

Licence Condition 4: Paragraph 8a

Licence Condition 4: Paragraphs 14 & 15

Licence Condition 5: Paragraph 6

National Report to Postcomm and Postwatch

Quarter January - March 2003

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**NATIONAL QUARTER REPORT
January - March 2003**

SECTION	CONTENT	PAGE
1	Explanatory Note for Adjustment Factor	1
	Table 1 Performance Against Licence Targets. February - March 2003	2
	Table 2 Postcode Area Performance Cumulative. April 2002 - March 2003 1st Class Stamped and Metered	3 - 4
2	Table 3 Actual Quarter 4 National Results for the Scheduled Service Standards. January – March 2003	5
	Table 4 Postcode Area Performance. January - March 2003 1st Class Stamped and Metered	6 - 7
	Table 5 Stamped; Metered; PPI; Response Services and Special Delivery. January - March 2003 <i>Commentary</i>	8 - 35
	Table 6 Pre-sort Products and Standard Retail Parcels. January - March 2003 <i>Commentary</i>	36 - 51
	Table 7 National Queuing Standards in Post Offices. January - March 2003 <i>Commentary</i>	52
	Table 8 Actual Cumulative April 2002 - March 2003. National Results for the Scheduled Service Standards as set out in the Licence, (Annex to Condition 4).	53
	Table 9 March 2003 National Results for the Scheduled Service Standards	54
	Table 10 Complaint Handling Statistics. (Condition 5) <i>Commentary</i>	55 - 59

Section 1.

Explanatory Note for Adjustment Factor

PLEASE NOTE :

Distance Adjustment Factor For Bulk Mail Services.

In order to enable customers to make more meaningful comparisons of the quality of service results for bulk mail with those for stamped and metered mail, Royal Mail and Postwatch have agreed a set of adjustment factors - headed "Adjustment For Weighting" in the tables of results in this Report - which are added to the measured quality of service results for bulk mail to produce a revised measure of quality of service. These adjustment factors take account of the different pattern of mail distribution for bulk services, the majority of which travels to distant destinations, and therefore the adjusted result reflects the quality of service that would have been experienced by bulk mail services if they had a similar pattern of mail distribution to stamped and metered mail.

It was agreed between Postwatch and Postcomm that the adjusted measure will be used only for the year-end published results against the Licence targets. All other results, including the Quarterly Reports to Postcomm and Postwatch, have been reported unadjusted. The products affected are 1st Class PPI, 1st Class Response Services, Mailsort 1, Presstream 1, 2nd Class PPI, 2nd Class Response Services, Mailsort 2, Presstream 2, and ,Mailsort 3.

**Section 1.
Table 1.**

**Royal Mail National Performance Against Licence Targets
Results (February - March 2003)**

Standard	Licence Standards						Tail of Mail			Loss / Substantial Delay		
	Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/- %	95% cl	Target %	Actual %	95% cl	Target %	Actual %	95% cl
1st Class Stamped & Meter All	91.7	0.0	91.7	92.5	-0.8	0.3	99.9	99.9	0.0	100.0	100.0	0.0
2nd Class Stamped & Meter All	98.2	0.0	98.2	98.5	-0.3	0.2	99.9	100.0	0.1	100.0	100.0	0.0
1st Class Postage Paid Impression	84.4	1.9	86.3	92.5	-6.2	1.3	99.9	99.8	0.2	100.0	100.0	0.0
2nd Class Postage Paid Impression	96.4	1.1	97.5	98.5	-1.0	0.6	99.9	99.8	0.2	100.0	100.0	0.1
1st Class Response Services	84.6	2.2	86.8	92.5	-5.7	2.5	99.9	99.5	0.1	100.0	99.9	0.0
2nd Class Response Services	94.6	1.0	95.6	98.5	-2.9	1.5	99.9	99.9	0.1	100.0	100.0	0.0
Special Delivery	98.8	N/A	98.8	99.0	-0.2	#	99.9	99.9	#	100.0	100.0	#
Mailsort 1	92.5	2.0	94.5	93.0	+1.5	4.7	99.9	99.9	0.2	100.0	100.0	0.1
Mailsort 2	96.8	1.0	97.8	98.5	-0.7	1.4	99.9	100.0	0.0	100.0	100.0	0.0
Mailsort 3	98.1	1.0	99.1	98.5	+0.6	1.5	99.9	100.0	0.0	100.0	100.0	0.0
Presstream 1	89.2	2.0	91.2	92.5	-1.3	1.3	99.9	100.0	0.0	100.0	100.0	0.0
Presstream 2	96.8	1.0	97.8	98.5	-0.7	1.6	99.9	100.0	0.1	100.0	100.0	0.1
Ø Standard Retail Parcel (End to End)	91.6	N/A	91.6	90.0	+1.6	1.4	99.9	100.0	0.1	100.0	100.0	0.0
% of People queuing for less than 5 minutes at P.O. Counters	94.4	N/A	94.4	95.0	-0.6	1.0						

Product subject to continuous sampling (confidence limit inapplicable)

April 2002 - March 2003 Cumulative

	Licence Targets %	April - March % (cum)
% of Postcode Areas with 90%+ for 1st class stamped & metered posted quality of service	100	91.5
% of Postcode Areas with 92.5%+ for 1st class intra stamped & metered posted quality of service	100	90.9

Table 2.

Postcode Area Performance (April 2002 – March 2003)
1st Class Stamped and Metered

Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered			
	All Posted	✓☒	Intra PCA	✓☒		All Posted	✓☒	Intra PCA	✓☒		All Posted	✓☒	Intra PCA	✓☒
AB Aberdeen	93.6	✓	96.2	✓	DN Doncaster	93.9	✓	95.0	✓	L Liverpool	90.5	✓	95.3	✓
AL St Albans	92.9	✓	96.4	✓	DT Dorchester	93.2	✓	95.1	✓	LA Lancaster	92.7	✓	96.2	✓
B Birmingham	91.3	✓	93.4	✓	DY Dudley	89.5	☒	93.8	✓	LD Llandrindod Wells	90.9	✓	93.6	✓
BA Bath	91.3	✓	94.5	✓	E London E	90.6	✓	87.4	☒	LE Leicester	93.1	✓	96.6	✓
BB Blackburn & Burnley	90.3	✓	94.1	✓	EC City of London	90.4	✓	95.6	✓	LL North Wales	92.4	✓	95.9	✓
BD Bradford	93.5	✓	96.4	✓	EH Edinburgh	92.6	✓	92.5	✓	LN Lincoln	94.5	✓	96.4	✓
BH Bournemouth	92.7	✓	95.9	✓	EN Enfield	93.2	✓	94.5	✓	LS Leeds	91.5	✓	96.2	✓
BL Bolton	93.4	✓	96.6	✓	EX Exeter	91.9	✓	94.4	✓	LU Luton	92.0	✓	95.1	✓
BN Brighton	93.0	✓	95.5	✓	FK Falkirk	91.7	✓	94.2	✓	M Manchester	90.6	✓	92.3	☒
BR Bromley	93.5	✓	97.2	✓	FY Fylde	93.3	✓	94.7	✓	ME Maidstone	93.3	✓	94.9	✓
BS Bristol	91.5	✓	95.7	✓	G Glasgow	92.7	✓	95.0	✓	MK Milton Keynes	90.2	✓	93.8	✓
BT Northern Ireland	90.3	✓	93.6	✓	GL Gloucester	91.5	✓	94.8	✓	ML Motherwell	92.2	✓	94.0	✓
CA Carlisle	92.8	✓	94.8	✓	GU Guildford	91.2	✓	92.6	✓	N London N	91.5	✓	92.7	✓
CB Cambridge	93.9	✓	95.6	✓	HA Harrow	90.9	✓	93.9	✓	NE Newcastle	92.3	✓	94.8	✓
CF Cardiff	91.1	✓	96.1	✓	HD Huddersfield	94.4	✓	97.3	✓	NG Nottingham	94.0	✓	95.3	✓
CH Chester & Deeside	91.6	✓	93.1	✓	HG Harrogate	92.3	✓	95.6	✓	NN Northamptonshire	91.2	✓	93.4	✓
CM Chelmsford	89.3	☒	94.3	✓	HP Hemel Hempstead	91.5	✓	96.0	✓	NP Newport	90.7	✓	95.2	✓
CO Colchester	89.0	☒	91.3	☒	HR Hereford	93.2	✓	95.7	✓	NR Norwich	90.1	✓	92.8	✓
CR Croydon	91.7	✓	94.2	✓	HS Hebrides	86.2		90.1	☒	NW London NW	89.7	☒	89.1	☒
CT Canterbury	94.0	✓	96.4	✓	HU Hull	93.6	✓	95.7	✓	OL Oldham	92.4	✓	94.9	✓
CV Coventry & Warwickshire	92.4	✓	93.7	✓	HX Halifax	93.4	✓	95.7	✓	OX Oxford	91.3	✓	94.9	✓
CW Crewe	92.5	✓	96.6	✓	IG Ilford	91.0	✓	93.8	✓	PA Paisley	93.0	✓	95.1	✓
DA Dartford	91.6	✓	95.0	✓	IP Ipswich	90.0	✓	93.8	✓	PE Peterborough	90.8	✓	94.5	✓
DD Dundee	92.1	✓	95.2	✓	IV Inverness	92.2	✓	96.0	✓	PH Perth	92.0	✓	94.3	✓
DE Derby	94.3	✓	95.9	✓	KA Kilmarnock	93.2	✓	94.0	✓	PL Plymouth	90.3	✓	94.7	✓
DG Dumfries	95.2	✓	97.3	✓	KT Kingston upon Thames	93.4	✓	97.2	✓	PO Portsmouth	89.8	☒	91.8	☒
DH Durham	93.6	✓	95.4	✓	KW Kirkwall	89.0		92.3	☒	PR Preston	92.4	✓	94.5	✓
DL Darlington	93.1	✓	95.1	✓	KY Kirkcaldy	93.6	✓	93.7	✓	RG Reading	92.6	✓	95.6	✓

