledge transfer of the Dashboard system, classroom based training has been developed and is being rolled out to all users in Quarter 4.

## **7. RFID**

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

recorded<sup>1</sup>. The information made available will provide diagnostic data for specific units and identify where and when delay is occurring for the tagged item.

The pilot of RFID due to take place in Quarter 3 was deferred to Quarter 4 because of hardware issues and in order to avoid disruption during the Christmas pressure period. The 13 week trial commenced in early January and is scheduled for completion at the end of March. As anticipated, a few technical issues have been encountered as the trial has begun, but these are only minor issues with the management information system that, at worst, will result in a short extension to the trial period. Pilot evaluation against critical success factors will be provided to the Investment Committee who, dependent on the success of the pilot, will be asked to agree and fund full national roll out commencing in Quarter 1 of 2006/7.

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

Key to the successful deployment of the DIY initiative is a targeted communications plan and support via enhancements to frontline and managerial training. Area Change Agents and Area Champions have been identified and trained to support the deployment.

During Quarter 3 we built on the success of the DIY Academy and developed a ‘DIY Lite’ version of the training course, which Areas can deploy locally to ensure the knowledge share is extended to managers and frontline volunteers who have not had the opportunity to attend a full Academy.

The Academy has proved particularly successful in creating a network of employees who are keen to work together to drive forward cross-functional problem solving, and a network database was established in Quarter 3 to enable Areas to capture and share good practice ideas.

An interactive and visual DIY Talkabout Map was developed and deployed during Q3 to support Worktime Listening and Learning. The Map encourages people to discuss the role they have to play in improving QoS reliability, acts as a reminder on compliance to standards and asks each team to identify what they can do to tackle issues such as mislabelling, mis-sorting and mis-delivery. The Talkabout Map will be refreshed in Quarter 4 and again in Quarter 1 2006/7 to reinforce the key messages and ensure Quality of Service remains our primary focus

### **DIY Front Line Engagement**

Although pre-shift discussions have been taking place in some units for a number of years the introduction of the “daily huddle” in Quarter 2 highlighted weaknesses in capability and the format and the availability of data to optimise the huddles. During Quarter 3 support and standard display format and support materials have been developed to assist frontline managers to facilitate the daily discussions. These will be deployed in Quarter 4 and will cover the following subjects:

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<sup>1</sup> Clearly these events will still be ‘invisible’ to the Royal Mail operation and there will be a suitable delay between the event and the provision of the data to ensure End to End sample items can not be influenced by Royal Mail.

- Quality results
- Safety information
- What are we doing well?
- What could we do better?

Each display board will have space to capture local quality improvement actions, whilst the Quality Control System will provide the data that informs this process. It is anticipated that the launch of the boards and materials will embed the process into business as usual.

## **People Programme**

### **Work Time Listening & Learning (WTLL)**

Work Time Listening and Learning sessions continue to play a critical role in engaging our people through regular dialogue on important local and national issues. The objective is a 30 minute discussion - everyone, everywhere, every week.

Whilst the emphasis is on the local manager and their people to agree items for discussion, WTLL sessions are also used to debate national issues or campaigns. This is achieved via issue specific "Talkabout" packs that provide guidance for how to engage Royal Mail people on different subjects.

In Quarter 3 Talkabout packs were issued on Safety and DIY. A Talkabout pack called 'Protecting the Mail' covering what we can do to minimise damage, loss, theft and interference has also been circulated in January. Other packs planned for Quarter 4 provide focus on Operational Strategy and on the needs of Customers.

In the Quarter 2 report we mentioned that we were testing a workshop to raise frontline managers' capability to facilitate WTLL sessions. The workshop is now available to Areas and we are raising awareness of it with Area Management Teams. In Quarter 3 new pages on the Royal Mail intranet were launched to help raise the profile of WTLL and share good practice.

### **Frontline Induction Training**

Given a historically high level of attrition amongst new entrants, induction training is being reviewed and updated to ensure it fully meets the

needs of new starters. The revised package will be integrated with, and supported by, the Workplace Coach role.

### **Workplace Coaches**

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

As stated in the report for Quarter 2, following the pilot activity that took place in both South London and Central and Central & South Midlands Areas, further activity is now being deployed in East Midlands, East & North London and Central & West London Areas. Selected units in these Areas received support prior to the start of the Christmas pressure period. Full rollout to the remainder of the units within these Areas is now taking place.

The feedback from the pilots in the first two Areas continues to be positive with attrition reducing in both.

Phased deployment of Work Place Coaches to all remaining Areas will continue through 2006 with the aim that that coaches will be in place in all units by September 2006.

### **Apprenticeships**

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

The first phase of this scheme has now concluded and 150 apprentices have been employed in seven Areas. Phase 2 will see other Areas recruiting Apprentices – so far 11 additional Areas have signed up. Funding is also being sought for Scotland, NI and Wales so that the scheme can be extended into these areas.

### **“My Development” Managerial training**

Operational Managers are a primary focus for training and development in 2005/6 to help them manage improved adherence to standards and reduction in errors. The “My Development” training course is a 3 day modular programme aimed at Delivery Office Managers (DOMs) and Mail Centre Work Area Managers (WAMs). The course consists of 10 modules or 'zones'. Two zones, the Key Learning Zones, form a mandatory element of every course: 'Manpower Planning' and 'Feedback to Improve Performance'. The other 8 zones are structured to support the effective deployment of DIY and enable the Territory Director and the Head PODA (People & Organizational Development Advisor) for the Territory, together with the My Development Programme Manager, to configure the content and ensure local issues affecting Quality of Service are addressed.