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

Table 2. (continued)

Postcode Area Performance (April 2002 – March 2003) continued
1st Class Stamped and Metered

Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered			
	All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>		All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>		All Posted	✓ <input checked="" type="checkbox"/>	Intra PCA	✓ <input checked="" type="checkbox"/>
RH Redhill	93.2	✓	96.4	✓	SS Southend-on-Sea	88.1	<input checked="" type="checkbox"/>	92.7	<input checked="" type="checkbox"/>	W London West	90.4	✓	90.2	<input checked="" type="checkbox"/>
RM Romford	90.7	✓	92.5	✓	ST Stoke-on-Trent	90.5	✓	93.7	✓	WA Warrington	91.5	✓	95.1	✓
S Sheffield	94.5	✓	96.2	✓	SW London SW	87.7	<input checked="" type="checkbox"/>	91.0	<input checked="" type="checkbox"/>	WC London West Central	88.2	<input checked="" type="checkbox"/>	88.0	<input checked="" type="checkbox"/>
SA Swansea	93.6	✓	95.2	✓	SY Shrewsbury & Mid Wales	91.7	✓	94.9	✓	WD Watford	91.7	✓	95.6	✓
SE London SE	89.4	<input checked="" type="checkbox"/>	92.1	<input checked="" type="checkbox"/>	TA Taunton	91.9	✓	95.6	✓	WF Wakefield	92.4	✓	94.5	✓
SG Stevenage	92.2	✓	95.3	✓	TD Borders	92.5	✓	94.4	✓	WN Wigan	92.4	✓	93.8	✓
SK Stockport	92.2	✓	94.1	✓	TF Telford	90.1	✓	95.3	✓	WR Worcester	93.8	✓	95.8	✓
SL Slough	90.9	✓	94.0	✓	TN Tonbridge	94.4	✓	94.9	✓	WS Walsall	89.7	<input checked="" type="checkbox"/>	93.7	✓
SM Sutton	91.7	✓	93.0	✓	TQ Torquay	91.3	✓	96.0	✓	WV Wolverhampton	91.2	✓	92.7	<input checked="" type="checkbox"/>
SN Swindon	92.4	✓	95.9	✓	TR Truro	93.1	✓	96.3	✓	YO York	93.7	✓	96.5	✓
SO Southampton	91.7	✓	94.8	✓	TS Teesside	92.6	✓	95.0	✓	ZE Lerwick	91.9		95.8	✓
SP Salisbury	90.0	✓	94.2	✓	TW Twickenham	91.0	✓	95.0	✓					
SR Sunderland	95.3	✓	96.2	✓	UB Uxbridge	91.1	✓	96.2	✓					

✓ = Areas meeting or exceeding target = Areas below target

**Section 2.
Table 3.**

**Royal Mail National Performance
Quarter Results (January - March 2003)**

Standard	Scheduled Standards			Tail of Mail			Loss / Substantial Delay		
	*Year End Target %	Jan - March %	95% cl	Target %	Actual %	95% cl	Target %	Actual %	95% cl
1st Class Stamped & Meter All	92.5	91.8	0.2	99.9	99.9	0.0	100.0	100.0	0.0
2nd Class Stamped & Meter All	98.5	98.3	0.2	99.9	100.0	0.1	100.0	100.0	0.0
1st Class Postage Paid Impression	92.5	84.6	1.1	99.9	99.8	0.2	100.0	100.0	0.0
2nd Class Postage Paid Impression	98.5	96.4	0.6	99.9	99.9	0.2	100.0	100.0	0.1
1st Class Response Services	92.5	84.0	1.9	99.9	99.5	0.1	100.0	100.0	0.0
2nd Class Response Services	98.5	94.7	1.2	99.9	99.9	0.1	100.0	100.0	0.0
Special Delivery	99.0	98.2	#	99.9	100.0	#	100.0	100.0	#
% of Postcode Areas with 90%+ for 1st class stamped & metered posted quality of service	100 ^{..}	88.1							
% of Postcode Areas with 92.5%+ for 1st class intra stamped & metered posted quality of service	100 ^{..}	87.6							
Mailsort 1	93.0	91.4	3.8	99.9	99.8	0.2	100.0	100.0	0.1
Mailsort 2	98.5	96.8	1.2	99.9	100.0	0.0	100.0	100.0	0.0
Mailsort 3	98.5	98.0	1.3	99.9	100.0	0.0	100.0	100.0	0.0
Presstream 1	92.5	89.0	1.0	99.9	100.0	0.0	100.0	100.0	0.0
Presstream 2	98.5	96.9	1.2	99.9	100.0	0.1	100.0	100.0	0.1
Standard Retail Parcel	90.0	91.7	1.0	99.9	100.0	0.0	100.0	100.0	0.0
% of People queuing for less than 5 minutes at P.O. Counters	95.0	94.0	1.0						

*Targets apply to last two months of the financial year
^{..} Cumulative Target

Product subject to continuous sampling (confidence limit inapplicable)

95% cl = 95% confidence limit

Section 2.
Table 4.

Postcode Area Performance (January - March 2003)
1st Class Stamped and Metered

Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				
	All Posted	✓	✗	Intra PCA		✓	✗	Intra PCA	✓		All Posted	✓	✗	Intra PCA	✓
AB Aberdeen	93.1	✓		96.0	✓	DN Doncaster	94.2	✓	93.4	✓	L Liverpool	90.8	✓	93.9	✓
AL St Albans	93.9	✓		95.9	✓	DT Dorchester	89.8	✗	94.5	✓	LA Lancaster	92.6	✓	95.8	✓
B Birmingham	90.7	✓		95.4	✓	DY Dudley	88.3	✗	95.9	✓	LD Llandrindod Wells	91.1	✓	94.1	✓
BA Bath	91.7	✓		95.7	✓	E London E	89.9	✗	88.8	✗	LE Leicester	92.0	✓	95.5	✓
BB Blackburn & Burnley	89.6	✗		95.9	✓	EC City of London	88.7	✗	93.6	✓	LL North Wales	92.9	✓	95.5	✓
BD Bradford	92.1	✓		95.4	✓	EH Edinburgh	91.9	✓	93.6	✓	LN Lincoln	95.2	✓	96.5	✓
BH Bournemouth	91.2	✓		95.2	✓	EN Enfield	92.2	✓	94.2	✓	LS Leeds	91.0	✓	96.5	✓
BL Bolton	93.4	✓		98.4	✓	EX Exeter	91.7	✓	95.7	✓	LU Luton	91.2	✓	95.2	✓
BN Brighton	93.6	✓		95.5	✓	FK Falkirk	91.5	✓	96.7	✓	M Manchester	91.3	✓	94.0	✓
BR Bromley	93.5	✓		97.4	✓	FY Fylde	93.2	✓	93.1	✓	ME Maidstone	93.4	✓	94.1	✓
BS Bristol	90.0	✓		96.9	✓	G Glasgow	94.4	✓	96.7	✓	MK Milton Keynes	91.4	✓	93.3	✓
BT Northern Ireland	91.8	✓		94.7	✓	GL Gloucester	93.9	✓	94.3	✓	ML Motherwell	95.4	✓	96.8	✓
CA Carlisle	92.7	✓		94.9	✓	GU Guildford	92.4	✓	92.7	✓	N London N	90.5	✓	90.7	✗
CB Cambridge	89.9	✗		93.4	✓	HA Harrow	91.1	✓	91.2	✗	NE Newcastle	92.2	✓	94.1	✓
CF Cardiff	92.5	✓		96.9	✓	HD Huddersfield	94.3	✓	97.2	✓	NG Nottingham	94.6	✓	95.6	✓
CH Chester & Deeside	95.2	✓		96.1	✓	HG Harrogate	91.9	✓	97.1	✓	NN Northamptonshire	90.9	✓	93.3	✓
CM Chelmsford	90.3	✓		91.7	✗	HP Hemel Hempstead	93.6	✓	98.7	✓	NP Newport	88.9	✗	96.2	✓
CO Colchester	88.7	✗		90.4	✗	HR Hereford	93.3	✓	97.4	✓	NR Norwich	90.0	✓	93.9	✓
CR Croydon	91.1	✓		91.1	✗	HS Hebrides	85.4		89.7	✗	NW London NW	90.7	✓	92.3	✗
CT Canterbury	94.2	✓		96.6	✓	HU Hull	92.6	✓	95.3	✓	OL Oldham	94.1	✓	95.2	✓
CV Coventry & Warwickshire	92.1	✓		92.1	✗	HX Halifax	92.3	✓	94.6	✓	OX Oxford	92.0	✓	95.5	✓
CW Crewe	91.6	✓		95.2	✓	IG Ilford	92.9	✓	97.8	✓	PA Paisley	92.9	✓	92.7	✗
DA Dartford	90.1	✓		95.1	✓	IP Ipswich	90.3	✓	94.4	✓	PE Peterborough	90.6	✓	93.2	✓
DD Dundee	90.9	✓		95.8	✓	IV Inverness	93.6	✓	96.5	✓	PH Perth	92.4	✓	96.0	✓
DE Derby	94.2	✓		98.1	✓	KA Kilmarnock	94.7	✓	94.5	✓	PL Plymouth	90.9	✓	92.5	✓
DG Dumfries	95.3	✓		98.5	✓	KT Kingston upon Thames	93.0	✓	99.3	✓	PO Portsmouth	87.8	✗	88.7	✗
DH Durham	92.4	✓		91.7	✗	KW Kirkwall	84.3		92.5	✓	PR Preston	91.8	✓	93.6	✓
DL Darlington	92.1	✓		95.6	✓	KY Kirkcaldy	93.6	✓	96.4	✓	RG Reading	93.1	✓	95.3	✓

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

Section 2.
Table 4. (continued)

Postcode Area Performance (January - March 2003) continued
1st Class Stamped and Metered

Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered				Postcode Area	1st class stamped & metered						
	All Posted	✓	✗	Intra PCA		✓	✗	Intra PCA	✓		✗	All Posted	✓	✗	Intra PCA	✓	✗
RH Redhill	91.8	✓		98.6	✓	SS Southend-on-Sea	93.2	✓		97.2	✓	W London West	90.5	✓		91.9	✗
RM Romford	90.2	✓		92.1	✗	ST Stoke-on-Trent	91.3	✓		96.2	✓	WA Warrington	89.7	✗		96.0	✓
S Sheffield	94.3	✓		95.7	✓	SW London SW	85.7	✗		87.6	✗	WC London West Central	86.7	✗		92.3	✗
SA Swansea	91.6	✓		93.3	✓	SY Shrewsbury & Mid Wales	90.5	✓		93.1	✓	WD Watford	91.9	✓		96.6	✓
SE London SE	88.7	✗		93.0	✓	TA Taunton	91.9	✓		96.5	✓	WF Wakefield	91.0	✓		94.3	✓
SG Stevenage	90.8	✓		93.1	✓	TD Borders	93.3	✓		96.8	✓	WN Wigan	92.9	✓		93.0	✓
SK Stockport	91.9	✓		92.8	✓	TF Telford	89.5	✗		97.9	✓	WR Worcester	94.6	✓		97.8	✓
SL Slough	91.3	✓		94.1	✓	TN Tonbridge	92.9	✓		94.4	✓	WS Walsall	90.8	✓		96.8	✓
SM Sutton	93.4	✓		95.4	✓	TQ Torquay	90.1	✓		97.0	✓	WV Wolverhampton	90.7	✓		92.8	✓
SN Swindon	93.0	✓		98.0	✓	TR Truro	91.7	✓		96.7	✓	YO York	93.8	✓		96.1	✓
SO Southampton	93.8	✓		95.3	✓	TS Teesside	91.9	✓		95.5	✓	ZE Lerwick	90.7			96.7	✓
SP Salisbury	90.5	✓		94.3	✓	TW Twickenham	90.8	✓		94.8	✓						
SR Sunderland	96.1	✓		98.1	✓	UB Uxbridge	91.8	✓		94.6	✓						

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

Section 2.

Table 5.

**Stamped; Metered; PPI; Response Services and Special Delivery
Quarter Results (January - March 2003)**

Standard	Scheduled Standards			
	*Year End Target %		Jan - March %	95% cl
1st Class Stamped & Meter All	92.5		91.8	0.2
2nd Class Stamped & Meter All	98.5		98.3	0.2
1st Class Postage Paid Impression	92.5		84.6	1.1
2nd Class Postage Paid Impression	98.5		96.4	0.6
1st Class Response Services	92.5		84.0	1.9
2nd Class Response Services	98.5		94.7	1.2
Special Delivery	99.0		98.2	#

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

Product subject to continuous sampling (confidence limit inapplicable)

95% cl = 95% confidence limit

1st CLASS STAMPED AND METER

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
91.7% (±0.3)	-	91.7% (±0.3)	92.5%	-0.8%

*Actual Exit Performance adjusted for force majeure weather 92.1%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
91.9% (±)	92.0% (±)	91.5% (±)	91.8% (±0.2)

* Actual Quarter 4 Performance adjusted for force majeure weather 92.1%

Cumulative Result

2002/3 Cumulative Result	Change since last year
91.8% (±0.1)	+1.9%

* Actual Cumulative Performance adjusted for force majeure weather 91.9% (2.0% increase on 2001/2)

Overview

The 2002/03 Exit Result for 1st Class Stamped and Meter is 91.7±0.3%.

Although as set out below, we believe this is a good performance, we are disappointed not to have met the target.

2002/03 performance, particularly for the Exit period, has been impacted by severe weather conditions in the South East of England in the exit period - see Impact of Unusually Severe Weather section (page 49) for full details. The impact of this force majeure event is shown beneath each of the performance tables. For 1st Class Stamped and Meter, the weather adjusted Exit performance is 92.1% - 0.4% short of the Exit Target.

February performance has also been affected by a number of security incidents resulting from a Internet campaign to highlight the starving people in Iraq and encouraging the public to send rice and baby formula to the Prime Minister and other Government Departments. Over 100 such packages were received and security screened. Although all turned out to be innocent, they did cause a number of security alerts and some Mail Centre evacuations. The impact on national performance was not substantial but was more pronounced in some postcode areas - as described in Regional Reports to Postcomm and Postwatch. For example, on 11th February Central London Mail Centre had 5 separate security incidents leading to a failure of 350k 1st Class items - with an estimated February impact in the region of 3% for 1st Class Stamped and Meter posted performance in WC and EC postcode areas.