Three My Development courses were run in Quarter 3 attended by 229 managers. This brings the total number of courses run in 2005/6 to 10 with a total of 729 attendees.

Five more courses are planned to take place in Quarter 4 and we forecast that over 1,100 DOMs and WAMs will have received this training by the end of the year.

Operational Leadership Development Programme

In addition to 'My Development' there exists a separate programme that has the objective of enhancing capabilities at more senior levels in the management structure. The Operational Leadership Development Programme is aimed at Area Management Teams (and potential AMT members) and Area General Managers (AGMs).

Following the 2 day masterclass for AGMs and AMT members on Managing Customers Commercially (run by Cambridge University's Judge Institute of Management) which took place in Quarter 2 and is still running in Q3/4, a further event is planned for Quarter 4.

A masterclass is also being developed on Operational Strategy, to assist Areas in translating the current strategy into practice. We intend to run an event in Quarter 1 2006/7.

Activity is also continuing in many Areas regarding the 'hands on' change programme mentioned in the Quarter 2 report. The programme uses an external organisation to help AMT members identify and work through key changes taking place in their Area.

### **Behavioural Workshops**

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

Negotiations with the CWU regarding Behavioural Workshops have continued during Quarter 3, however no agreement has yet been reached. It is hoped that talks with the CWU in Quarter 4 will determine whether or not the workshops will take place in the manner originally intended.

### **Resourcing**

The focus on driving down reliance on agency casual staff and improving recruitment and retention of permanent staff continues.

Although historically in the Autumn pressure period reliance on casual staff increases, during Quarter 3 this year (excepting the final week, when some Christmas staff began work), the percentage of work undertaken by agency or Royal Mail casual staff in Operations remained low at just 1.6%

The ratio of temporary to permanent employees also stayed at a low level with only 1.5% of Royal Mail staff employed on temporary contracts.

### **Attendance Management**

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

Although further talks were held in Quarter 3 as yet no agreement has been reached with the CWU on the new procedure. In the interim, we are continuing to encourage operational managers to ensure that the existing procedure is applied effectively.

Royal Mail continues to operate the 'Be in to Win' scheme, incentivising good attendance by offering prizes of new cars and shopping vouchers to employees who have not taken sick leave for the qualifying period.

### **Industrial Relations Framework**

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

Negotiations on the new industrial relations framework have not been concluded. We were unable to carry out the joint training referred to in the 'Moving our Relationship Forward' joint statement mentioned in the Quarter 2 update. Our current aim is to re-commence discussions in Quarter 4.

### **Royal Mail Way**

Royal Mail Way is a new long-term approach being implemented in Mail Centres, which is directly related to the objectives of DIY but is being prioritised to key units. The initiative seeks to embed a better way of working through deploying standard tools and techniques, fit for purpose Management Information Systems and an engaged workforce. In essence Royal Mail Way is an acceleration of the DIY way of working for key Mail Centres, mirroring the objectives and deliverables of DIY.

As reported previously, following the completion of Phase 1, the 'Set up and Capability Building' phase, CWU support for Phase 2 to begin was delayed. Phase 2, 'Core Implementation', centres around staff engagement. However, agreement was reached with the CWU during Quarter 2 and in Quarter 3 this phase began in earnest. External consultants have been brought in to provide expertise in Lean Tools and Techniques, increasing skill levels. We plan to use these techniques ourselves in future sites.

Inevitably the delays in commencing Phase 2 have impacted upon the overall timescales of the initiative and the project team are now working to a revised completion date for Phase 4 of May 2006.

### **Pipeline Specific Improvement Activities**

#### **Collections Performance**

Royal Mail made a significant investment in new replacement Access Barcode (ABC) scanners in 2004/5 and the majority of collections now have the benefit of ABC capabilities. Activity is now focused on fully exploiting the ABC system through migration of existing data to the new Collections Management Database. This is a major task, which involves the cleansing of all collection schedules, and will take some time to complete. Work is continuing in this area and further updates will be provided as and when significant progress is made.

#### **Production Management and Control – Workload Scheduling Tool Rollout**

The key components of this strategy are:

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

The Production Scheduling Tool and the Production Monitor are fully integrated with the Quality Control System (QCS). As part of DIY Work Area Managers will be provided with a hand-held device to capture in-process control data and enable them to interrogate the Production Scheduler and Monitor without leaving the work area.

Although deployment is two months behind the timescales stated in the QoS Plan, this initiative is progressing well. The Production Scheduling Tool and the Production Monitor are being rolled out to Mail Centres on a gradual basis during 2005/6 and 2006/7.

Plans remain in place to start proof of concept trials of a Time and Resource Management System in one Mail Centre during Quarter 4 2005/06. Assuming that initial testing proves successful, extended trials are planned to take place during the latter part of 2006/07.

## **Automation-Utilisation**

To consolidate quality gains and improve efficiency, activity is planned to drive up the utilisation of our existing letter automation assets. The objective is to automate the maximum volume of letters to the maximum level of sortation, i.e. to maximise the volume of mail that is machine sorted to Delivery Walk level.

Work continues on this initiative to improve sorting machine utilisation, with the Stacker Box Module (SBM) extension deployment plan commencing in Quarter 4. The SBM extension plan will enhance the capacity of existing sorting machines by adding extra boxes to which mail is sorted. The continued improvement in sort plan design and utilisation has shown some increase in the percentages of mail machine-sorted to individual delivery walk level. Phase Two of this initiative has now been authorised, ensuring that a fully automated system to provide the Key Performance Indicator measure for utilisation can be developed and deployed. This will eventually replace the interim reporting tools currently being used.

## **Network Performance Management**

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

Performance Management within the network is now well established in the form of ongoing daily conference calls to monitor and review the previous nights performance and to identify any fixes/improvements required. Reviews of Network contingency plans are ongoing to ensure up to date data is being used.

In terms of specific activities, significant in Quarter 3 was the introduction of a revised 'pre-advice' system. Pre-advice is an Intranet based information system into which Mail Centres, Regional Distribution Centres and transport hubs enter vehicle departure and arrival information, allowing real-time monitoring of vehicle movement. The improved system offers both wider coverage (for example, air hubs are now included) and better reporting capabilities. Focus is now on ensuring full compliance and exploiting the information within the database to drive improvement.

## **Deployment of Distribution Management System (DMS)**

The Royal Mail road network currently operates on limited information about the whereabouts of vehicles once they are out on the road. Electronic data capture of precise vehicle movements, using telemetry, will greatly assist in the management and control of the road network. All large vehicles will be fitted with in-cab communications that will give a real-time view of fleet activity. A database of arrival and departure times at Royal Mail locations and customer collection points will then be used to improve visibility and transparent measurement of vehicle performance. Management will process real-time information giving them the opportunity to optimise routes leading to operational cost savings

and an increase in Quality of Service.

Following successful completion of the trial, the benefits of DMS have been proven and roll-out will now commence. Implementation will be in four phases, the intention being to ensure that at each stage the benefits of the new system are realised. Minor delays have occurred in deployment to the first regions (Midlands and Anglia) due to an extended lead-time for supply of the telemetry equipment. However, we aim to implement in these areas during Quarter 4 / Quarter 1 2006/7 and for all of our large fleet vehicles to have this technology by end July 2007.

### **Distribution Planning Tool**

Royal Mail is continually reviewing its Network design to ensure we have the most robust and efficient model. Improved planning technology is now available to support this activity. This technology will allow us to plan efficient and consistent vehicle schedules on a national basis.

Work has continued in Quarter 3 producing vehicle schedules using Paragon, the route planning software now available. Initial draft schedules have been completed for 4 regions, and units are now beginning to plan deployment. We aim to deploy these first Paragon revised schedules in Quarter 1 2006/7.

### **Double Decker Trailers**

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

Following the successful deployment of 41 Double Decker Trailers in Phase 1 of this initiative, work is progressing on Phase 2, when an additional 41 trailers will join the fleet. The Business Case for resolving site restrictions at the remaining sites planned to use the new trailers has been completed and the spend authorised. Orders have been placed and the building work at these sites is scheduled for completion by March 2006. The 41 Phase 2 trailers are due to be delivered by May 2006. This represents a small delay to the timescales stated in the National QoS plan.

### **Ongoing conveyance of mail by rail**

A decision on the future use of rail as a transport mode was made early in the plan period. The opportunity to trial a new contract with GB Rail Freight was taken in 2004/05 and a one year contract has been put in place with the option to extend this as required. The contract consists of two trains, one northbound from London (Princess Royal Distribution Centre, Willesden) to Scotland (Wishaw) via Warrington (using Royal Mail dedicated rail facilities at each point) and a second train, southbound following the same route. Rail does not offer the opportunity for the scheduled conveyance of standard first class mail because the available time window is too short for distant journeys. The trains are being used to move standard second class mail and some bulk first class items on a scheduled daily basis. The use of these trains has been, and will be,

extended in the event of contingencies, for example bad weather, road closure, terrorist activity and industrial action. Additional trains are also used on a planned basis, for example during the Christmas period and for significant national postings and as a stand by in anticipation of potential disruption to normal network arrangements.

### **Additional rail services were successfully used over the Christmas period.**

### **Air Network Review investment programme**

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

Milestones for this initiative are listed below with progress against them:

- New management structure at airports – The authority has been progressed. Funding and the resourcing process are both in place. Planned resourcing to take place in February 2006 & planned implementation in April 06.
- Provision of Bomb Boxes at key network sites – Although delays have been encountered in agreeing a suitable site for the box and achieving operational concurrence, funding is in place to install a Bomb Box at East Midlands Airport and we expect to deploy this by March 2006.
- Additional handling staff at specific airports – The 4 additional handlers and the new Hi – Lo Loader for Bournemouth Airport will be put in place by end of February 2006
- Upgrades and alterations to specific air routes – Reviewed on an ongoing basis, in line with Contract renewals
- Improvements at East Midlands Airport – Final authority has been given for new accommodation with a revised RFS date of October 2006
- Additional handling equipment at key airports – Work continues in replacing/enhancing equipment provision at EMA/EDI and Liverpool Airports.
- New Conveyor Belts & Tug at Edinburgh & EMA Airports now scheduled to be deployed by March 2006
- The additional hire Tugs at Liverpool are now in place

New activities for Quarter 4:

- Contingency arrangements are being put in place/ planned to cope with disruption (e.g. runway closure) expected at the following airports during 2006:
  - Stansted Airport - February 2006
  - Liverpool Airport - October 2006
  - Bristol Airport - October 2006

### **Bagless Network – Mail Centre flows**

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

As stated in the Quarter 2 report, a pilot of the new method was planned to begin in late October based on flows circulating via the Swindon Mail Centre hub. The idea of the pilot was to gauge net impact over despatching office, Network and receiving office with the objective of determining viability of wider deployment in the general network.

The pilot began in November and has been successful in demonstrating that, operationally, the offices were able to introduce the containerisation of packet streams without any adverse impact on clearance or costs. In fact almost all of the offices are reporting operational benefit and potential for savings on their outward operation. However, some also feel that it does add costs to the inward process.