We are encouraged by the improvements which have been made and maintained during the year - demonstrated in the cumulative performance of 91.8±0.1% which is higher than the actual Exit performance and almost 2% higher than the previous year. The table below shows the improvements Quarter on Quarter:

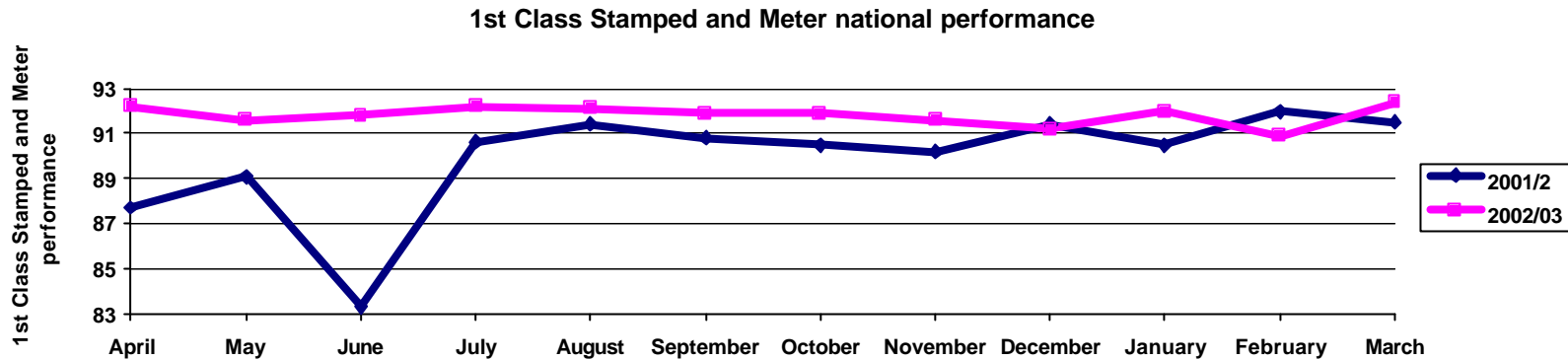
	2001/02	2002/03	Improvement
Quarter 1	86.5% ¹	91.9%	+5.4%
Quarter 2	90.7%	92.0%	+1.3%
Quarter 3	90.4%	91.5%	+1.1%
Quarter 4	91.4%	91.8% (92.1% with weather adjustment)	+0.4% (+0.7%)

These figures show that the deployment of operational standards combined with more reliable network performance and our commitment to deploying improving employee relations (particularly in reducing the levels of Industrial Action through a partnership approach) have delivered steady and sustainable gains. Month on month performance in 2002/03 has been better and more consistent than in previous years. This has provided a stable platform on which to build further performance improvements - and leaves a gap of 0.6% to close between 2002/03 cumulative performance and 2003/04 cumulative target.

In 2002/03, 1st Class Stamped and Meter monthly performance has been consistently above 91%² and has been at or above 92% on 5 occasions. A comparison of 2001/02 and 2002/03 monthly performance is shown graphically below. The chart shows that 2002/03 performance exceeded 2001/02 in all months except December and February (i.e. weather impact).

¹ Quarter 1 2001/02 results depressed by national Industrial Action

² Making allowance for the bad weather in February



These two key themes, i.e. cumulative year on year performance improvement and increased stability, are apparent across all product streams (except Printed Postage Impression and Response Services which have been the subject of major improvement activities - see later sections).

Our Industrial Relations performance has improved significantly in 2002/03 with days lost to Industrial Action at a ten year low (5,700 days were lost in 2002/03- a 90% reduction on the previous year) and this has undoubtedly contributed to the increased cumulative performance. The actions which have driven these improved relations include:

- progressing the key recommendations of the Sawyer Report on Industrial Relations in Royal Mail through the staged introduction of Area Partnership Boards which help establish good relations, build trust and share information between management and front line employees
- proactive management of the people issues related to major change initiatives such as the Timed Delivery Service (now called Single Daily Delivery), Parcelforce restructuring and Mail Centre infrastructure changes
- the introduction of new communication channels allowing front line staff to raise issues, concerns or suggestions relating to any aspect of their work directly to the Chairman and other Senior Managers
- a re-energised approach to Work Time Listening and Learning sessions; ensuring all employees have the opportunity to share in 2 way communications and joint problem solving at local level.³

³ Continuing the theme of improving employee relations - the Firstline Fix initiative was introduced in April 2003. This gives unit managers more budgetary autonomy to work with frontline employees during Work Time Listening and Learning sessions to identify those things that make a difference on a day to day basis - for example, for local recognition of excellent work or facilities/equipment to improve the working environment.

A key action to drive improvements in 1st Class Stamped and Meter performance has been the deployment of standards for processing Intra mails (deployed in 2001/2), Neighbouring mail flows (2002/3) and Collection operations (2002/3). Deployment of these standards has helped drive full year performance improvements of 1.0% for 1st Class Intra and 2.0% for 1st Class Neighbours - supporting the overall improvement in 1st Class Stamped and Meter Quality of Service.

Consistent deployment and continued adherence to these standards is monitored through a process of self audits (carried out by members of the Area Management Team) and independent audits. Audit scores have improved throughout the year but given the focus and level of activity we are disappointed that they have not improved with greater pace. Results for Mail Centres audited in March show that compliance with Intra standards is averaging 89% - just 1% short of the internal target - and this represents a significant improvement in compliance. However, compliance scores for Access and Neighbouring standards are less positive.

Network performance has generally been more stable in 2002/03, partly through deployment of improved contingency arrangements, including enhanced train and roads services capacity flexing at the Princess Royal Distribution Centre (PRDC), and the upgrading of air services capacity on the Newcastle-Stansted route. This has contributed to the quality of service improvement. Rail performance has improved from an average punctuality of 88.3% in 2001/02 to 91.0% in 2002/03, but this does not achieve contracted levels. There is still room for improved reliability from our rail suppliers, as performance remains erratic - punctuality and reliability can be 100% on some nights, and awful on others.

A summary of other activities carried out in Quarter 4, to support quality of service improvement, is provided below:

- front line involvement through Work Time Listening and Learning sessions and articles in the Courier newspaper
- managerial briefings through articles in The Business magazine and Area Managers weekly communications pack
- a requirement for postcode areas performing below the minimum floor target level to provide a summary of audit scores and remedial actions which are performance managed on a monthly basis by the Head of Performance and Managing Director of Service Delivery

Flightpath Plan - Quarter 4

An update on the key flightpath initiatives scheduled for Quarter 4 is supplied below:

Pipeline Discipline: As described above, Quarter 4 has predominantly focused on improving the levels of compliance with existing standards for Intra, Access and Neighbouring operations. It is encouraging to note that despite the bad weather and security alerts which impacted on operations, our outward and inward Mail Centre clearance results have shown some improvement in Quarter 4:

- Outward Mail Centres successfully cleared all mail 88% of occasions in Quarter 4 - an improvement of 2% on October-December performance
- Inward Mail Centres successfully cleared all mail to Delivery Offices on 84% of occasions - an improvement of 6%

Production Management and Control: Deployment of Production Management and Control was completed in Birmingham, London South, London West, Liverpool, Bristol, Chester, Southampton and Oxford Mail Centres in Quarter 4. This has helped reduce the level of 1st Class Outward Mail Centre clearance failures in these units. Mandatory deployment to the highest impacting Mail Centres is now complete.

Simplified Sort: . Phase 3 deployment has been completed as planned in Quarter 4 in Gatwick, Greenford, Guildford, Hemel Hempstead, Newcastle, North West Midlands, Northampton, Nottingham and Stockport. Phase 4 goes live in April - with deployment scheduled in Bournemouth, Darlington, Dartford, Farnborough, Glasgow, Leeds, Maidstone, Watford, Gloucester, Milton Keynes and Sheffield.

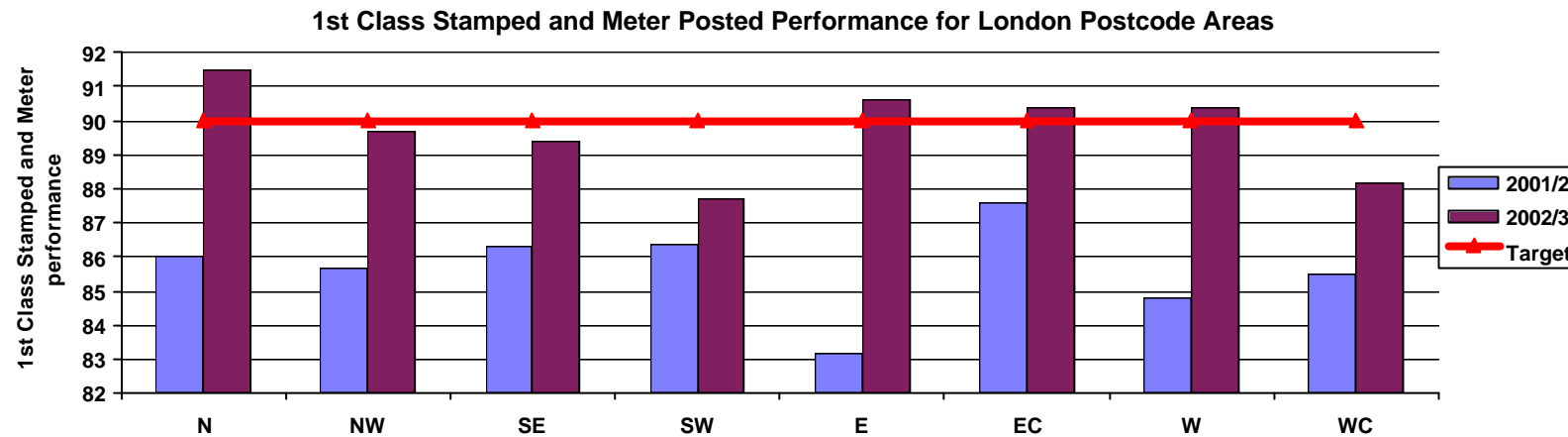
Phase 5 deployment planning commenced on March 31st. Preparations include a workshop for Area Planners to take delegates through the principles of SiSo and train them in the use of SiSo deployment planning tools. The Phase 5 sites are Bolton, Exeter, Inverness, London West, Plymouth, Romford, Stevenage, Swindon, Tonbridge, Nottingham, Cardiff and Swansea, London South and York.

Deployment of SiSo is showing positive quality of service benefits and is being deployed with a minimum of disruption to customer service, i.e. offices generally overcome the learning curve challenges and are back on an even keel within 2 weeks of initial deployment.

London Quality Improvement and Restructuring: A pan London approach to quality management has been adopted in 2002/03 and this has shown significant quality of service benefits and supported a marked improvement in performance across the London postcode areas. The increased focus and managerial resource deployed in addressing many of the fundamental employee, cultural and operational issues in London supported by the major and longer term infrastructure changes are driving sustainable benefits across the area.

At the end of 2002/03, 4 of the 8 London postcode areas are achieving the 1st Class Stamped and Meter Posted minimum floor and 2 are achieving the 1st Class Intra Posted Floor - compared to last year when all 8 postcode areas failed both targets. The performance gap between London and the rest of the country has reduced from 4.7% cumulatively for 2001/02 to 2.0% in 2002/03.

The chart below compares cumulative 1st Class Posted performance by individual postcode area:



Specific Quarter 4 activities have included:

- Analysis and follow up action from deployment of QTLs (electronic quality test letters) dedicated to London postcode areas.
- Senior Management operational reviews of units outside their own Area to examine adherence to specifications and spread / pick up good practices.
- completion of trials involving a revised specification for handover of mail from Post Office outlets with deployment of the new specification commencing early in 2003/04
- completion of a survey of frontline communications - driving improvement opportunities for 2003/04
- complete deployment of the Network Dock Control Monitor process
- completion of an extremely successful transfer of operations to the new East London Mail Centre in Bromley by Bow. The new Mail Centre is now fully operational and serving the whole of East London. The transfer was complete on time, with no disruption to customer service.
- Resourcing and training of reserve managers to ensure adequate managerial coverage of key units and recruitment / induction / training of external high calibre managerial resource for high impact units.

Territorial Quality Leads: At the end of Quarter 3, 3 Territorial Quality Leads (supported by Quality Analysts) were introduced with a key objective of supporting Areas in achieving their Quality of Service plans and targets through:

- provision of expert analysis,
- maintaining focus on Quality within the Area teams,
- sharing best practice and driving priorities for central support, investment and cross-Business Unit improvements.

During Quarter 4, these Quality Leads concentrated their efforts in supporting postcode areas performing below the 1st Class Posted and Intra Minimum Floor targets - helping ensure they had a robust, achievable QoS plan in place.

It should be noted that these roles ceased at the end of the financial year under restructuring of the Service Delivery Unit. Central responsibility for quality of service now lies with the newly formed National Service Performance Team which incorporates:

- development and maintenance of key operational standards
- independent audit resource
- a team of Performance Analysts - responsible for national root cause analysis, deployment monitoring and reporting
- a team of Product Performance Managers - responsible for driving specific product improvements through Area Teams, the national pipeline design function and marketing functions

We have built on the success of the Territorial Quality Leads by introducing 3 Performance Analysts (one aligned to each Territory) in the new National Service Performance structure.

Princess Royal Distribution Centre: A number of short term investments were made in Quarter 4 to relieve the capacity issues encountered at PRDC. These include the deployment of stand by vehicles to transport mail which fails to connect with the main despatch waves, additional sorting staff during peak hours and additional capacity on key trains. Additional managers were introduced to check and improve compliance with arrival times and presentational requirements of despatches from Mail Centres. A review will be carried out early in the new year to consider the need for continuation of these additional services into 2003/4 - particularly in light of the Transport Review which incorporates an over-arching review of network operations.

Communications: An ongoing programme of communications to raise front line operational staff and managers' awareness of Quality of Service issues was carried out. This programme included a Managing Director's review and summary of quality results in The Business (a monthly publication for all Royal Mail managers), specific articles and summary results in The Courier (a monthly publication for all Royal Mail employees). Both were supplemented by direct letters and briefings to operational managers and Work Time Listening and Learning modules for front line operational staff. A poster campaign also helped raise awareness of our customers needs for reliable quality of service across all product streams.

Local Activity: All postcode areas have local quality improvement plans which support their achievement of Minimum Postcode Area Floor Targets (see next section) and the overall national target. These local plans have helped deliver quality of service improvements throughout 2002/03. The most notable of these is the improvements witnessed in Southend on Sea through local deployment of the Southend Mail Centre strategy. Their 1st Class Posted performance improved from 85.9% in Quarters 1 to 3 to 93.2% in Quarter 4 (and from 90.8% to 97.2% for 1st Class Intra).

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. Flightpath Plan) has been produced in a separate document.

MINIMUM POSTCODE AREA TARGETS

Review of Results

1st Class Stamped and Meter Posted

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

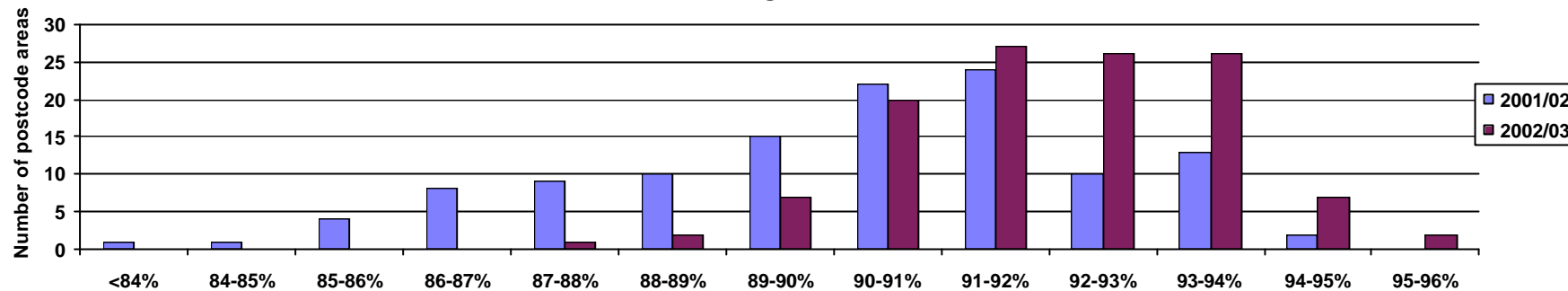
Quarterly Cumulative Results

% of Postcode Areas Averaging 90% or above for 1 st Class Posted Stamped and Meter				
Cumulative to end Quarter 1	Cumulative to end Quarter 2	Cumulative to end Quarter 3	Cumulative to end Quarter 4	Target
85%	87%	88%	92%	100%

Quarter 4 has shown further improvement in performance against the 1st Class Stamped and Meter Posted Floor target, with 92% of postcode areas cumulatively performing at or above the 90.0% target. These results show a Quarter on Quarter improvement and Quarter 4 represents a further 4% improvement on the previous period. These figures also represent an improvement of 32% (or 38 additional postcode areas) on 2001/02 full year performance.