The next step will be a meeting with the key operational personnel to review the trial in more depth and discuss the best way forward. Network Planning are also working closely with Processing Design to ensure the findings from the trial are integrated into the assumptions for other operational initiatives affecting the Network. Network Systems are also modelling a range of deployment options and we will have the detail on the projected cost impact of these by the end of Quarter 4.

### **Bagless Network – Mailsort Traying**

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

Following a budget prioritisation exercise it was decided to defer consideration of this initiative for the time being but we continue to look for opportunities to improve materials handling and presentation of mail with all our large pre-sort customers on a one to one basis.

### **EU Working Time Directive (Risk Management)**

There are proposals currently under discussion in the European Parliament to widen Working Time Directive legislation to drivers and to remove the current Royal Mail exemption on vehicles carrying postal packets. This will require extensive duty rescheduling to make sure that Royal Mail

drivers comply with legislation. The activity in the 2005/6 plan is to prepare for the impact of this legislation by scoping the potential effect on the Network and the Collections operation.

Following completion of the high-level impact assessment, work has continued to develop detailed unit level impact assessments and solutions. 13 Network units now have draft solutions devised.

Work has also progressed in developing monitoring tools to ensure compliance. In Quarter 3 we have benchmarked solutions used in a number of external companies to input into the design process. Appropriate software is being sought.

### **7.5 tonne vehicle speed restriction to 56mph (Risk Management)**

Legislation coming into effect on January 1<sup>st</sup> 2008 will restrict the speed of 7.5t vehicles to 56mph. Our current network relies on the speed of 7.5t vehicles (70mph) to meet the connections required in our current network model. The speed restriction will widen the time window required for the network. This will impact upon inward processing capacity and therefore the time at which mail will be made available for delivery. The impact of these speed restrictions on Royal Mail's operation should not be under-estimated and could require significant restructuring of the pipeline. The activity in the 2005/6 plan is to scope the impact of the legislation on the design of the network.

Work has continued in Quarter 3 on modelling the impact of the changes to our Network as a result of the impending legislation. We aim to complete this evaluation in Quarter 4. Significant changes will be required to our Air and Road Networks. Most Mail Centre operations will also need to be re-structured. It is anticipated that the new network design will be implemented in summer 2007.

### **Delivery Best Practice**

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

As described in previous reports the Delivery Best Practice initiative consists of 4 tools: the Indoor workload Tool (IWT), which measures performance of our indoor operation in Delivery Offices, A+ Online, a system used to gather Delivery Office base data, the Mapping Verification tool, designed to assist in mapping delivery routes, and GeoRoute, a tool that optimizes delivery walk planning.

National rollout of the Indoor Workload Tool has continued in Quarter 3 and workshops have been held in North and West Territories to aid understanding amongst managers.

A+ Online has been fully deployed and most Delivery Offices are now using the new system.

Testing of the third tool, Mapping Verification, has continued and training workshops have been held in some Areas in preparation for deployment. Rollout will commence in Quarter 4 and throughout 2006/7.

### **Performance Management**

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

### **Independent Audit**

Independent audit continues, providing both focus on and support for units with performance or adherence to procedure issues. The approach supports and provides a check of the Self Audit system now in place in units

To date in 2005/6 the Compliance Audit & Specification (CAS) team has performed 178 Mail Centre audits, 9 RDC audits and 1480 Delivery Office audits.

Work will take place in Quarter 4 to review all audit questions and the audit programme in preparation for Quarter 1 of 2006/7.

### **Quality Excellence Taskforce**

The QEX taskforce focuses on deploying good practice learned in high performing Postcode Areas to help improve performance in Areas that are either failing Licence targets or having a significant negative impact on national performance of a specific product.

The main activities undertaken by the QEX team in Quarter 3 were as follows:

- QEX Interventions (to support Postcode Area achievement) in the following Areas: Central London, South Wales, NW Mids, Essex
- QEX Interventions (Area Manager Requests) in the following Areas: Northampton, Devon & Cornwall, Oxford
- QEX Internal Review – agreeing and prioritising the Quarter 4 programme

### **Outlook for Rest of Year**

With a Quarter 1 to Quarter 3 cumulative result for 1<sup>st</sup> Class Stamped and Meter of 94.0% we are confident of meeting the full-year Licence target. For this reason, no specific new initiatives are planned for Quarter 4.

## MINIMUM POSTCODE AREA TARGETS

### Review of Results

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

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

#### Quarter 1 – Quarter 3 Cumulative Results

Number of Postcode Areas Averaging 91.5% or above for 1 <sup>st</sup> Class Posted Stamped and Meter		
Quarters 1-3 Cumulative Result	Quarters 1-3 Flightpath	Full Year Cumulative Target
115 of 118	105 - 115	118 of 118

At the end of Quarter 3, as the table above shows, 115 of 118 Postcode Areas are achieving the minimum full-year service standard of 91.5% for 1<sup>st</sup> Class Posted to UK Stamped and Meter. This result is at the highest end of the range we forecast for Q3 in the National QoS Plan. The flightpath range takes account of the increased statistical accuracy as the year progresses. The 3 PCAs below full-year target level at the end of Quarter 3 are:

Postcode Areas currently below Licence target level for 1 <sup>st</sup> Class Posted Stamped and Meter and the results when adjusted for all significant Force Majeure incidents				
Postcode Area	Quarter 1-3 Result	Rest of Year Requirement	Q1-3 Result adjusted for Force Majeure incidents	Rest of Year Requirement adjusted for Force Majeure incidents
E East London	89.3	98.9	90.4	95.2
NN Northamptonshire	90.7	94.2	90.8	93.9
RM Romford	91.2	92.5	91.2	92.5

- RM (Romford) is only 0.3 short of the full-year target level after Quarter 3. The Postcode Area has focussed improvement activity planned

for Quarter 4, and they have demonstrated on several months of the year to date that the licence level is achievable.