We believe these results are very encouraging and demonstrate the focus and determination which has been applied nationally and locally to drive better performance. The chart below shows the improvements made in postcode area performance in the last year. Not only does it highlight that the variation in results has narrowed considerably and that far fewer postcode areas are performing below the target level, but also shows that performance in general is improving across all postcode areas.

1st Class Stamped and Meter Posted
Target 90%



These improvements have been underpinned by the factors described in the 1st Class Stamped and Meter section of this report, i.e.:

- improved Industrial Relations
- more stable network performance
- the application of pipeline disciplines (standards)
- deployment of key national initiatives such Simplified Sort
- regional initiatives such as the London Quality Improvement and Restructuring Programmes
- local activities, such as those as described in the Regional Reports to Postcomm and Postwatch and Postcode Area Plans shared with Postcomm in December 2001 - and performance management of the local quality of service plans by Managing Director Service Delivery. The local activities often incorporate 'quick win' solutions to specific localised problems. However, in some cases, the main quality of service benefits are driven by a longer term plan of infrastructure change and investment. For example, Southend on Sea have driven significant performance improvements in Quarter 4 2002/03 through the Southend Mail Centre Strategy.

Full details of the 1st Class Stamped and Meter Quality of Service recovery plans for each of the 10 failing postcode areas have been provided in a separate report to Postcomm and Postwatch. However, a brief summary of performance is provided below:

Postcode Area	Cumulative Performance	Quarter 4 Performance	Summary
SS	88.1±1.6%	93.2±2.3%	Deployment of the Southend Mail Centre Strategy has allowed SS to exceed the 90% 'run rate' in Quarter 4. This exceptional Quarter 4 performance puts SS in a strong position for achievement of the 2003/04 target.
NW	89.7±1.6%	90.7±2.4%	NW full year performance is 0.3% short of target. However, Quarter 4 performance has shown some recovery and exceeded the 90.0% 'run rate', despite the disruption caused by bad weather.
WS	89.7±1.6%	90.8±2.7%	WS full year performance is 0.3% short of the required level. However, Quarter 4 performance has shown strong signs of recovery and achieved the 90.0% 'run rate'.
CM	89.3±1.5%	90.3±2.9%	CM full year performance is 0.7% short of target. However, Quarter 4 performance has shown some recovery and exceeded the 90.0% 'run rate', despite the disruption caused by bad weather.
CO	89.0±1.5%	88.7±2.8%	CO full year performance is 1.0% adrift of the required level and Quarter 4 has shown further decline. Bad weather in January has depressed CO distant performance by almost 5%.
SE	89.4±1.5%	88.7±2.9%	SE full year performance is 0.6% adrift of the required level and Quarter 4 has shown further decline - partly related to bad weather which reduced their 'distant' performance by around 4%.
DY	89.5±1.5%	88.3±2.7%	DY full year performance is 0.5% adrift of the required level.
PO	89.8±1.5%	87.8±3.0%	PO full year performance is only 0.2% short of the required level and has fallen below the minimum floor target due to a Quarter 4 performance below target level.
WC	88.2±1.8%	86.7±3.2%	WC full year performance is 1.8% adrift of the required level and Quarter 4 has shown further decline. Again, this decline is mainly due to the bad weather conditions and security alerts in Central London Mail Centre in Quarter 4 which reduced 'distant' performance by over 5% and overall 1 st Class Posted performance by almost 3%.
SW	87.7±1.5%	85.7±2.9%	SW full year performance is 2.3% adrift of the required level and Quarter 4 has shown further decline - partly related to bad weather which reduced their 'distant' performance by almost 3% and security alerts in South London MC & SW1 Delivery Office which serves Parliament.

All postcode areas have a local quality of service action plan - a standard requirement of our Performance Management regime - which considers performance gaps and schedules remedial activities. Progress against the remedial actions contained within these reports is monitored on a monthly basis. On a quarterly basis, the plans will be reviewed thoroughly to ensure the actions have delivered the expected benefits and, if necessary, to drive new actions to close any remaining performance gap - making use of Quality Test Letters to understand pipeline delays.

Additionally, performance trends in all postcode areas will be closely monitored throughout the year to allow early identification of any issues which may put achievement of the cumulative target at risk.

1st Class Stamped and Meter Intra

The schedule of minimum service standards requires all Postcode Areas to achieve an average performance of at least 92.5% for 1st Class Intra Stamped and Meter throughout the 12 month period ending March 2003, excluding the Christmas and New Year period. Progress against this standard is shown in the table below:

Quarterly Cumulative Results

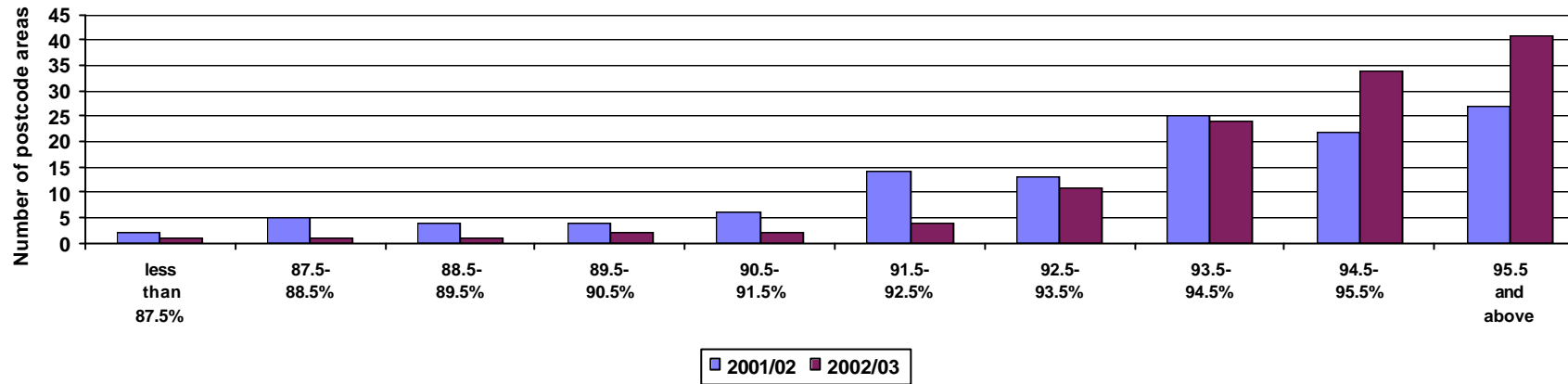
% of Postcode Areas Averaging 92.5% or above for 1 st Class Intra Stamped and Meter				
Cumulative to end Quarter 1	Cumulative to end Quarter 2	Cumulative to end Quarter 3	Cumulative to end Quarter 4	Target
85%	84%	85%	91%	100%

Quarter 4 has shown further improvement in performance against the 1st Class Stamped and Meter Intra Floor target, with 91% of postcode areas cumulatively performing at or above the 92.5% target - representing an improvement of 6% on the previous period. These figures also represent an improvement of 21% (or 24 additional postcode areas) on 2001/02 full year performance.

We believe these results show strong signs of improvement and evidence of the continuing energy and commitment applied to achieving these targets. Like 1st Class Stamped and Meter Posted, the chart overleaf shows the improvements made in postcode area performance in the last year. Again the chart highlights how the variation in results has narrowed and that fewer postcode areas are performing below the target level.

These improvements have been underpinned by the factors described in the 1st Class Stamped and Meter section of this report, e.g. improved Industrial Relations, the application of pipeline standards (particularly for Intra mails) and local/regional quality improvement activities.