- The cumulative result at NN (Northamptonshire) was affected by one-off Industrial Action that took place during Quarter 2 (the Period 5 result was 75.8%). Without this impact, the Postcode Area would be well above the Licence minimum level, which it has beaten in all but 2 periods of the year to date. However, although we are confident that Quarter 4 performance will be above the target level, the size of the shortfall because of the Industrial Action puts the full-year target at risk.
- E (East London) requires a rest-of-year performance to meet the Licence target level, which is unachievable. The Postcode Area was affected by 2 major Force Majeure incidents (the enforced evacuation in June and the terrorist incidents in July) that have depressed the cumulative results, although the underlying performance remains below Licence target level. Quarter 4 performance will also be affected by Industrial Action.

## 1<sup>st</sup> 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 1<sup>st</sup> Class Intra Stamped and Meter throughout the 12 month period ending March 2006, excluding the Christmas and New Year period. Progress against this standard is shown in the table below:

### Quarter 1 – Quarter 3 Cumulative Results

Number of Postcode Areas Averaging 92.5% or above for 1 <sup>st</sup> Class Intra Stamped and Meter		
Quarters 1-3 Result	Quarters 1-3 Flightpath	Full Year Cumulative Target
121 of 121	110 - 120 of 121	121 of 121

As the table shows, currently all 121 Postcode Areas are at or above the full-year level and are on course to achieve the Licence requirement of a minimum of 92.5% performance for 1<sup>st</sup> Class Intra Stamped and Meter. This is an excellent achievement, being ahead of our flightpath expectation, and the best comparable performance on record for the first 3 quarters of any year historically.

## **2<sup>nd</sup> CLASS STAMPED AND METER**

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
98.6±0.2%	98.8±0.2%	98.9±0.2%	98.8±0.1%	98.5%

#### **Overview**

The best Quarter 3 on record (since comparable results began in 1995/6) and further improvement on the above target results for Quarter 1 and Quarter 2. With a cumulative Quarter 1 to Quarter 3 result of 98.8%, we are now confident that 2<sup>nd</sup> Class Stamped and Meter will achieve its full year Licence target.

#### **National Quality of Service Action Plan – Quarter 3 Update**

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

## **1<sup>st</sup> CLASS POSTAGE PAID IMPRESSION**

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
91.4±0.3%	92.7±0.3%	91.8±0.3%	92.0±0.2%	91.1%

#### **Overview**

At 91.8% for the Quarter, performance for the 1<sup>st</sup> Class PPI product remains above target, demonstrating consistency following the significant improvements made quarter on quarter since the start of 2004/5. Given the year-to-date result of 92.0%, we are now confident that 1<sup>st</sup> Class PPI will achieve its Licence target of 91.1%.

#### **National Quality of Service Action Plan – Quarter 3 Update**

The testing of 1<sup>st</sup> Class PPI items with Quality Test Letters (QTLs) has continued throughout Quarter 3. As an addition to the previously planned programme, the number of panellists checked has been increased from 275 to 400. This has been done to increase our diagnostic capability. Diagnostics have been focused on items with Quality of Service delay only in Q3, which has enabled the extension of QTL testing to PCAs below the minimum floor, 2<sup>nd</sup> Class PPI and 1<sup>st</sup> Class Response Services. 1<sup>st</sup> Class PPI diagnostic reports continue to be provided weekly to all Postcode Areas directly via an electronic database, as well as to Territorial Directors and Territory Analysts. Loss models based on the results form a quarterly review at the National Quality Forum, informing decision making.

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

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
96.8±0.5%	97.6±0.4%	97.4±0.4%	97.3±0.2%	97.4%

#### **Overview**

With a Quarter 3 result of 97.4%, 2<sup>nd</sup> Class PPI has, for the second quarter in succession, performed at or above the full year cumulative Licence target of 97.4%. This has been achieved despite an expected seasonal decline in performance. The Quarter 1 to Quarter 3 cumulative result of 97.3% is just 0.1% short of the full year target level. Despite performing at target level in Quarters 2 and 3, the rest-of-year requirement of 97.7% to meet the full-year target will require an unprecedented level of performance (particularly when weather can impact negatively in Quarter 4) and consequently the full-year target is at risk.

#### **National Quality of Service Action Plan – Quarter 3 Update**

Testing of 2nd Class PPI with QTLs commenced in week 32 and is ongoing. This has been focused on the highest impacting mailings.

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

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative QoS Plan forecast
89.0±1.8%	90.3±1.5%	89.4±1.6%	89.6±0.9%	80.0%

#### **Overview**

As stated in previous reports, the Quality of Service plan submitted to Postcomm and Postwatch confirms that the Licence target level is not realistic for the product specification. For this reason we developed and launched in 2004/5 a new but complementary set of products which give customers a choice. We are still required to measure and monitor the performance of the existing products and report in this document.

The result for Quarter 3 for 1<sup>st</sup> Class Response Services has again exceeded our internal forecast and contributes toward a cumulative Quarter 1 to Quarter 3 result of 89.6%. As described in the Quarter 2 report, the improvement in performance achieved during 2005/6 is partly the result of a renewed drive to increase the number of old Response Services items being automated and also partly due to migration of customers to the new Response Services Plus products, with a consequent reduction in items requiring manual handling in the Response Service lockers.

#### **National Quality of Service Action Plan – Quarter 3 Update**

The improvement plan for 1<sup>st</sup> and 2<sup>nd</sup> Class Response Services continues to deliver benefits.