1st Class Stamped and Meter Intra
Target = 92.5%



Full details of the 1st Class Stamped and Meter Quality of Service recovery plans for each of the 11 failing postcode areas have been provided in a separate report to Postcomm and Postwatch. However, a brief summary of performance is provided below:

Postcode Area	Cumulative Performance	Quarter 4 Performance	Summary
M	92.3±1.6%	94.0±2.4%	M full year performance is only 0.2% short of target but has shown significant recovery in Quarter 4 to exceed run rate by 1.5% - putting M in a strong position for achievement of the 2003/04 target.
SE	92.1±3.0%	93.0±5.3%	SE full year performance is 0.4% short of target but has shown significant recovery in Quarter 4 to exceed run rate by 0.5% - putting SE in a strong position for achievement of the 2003/04 target.
KW	92.3±2.6%	92.6±4.9%	Like HS, KW suffers from the problems encountered in a postcode area where Intra mail flows have to travel via air and sea to remote islands. However, performance is gradually improving to give a full year result only 0.2% short of target. KW achieved the 92.5% run rate in Quarter 4.
WC	88.0±4.7%	92.3±6.7%	WC full year performance is 4.5% short of target. However, Quarter 4 performance has shown significant recovery to 92.3% - only 0.2% short of the 92.5% 'run rate'.
NW	89.1±3.7%	92.3±5.4%	NW full year performance is 4.4% short of target. However, Quarter 4 performance has shown significant recovery to 92.3% - only 0.2% short of the 92.5% 'run rate'.
W	90.2±2.4%	91.9±4.1%	W full year performance is 2.3% short of target but has shown recovery in Quarter 4.
CO	91.3±2.3%	90.4±4.5%	CO full year performance is 1.2% short of target but has not achieved the required run rate in Quarter 4.
E	87.4±4.6%	88.8±7.4%	East London full year performance is 5.1% adrift of target but has shown some signs of recovery in Quarter 4.
HS	90.1±4.1%	89.7±7.4%	HS continues to suffer from the problems encountered in a postcode area where Intra mail flows have to travel via air and sea to remote islands.
PO	91.8±2.3%	88.7±5.0%	PO full year performance is 0.7% short of target - the shortfall in the cumulative result is mainly explained by the poor Quarter 4 performance.
SW	91.0±3.0%	87.5±6.2%	SW full year performance is 1.5% short of target but has declined further in Quarter 4.

As with the 1st Class Posted Minimum Floor target, the local action plans for the 11 postcode areas described above have been reviewed by the new Heads of Operations and Operations Director and progress against the remedial actions contained within these reports is being monitored on a monthly basis - with a quarterly 'drains up' to ensure they are delivering the planned benefits.

Additionally, performance trends in all postcode areas will continue to be closely monitored throughout the year to allow early identification of any issues which may put achievement of the cumulative target at risk.

2nd CLASS STAMPED AND METER

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
98.2% (±0.2%)	-	98.2% (±0.2%)	98.5%	-0.3%

* Actual Exit Performance adjusted for force majeure weather 98.3%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
98.9% (±0.3%)	98.6% (±0.2%)	98.3% (±0.2%)	98.3% (±0.2%)

* Actual Quarter 4 Performance adjusted for force majeure weather 98.4%

Cumulative Result

2002/3 Cumulative Result	Change since last year
98.6% (±0.1%)	+0.3%

* Actual Cumulative Performance adjusted for force majeure weather 98.6% (0.3% increase on 2001/2)

Overview

At 98.2%, 2nd Class Stamped and Meter has missed the Exit Target by 0.3%. This result is disappointing, particularly in light of the fact that the full year cumulative performance is 98.6% (0.1% higher than target).

2nd Class Stamped and Meter performance has exceeded quarterly flightpath expectations throughout the year but has fallen below the planned level in Quarter 4. We believe this drop is seasonal - exaggerated by the extremely bad weather late in January - and does not suggest any inherent problems with the 2nd Class processing and network operations.

No unique flightpath initiatives were scheduled for 2nd Class Stamped and Meter in Quarter 4. However, it does benefit from many of the standards described in the 1st Class Stamped and Meter section of this report - which help give stability to our processing operations and

allow Mail Centres to adhere to workplan.

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. Flightpath Plan) has been produced in a separate document.

1st CLASS POSTAGE PAID IMPRESSION

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
84.4% (±1.3%)	1.9%	86.3% (±1.3%)	92.5%	-6.2%

* Actual Exit Performance adjusted for force majeure weather 85.0%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
81.5% (±1.8%)	83.3% (±1.4%)	84.0% (±1.1%)	84.6% (±1.1%)

* Actual Quarter 4 Performance adjusted for force majeure weather 85.0%

Cumulative Result

2002/3 Cumulative Result	Change since last year
83.9% (±0.7%)	+2.5%

* Actual Cumulative Performance adjusted for force majeure weather 84.0% (2.6% increase on 2001/2)

Overview

With an Exit outcome of 86.3%, 1st Class PPI has failed to achieve target. Allowing adjustment for the severe weather conditions in January, improves the Exit outcome to 86.9%⁴ - still 5.6% short of target. Although this result is very disappointing - particularly given the extent of our efforts to improve performance, it does represent an improvement. However, it does represent an improvement of 4.6% on the 2001/02 Exit performance.

1st Class PPI performance has improved Quarter on Quarter throughout 2002/03 and the full year cumulative performance is 2.5% better than the previous year. However, we are disappointed that that the high degree of focus and energy employed in driving up performance has not

⁴ The severe weather had a more pronounced impact on 1st Class PPI (than Stamped and Meter) as it contains a larger proportion of distant mails which are reliant on air and rail network links.

delivered earlier or more substantial improvements.

During Quarter 3 Postcomm considered and later confirmed the imposition of an Enforcement Order on 1st Class PPI and during Quarter 4 Royal Mail has deployed the specific actions and reporting processes required to comply with the Order. In summary, the Enforcement Order required Royal Mail to ensure consistent and continued deployment of key operational standards for handling PPI mails.

Compliance with these standards is measured locally by senior members of the Area Management Team on a daily or weekly basis (depending on the individual specification). Audits are also carried out by a team of independent auditors on a routine basis. If an operational unit receives a poor independent audit score (i.e. less than 70%) the Area Manager must develop and deploy a plan of remedial activities within one month, when a follow up audit will be carried out.

During March 17 Mail Centres were routinely audited by the independent team and received scores ranging from 67% to 100% - with only one performing below the 70% level which triggers the accelerated re-audit - 4 Mail Centres were re-audited in March and improved their performance from an average of 66% to 93%. The average Mail Centre maintenance audit score was 88%, a significant improvement on previous months, and although we still require further improvement from some units this demonstrates that PPI standards are becoming embedded as part of the 'day-job'. April independent audit results show further improvement.

To support the deployment of these standards and quality of service improvement a number of other activities have been carried out:

- Customer Standards: We continue to work closely with our customers (both locally and through Account Managers) to ensure that all PPI mailings are compliant in terms of access standards (e.g. Mail Centre Latest Acceptance times), presentation and self billing requirements - as each of these elements can cause processing delays and, hence, quality of service failures.
- Independent auditors and a central team of PPI experts have worked closely with Area Management teams and high impacting units to provide assistance in understanding why quality of service and/or compliance performance is poor and to develop remedial action plans which make use of sharing best practice guidelines.
- A quality test letter survey commenced during Quarter 4 to update our understanding of where PPI delays are occurring in the national pipeline. The results of this analysis will be available early in Quarter 1 2003/04 and will drive revised standards (if necessary) and identify opportunities for further remedial actions to ensure the remaining performance gap is closed and 2003/04 targets are achieved.
- A number of communications vehicles have been used to raise awareness of the need to improve PPI performance and comply with the standards. These have included articles in in-house publications, a poster campaign, briefings to senior managers via the weekly Area Managers Pack, Team Briefings and Work Time Listening and Learning sessions between front line managers and employees.

We are disappointed that the 2002/03 1st Class PPI results do not reflect the attention and activity that has gone into improving performance. However, we are encouraged by the cumulative improvement of 2.5% and are determined to sustain these performance gains and drive further improvements in 2003/04.

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. Flightpath Plan) has been produced in a separate document.

2ND CLASS POSTAGE PAID IMPRESSION

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
96.4% (±0.6%)	1.1%	97.5% (±)	98.5%	-1.0%

* Actual Exit Performance adjusted for force majeure weather 96.6%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
97.3% (±0.7%)	97.0% (±0.6%)	96.4% (±0.6%)	96.4% (±0.6%)

* Actual Quarter 4 Performance adjusted for force majeure weather 96.6%

Cumulative Result

2002/3 Cumulative Result	Change since last year
96.9% (±)	+2.5%

* Actual Cumulative Performance adjusted for force majeure weather 96.9% (2.5% increase on 2001/2)

Overview

At 97.5%, 2nd Class PPI has ended the year 1.0% short of the Exit target (or 0.8% short if the severe weather is taken into account). Like 1st Class PPI, the 2nd Class product has also delivered a full year cumulative score 2.5% better than the year before.