The migration team continue to work with customers wishing to change from the old Response Service product to the to the new Response Plus products. The stationery buy-back promotion mentioned in the Q2 report, designed to encourage customers to produce machinable mail, has been extended until further notice.

As a new activity in Quarter 3, we have also been working with Charity organisations and envelope manufacturers to develop an envelope capable of enabling charities to access the Response Plus product. The new envelope has been designed and will now be trialled by some of the Charities involved.

This migration to Response Plus has had the effect of reducing the volume of items requiring manual processing in the Response Service lockers in Delivery Offices.

In addition to these activities, work began in Quarter 3 to introduce Quality Test Letters into the 1<sup>st</sup> Class Response Services mail stream.

Commencing at the start of November, QTLs have been used in the highest impact Areas where internal diagnostics have indicated that the majority of delay is occurring.

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

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative QoS Plan forecast
93.7±1.3%	95.5±1.0%	94.1±1.2%	94.5±0.7%	92.5%

#### **Overview**

As with 1<sup>st</sup> Class Response Services, the National Quality of Service plan recognises that the 97.5% cumulative target level is not achievable with the existing product and service specification.

With a result of 94.1% for Quarter 3 and a year-to-date cumulative result of 94.5%, 2<sup>nd</sup> Class Response Services remains ahead of the forecast level as contained in the QoS plan.

#### **National Quality of Service Action Plan - Quarter 3 Update**

The generic activities contained in the 1<sup>st</sup> Class Stamped and Meter section and the specific activities described above for 1<sup>st</sup> Class Response Services have supported and will continue to support improvements for this product.

## **SPECIAL DELIVERY**

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
98.9%	99.0%	98.7%	98.8%	99.0%

#### **Overview**

Cumulative performance to Quarter 3 is 98.8%, which means that a Quarter 4 result of 99.7% is required to achieve the full-year target. This is an unprecedented level and means that the full-year target is unlikely to be achieved. However, if 98.8% is maintained for the remainder of the year, this would mean the best annual performance since the commencement of the Licence.

It should be noted that the Quarter 3 result for Special Delivery includes the full December period.

#### **National Quality of Service Action Plan - Quarter 3 Update**

Significant increases in the volume of Special Delivery items posted demonstrate the popularity of the product. As the following table illustrates, over the previous 4 years, and based on the forecast figure for 2005/6, volumes have increased overall by 32%.

Year	Volume posted	Increase on previous year
2001/2	54.9m	
2002/3	57.9m	5.5%
2003/4	60.3m	4.2%
2004/5	67.2m	11.4%
2005/6	72.7m (forecast)	8.2%

Customer confidence with the product is supported by independent research which confirms that in respect of price and service Royal Mail outperforms other carriers.

However, these significant increases in volume have placed pressure on our pipeline capacity for processing these items. We have responded to this in a number of ways:

- Increasing Special Delivery locker space in Mail Centres and Delivery Offices
- Investing in new Track and Trace technology to update and replace existing equipment
- Assigning extra resource to Special Delivery locker operations
- Enhancing the training provided to locker staff
- Producing a weekly report which highlights procedural errors
- Training Area Quality Analysts in how to interrogate the available performance data
- Providing extra capacity in our transport network for Special Delivery items
- Achieving better segregation and, as a result, prioritisation of Special Delivery items in the event of network disruption e.g. adverse weather
- Enhancing the Special Delivery operational specification and re-publication
- Focusing performance management on both quality of service and procedural matters that impact on measured quality of service and confirmation of delivery
- Amending the Special Delivery barcode documentation and communicating via dedicated correspondence and making these critical documents available on demand via publication on our internal Intranet.
- Reviewing the audit compliance criteria and including “more searching” audit questions in the audit
- Expanding the scope of the Quality Excellence team with regard to Special Delivery

Many of the actions above were undertaken as part of the Special Delivery Uplift Programme, which was launched in Quarter 3 2004/5, and these have resulted in the improved results achieved in the first 3 quarters of this year. Work continues in these areas, and others, to tackle issues affecting performance and the Special Delivery Uplift Programme will continue into 2006/7.

It should also be noted that some of the reported shortfall against target is not because due service was not achieved but rather because we failed to properly record service achievement. We continue to address this through training, communications and tight performance management.

## **STANDARD RETAIL PARCELS**

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
91.1±1.0%	92.7±0.9%	91.1±0.9%	91.7±0.5%	90.0%

#### **Overview**

At 91.1% for Quarter 3, Standard Parcels remains ahead of full year Licence target level. A cumulative Quarter 1 to Quarter 3 result of 91.7% provides protection against any seasonal decline in performance that may be experienced in Quarter 4, and we are confident that the product will achieve its full year cumulative target level.

#### **National Quality of Service Action Plan - Quarter 3 Update**

We continue to monitor the performance of Standard Parcels, as per the action stated in the 2005/6 QoS Plan, identifying and addressing any weaknesses.

**Table 4.**

**Pre-sort Products**  
**Actual Cumulative Results (Period 1 - Period 9 2005/06)**

Standard	Scheduled Standards		
	Full Year Target	Period 1-9	95%
	%	%	cl
Mailsort 1	91.5	93.8	1.7
Mailsort 2	97.5	98.6	0.5
Mailsort 3	97.5	99.5	0.3
Presstream 1	91.0	94.1	0.4
Presstream 2	97.5	98.4	0.8

95% cl = 95% confidence limit

## **MAILSORT 1**

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
94.8±3.1%	93.5±2.8%	93.4±2.8%	93.8±1.7%	91.5%

#### **Overview**

At 93.4% in Quarter 3, Mailsort 1 continues to perform well and to maintain the above Licence target level performance achieved since Quarter 2 of 2004/5. The Quarter 1 - Quarter 3 cumulative result of 93.8% provides protection against any seasonal decline in performance that may occur in the final quarter of the year and we are confident that the full year cumulative target level will be achieved.

#### **National Quality of Service Action Plan – Quarter 3 Update**

Given Mailsort 1's consistent above target level performance, no product specific national improvement activities have been conducted during Quarter 3. However, a number of generic pre-sort activities have been undertaken in Regional Distribution Centres during the quarter and these are listed below:

During Quarter 3 the following activities have taken place:

- Daily Network conference calls which result in drill down on any Quality failures to identify root cause and to ensure corrective action is taken - Continuing
- Daily Self Audits taking place at all Regional Distribution Centres (RDCs) - Continuing
- Missort monitoring taking place in all RDCs and corrective actions being identified - Continuing
- Robust Manpower plans employed - Continuing
- Analysis of any Quality failures from End to End survey results - Continuing
- Mails Verification teams and Customer Operations Managers checking and working with customers to ensure Customer compliance - Continuing
- Introduction of shift production meetings to highlight and feedback on performance re missorts and Out Of Course (OOC) mails
- Delivering Improvements Yourself (DIY) – local initiatives employed involving front-line staff including focus on missorts and Out of Course mails
- Better liaison with UK Letters Quality teams to identify and tackle Quality issues
- Standard Operating Procedures – trials were concluded and were successful – full roll out will commence in Quarter 4

- Hi-visibility cage cards being trialled and arrivals monitored on distance mails to reduce OOC incidents
- Cross functional meetings introduced to improve vehicle running to time performance

## **MAILSORT 2**

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
98.5±0.9%	98.7±0.8%	98.7±0.7%	98.6±0.5%	97.5%

#### **Overview**

Mailsort 2 continues to maintain the above target level performance first achieved in Quarter 4 of 2004/5. The Quarter 3 result of 98.7% is the best Quarter 3 performance on record and with a cumulative result for the first three quarters of the year of 98.6% we are confident that Mailsort 2 will achieve its full year target.

#### **National Quality of Service Action Plan - Quarter 3 Update:**

Given the above target level performance of this product, no unique improvement activities have been identified or deployed during Quarter 3. The product will benefit from the generic improvement activities detailed in the 1<sup>st</sup> Class Stamped and Meter section and the specific RDC related activities in the Mailsort 1 section of this report.

## **MAILSORT 3**

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
99.4±0.7%	99.6±0.5%	99.4±0.6%	99.5±0.3%	97.5%

#### **Overview**

At 99.4% in Quarter 3, Mailsort 3 has produced another excellent performance, contributing towards a year-to-date cumulative result of 99.5%. Based on this performance, we are very confident that the product will achieve its full year cumulative target.

#### **National Quality of Service Action Plan – Quarter 3 Update:**

Mailsort 3 has performed above Licence target level since Quarter 2 of 2004/5 and, as such, no product specific improvement activities have been identified. As with other pre-sort products, Mailsort will benefit from both the generic improvement activities identified in the 1<sup>st</sup> Class Stamped and Meter section of this report and the RDC specific activities underway, explained in the Mailsort 1 section of the report.

## **PRESSTREAM 1**

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
93.1±0.9%	94.8±0.7%	94.2±0.7%	94.1±0.4%	91.0%

#### **Overview**

With a best Quarter 3 result on record of 94.2%, Presstream 1 has performed excellently during Quarter 3. The product has now maintained an above Licence target level performance since Quarter 2 of 2004/5. The year-to-date cumulative result of 94.1% provides a significant cushion against any seasonal decline in performance that may occur in Quarter 4 and we are now confident that this product will achieve its full year cumulative Licence target level.

#### **National Quality of Service Action Plan – Quarter 2 Update**

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

## **PRESSTREAM 2**

### Review of Results

#### Quarterly Results

Quarter 1 Result	Quarter 2 Result	Quarter 3 Result	Q1 – Q3 Cumulative Result	Full Year Cumulative Target
98.8±1.3%	97.7±1.7%	98.8±1.1%	98.4±0.8%	97.5%

#### **Overview**

With a result of 98.8% in Quarter 3, Presstream 2 continues to perform well, now having maintained an above Licence target level result for 12 months. The cumulative result of 98.4% is a solid achievement, which provides adequate protection against any seasonal decline in performance occurring during Quarter 4. We are very confident that this product will achieve its full year cumulative Licence target level.

#### **National Quality of Service Action Plan - Quarter 3 Update:**

Presstream 2 benefits from the generic improvement actions contained in the 1<sup>st</sup> Class Stamped and Meter section of this report and the RDC specific actions as described in the Mailsort 1 section.

## Table 5.

### TAIL OF MAIL

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

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

Standard Tail of Mail	Period 1 - 9
1 <sup>st</sup> Class Stamped and Meter	99.8
2 <sup>nd</sup> Class Stamped and Meter	99.9
1 <sup>st</sup> Class PPI	99.6
2 <sup>nd</sup> Class PPI	99.6
1 <sup>st</sup> Class Response Services	99.4
2 <sup>nd</sup> Class Response Services	99.3
Mailsort 1	99.9
Mailsort 2	100.0
Mailsort 3	100.0
Presstream 1	99.9
Presstream 2	100.0
Standard Retail Parcels	98.4

**Table 6.**

**Scheduled Service Standards National Products  
Actual Quarter 3 Results (Period 7 - Period 9 2005/06)  
(05/09/2005 - 04/12/2005)**

Standard	Scheduled Standards			Tail of Mail		
	Target %	Quarter 3 Actual %	Quarter 3 95% cl	Target %	Quarter 3 Actual %	Quarter 3 95% cl
1st Class Stamped & Meter All	93.0	94.0	0.2	99.9	99.8	0.0
2nd Class Stamped & Meter All	98.5	98.9	0.2	99.9	99.9	0.1
1st Class Postage Paid Impression	91.1	91.8	0.3	99.9	99.6	0.1
2nd Class Postage Paid Impression	97.4	97.4	0.4	99.9	99.6	0.3
1st Class Response Services	90.8	89.4	1.6	99.9	99.4	0.2
2nd Class Response Services	97.5	94.1	1.2	99.9	99.1	0.2
Special Delivery	99.0	98.7	#	99.9	100.0	#
All PCAs (except 3) To Achieve 91.5 For 1 <sup>st</sup> Class Stamped And Metered Posted To UK	118	111				
All PCAs To Achieve 92.5 For 1 <sup>st</sup> Class Stamped And Metered Intra Postcode Area	121	114				
Mailsort 1	91.5	93.4	2.8	99.9	99.9	0.1
Mailsort 2	97.5	98.7	0.7	99.9	100.0	0.0
Mailsort 3	97.5	99.4	0.6	99.9	100.0	0.1
Presstream 1	91.0	94.2	0.7	99.9	99.9	0.0
Presstream 2	97.5	98.8	1.1	99.9	100.0	0.1
Standard Retail Parcels	90.0	91.1	0.9	99.9	97.4	0.5

# Product subject to continuous sampling (confidence limit inapplicable)

95% cl = 95% confidence limit

Target – Target is full-year cumulative

**Table 7.****Actual Period Results (Period 9 2005/06)  
7<sup>th</sup> November - 4<sup>th</sup> December 2005**

Standard	Period 9 Actual %	Period 9 c/l %
1st Class Stamped & Meter All	93.3	0.3
2nd Class Stamped & Meter All	98.7	0.3
1st Class Postage Paid Impression	90.5	0.5
2nd Class Postage Paid Impression	97.0	0.7
1st Class Response Services	87.0	3.1
2nd Class Response Services	93.0	2.3
Special Delivery	98.1	#
Mailsort 1	93.8	4.9
Mailsort 2	98.8	1.3
Mailsort 3	99.3	1.2
Presstream 1	94.1	1.3
Presstream 2	98.8	1.8
Standard Retail Parcels	90.0	1.7

# Product subject to continuous sampling (confidence limit inapplicable)

**Table 8.****End To End Quality of Service Results For The Period Not Covered By The Licence Condition 4:  
5<sup>th</sup> December 2005 – 1<sup>st</sup> January 2006**

Standard	Actual %	c/l %
1st Class Stamped & Meter All	66.1	0.7
2nd Class Stamped & Meter All	94.0	0.8
1st Class Postage Paid Impression	66.8	1.0
2nd Class Postage Paid Impression	88.9	1.5
1st Class Response Services	54.4	5.3
2nd Class Response Services	83.1	4.1
Mailsort 1	69.1	10.1
Mailsort 2	96.4	2.5
Mailsort 3	99.4	1.5
Presstream 1	83.0	2.5
Presstream 2	97.4	3.2
Standard Retail Parcels	93.6	2.4

**Table 9****Christmas End To End Quality Of Service Results (Year On Year Comparison)  
1<sup>st</sup> December 2005 - 21<sup>st</sup> December 2005**

Standard	Actual %	c/l %
1st Class Stamped & Meter All	66.3	0.7
2nd Class Stamped & Meter All	95.4	0.7
1st Class Postage Paid Impression	65.2	1.0
2nd Class Postage Paid Impression	89.4	1.6
1st Class Response Services	53.0	5.4
2nd Class Response Services	84.5	3.9
Mailsort 1	71.0	9.9
Mailsort 2	96.5	2.6
Mailsort 3	99.2	1.9
Presstream 1	83.4	2.4
Presstream 2	97.0	3.8
Standard Retail Parcels	92.6	2.3

# Product subject to continuous sampling (confidence limit inapplicable)

**Note: These results are for the period 1<sup>st</sup> December – 21<sup>st</sup> December and are produced in order to enable comparison with the results provided in the Q3 Report for 2004/5**

**Table 10.****Licence Condition 5.6 – Complaints Report****Q3 Report – 5.6 (a), 5.6 (b) (i), (iii)**

Royal Mail	Unresolved at Start	Received in Quarter	Resolved in Quarter	Unresolved at End	Recompense £
Royal Mail Total	<b>42,907</b>	<b>423,113</b>	<b>433,545</b>	<b>72,059</b>	<b>4,118,491</b>
Loss	33,445	206,466	212,873	63,344	2,758,612
Redirection Failure	2,577	40,291	41,867	1,770	106,787
Mis-Delivery	977	40,785	41,463	728	17,207
Delivery Procedures	738	31,171	31,715	681	20,538
Delay	958	25,177	25,513	1,255	240,264
Damage	1,099	16,250	16,836	944	298,662
Delivery Frequency	259	9,486	9,650	198	466
Part Loss	190	4,761	4,877	224	63,069
Redirection Centre Failure	320	4,664	4,680	354	5,291
Other Complaints	2,344	44,062	44,071	2,561	607,595

**Q3 Report – 5.6 (b) (ii)**

% Calls answered to quality standard aim – 80% in 20 seconds

Royal Mail

74.0 %

% Cases closed to quality standard aim – 100% (inland) in 30 calendar days

95.0 %