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

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to

meet the Scheduled Standard of Service Targets (i.e. flightpath) has been produced in a separate document.

1ST CLASS RESPONSE SERVICES

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
84.6% (±2.5%)	2.2%	86.8% (±2.5%)	92.5%	-5.7%

* Actual Exit Performance adjusted for force majeure weather 84.6%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
70.3% (±5.2%)	76.2% (±3.1%)	78.6% (±2.3%)	84.0% (±1.9%)

* Actual Quarter 4 Performance adjusted for force majeure weather 84.0%

Cumulative Result

2002/3 Cumulative Result	Change since last year
80.3% (±1.4%)	+2.2%

* Actual Cumulative Performance adjusted for force majeure weather 80.4% (2.3% increase on 2001/2)

Overview

With an Exit outcome of 86.8%, 1st Class Response Services has failed to achieve target. Although this is disappointing it does represent an improvement of 5.2% on 2001/02 Exit performance.

1st Class Response services has shown significant Quarter on Quarter improvements throughout 2002/03. However, we remain disappointed and somewhat frustrated that our efforts have not provided even greater performance gains and our conclusion is that even with all reasonable endeavours it would be unrealistic to expect Response Services to achieve target with the existing product specification. The unique revenue protection process which captures the billing information during the inward sorting process and requires the manual counting of items creates an extra task before delivery of the mail. These tasks have to be completed in a very short time window - creating a potential delay at the end of the pipeline (that no other product must overcome).

Therefore, as set out in previous correspondence, the Business Reply product range (which contains Response Services) will be re-engineered to meet customer needs and targetry. The move to a Single Daily Delivery also requires this product range to be re-engineered, as it is currently designed for 2nd delivery. The re-specification of the Response Services product will also consider how to take full advantage of the opportunities presented by increasing use of automated technology and will reduce the current overly bureaucratic administrative procedures associated with the product in the eyes of our customers. The new product will be developed, trialled and deployed during 2003/4. In the meantime, we will continue to drive performance improvement through the strict adherence to operational standards.

During Quarter 3 Postcomm considered and later confirmed the imposition of an Enforcement Order on 1st Class Response Services and during Quarter 4 Royal Mail has deployed the specific actions and reporting processes required to comply with the condition of the Order.

In summary, the Enforcement Order required Royal Mail to ensure consistent and continued deployment of key operational standards for handling Response Services mails in Mail Centres and Delivery Offices.

Like all operational standards, compliance is measured locally by senior members of the Area Management Team on a daily or weekly basis and audits are also carried out by a team of independent auditors on a routine basis. If an operational unit receives a poor independent audit score (i.e. less than 70%) the Area Manager must develop and deploy a plan of remedial activities within one month, when a follow up audit will be carried out.

During March 18 Mail Centres and 32 Delivery Units were routinely audited, (i.e. maintenance audits) and received scores ranging from 75% to 100% in Mail Centres and 25-100% in Delivery units. The lower Delivery scores reflect the added complexity of making standards 'stick' in over 1400 Delivery Units (as compared with 74 Mail Centres). 6 of the Delivery Units fell below the 70% level which triggers the accelerated re-audit. The average Mail Centre score was 93%, a significant improvement on previous months, and an acceptable level of performance. Delivery Unit scores have also improved in March, to an average of 82%. Both results demonstrate that Response Services standards are becoming embedded as part of the 'day-job', but there is the need for further improvements in some locations..

To support the deployment of these standards and quality of service improvement a number of other activities have been carried out:

- Independent auditors and a central team of Response Services experts have worked closely with Area Management teams and high impacting units to provide assistance in understanding why quality of service and/or compliance performance is poor and to develop remedial action plans which make use of sharing best practice guidelines.

- A number of communications vehicles have been used to raise awareness of the need to improve Response Services performance and comply with the standards. These have included articles in in-house publications, a poster campaign, briefings to senior managers via the weekly Area Managers Pack, Team Briefings and Work Time Listening and Learning sessions between front line managers and employees.
- There still remains many examples of customer non compliance with stationery issues and these continue to be progressed through our ongoing 90-day process - in which Sales liaise with customer to ensure stationery is updated and compliant within 90 days of discovering the error.

We will continue the focus on deployment of standards, audit of compliance and rigorous follow up of non compliance during 2003/04 until the re-engineered products are introduced (at which point new standards will be developed and deployed). There is still the need for improvement in performance in the current product range and this will be high profile in the Performance Management processes at all levels of the organisation.

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. Flightpath Plan) has been produced as a separate document.

2ND CLASS RESPONSE SERVICES

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
94.6% (±1.5%)	1.0%	95.6% (±1.5%)	98.5%	-2.9%

* Actual Exit Performance adjusted for force majeure weather 94.6%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
94.0% (±2.9%)	92.5% (±2.1%)	92.2% (±1.6%)	94.7% (±1.2%)

* Actual Quarter 4 Performance adjusted for force majeure weather 94.7%

Cumulative Result

2002/3 Cumulative Result	Change since last year
93.7% (±0.9%)	0.0%

* Actual Cumulative Performance adjusted for force majeure weather 93.7%

Overview

We are disappointed with 2nd Class Response Service performance which has failed to achieve the 2002/03 Exit Target by 2.9%. However, Quarter 4 performance has recovered from the poor Quarter 3 result and 2002/03 results are generally better than the year before (e.g. Exit performance is 0.4% higher).

The Quarter 4 flightpath activities mirror those described for 1st Class Response Services, i.e. deployment of operating standards, communications campaign, support for high impacting units and liaison with Royal Mail sales force on issues of customer non-compliance.

The 2nd Class product will also be subject to the re-engineering of the Business Reply product portfolio. This review will ensure the product specification meets customer needs and targetry and fits with planned operational changes, i.e. cessation of 2nd delivery.

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. Flightpath Plan) has been produced as a separate document.

SPECIAL DELIVERY

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
98.8%	-	98.8%	99.0%	-0.2%

*No adjustment for bad weather⁵

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
99.2%	99.1%	98.2%	98.2%

* Actual Quarter 4 Performance adjusted for force majeure weather 98.8%

Cumulative Result

2002/3 Cumulative Result	Change since last year
98.6% (±)	+0.1%

* Actual Cumulative Performance adjusted for force majeure weather 98.6% (0.1% increase on 2001/2)

Overview

We are disappointed to have failed the Special Delivery Exit target by 0.2%. Of all the factors which affect Special Delivery results, network performance is the most significant. Although the January bad weather is not included in the Exit Results, its impact can be clearly seen in the Quarter 4 result which was depressed by 0.6%.

Foggy weather conditions on 21st February (at East Midlands, Liverpool, Coventry, Newcastle, Norwich, Gatwick, Bristol and Stansted Airports) and on 17th March (affecting all Scottish airports) caused disruption to our Skynet services and contributed heavily to the performance shortfall.

⁵ Special Delivery Quality of Service reporting periods follows the traditional financial reporting periods. Hence, the severe weather encountered at the end of January appeared in the January quality of service results, not in the February/March Exit period.

However, it is pleasing to note that cumulative performance has improved by 0.1% since 2001/02 in a year when the volume of traffic has increased by 7.5% (equivalent of 4m items). Recent independent customer research commissioned by Royal Mail has shown that Special Delivery delivered a significantly higher percentage of test items by 12.00 noon the next day than the competitors surveyed⁶.

Special Delivery was found to be a low cost alternative to TNT and Securicor and this was especially the case where there was already a mail collection or multiple items being sent. Royal Mail had better than average results for the percentage of collections made on time and 95% of Special Delivery test items were delivered with 'no damage to the covering or contents' - compared to an average score of 78% for the competition.

A number of activities have been carried out during 2002/03 to ensure we effectively handle these increasing volumes with no detrimental effect on Quality of Service:

- Secure Locker upgrades: Schemes to improve the space and layout of Special Delivery secure locker units have been completed in 17 Mail Centres during this year (bringing the total to 32 upgrades)
- Network analysis: Daily analysis of network operations and their impact on Special Delivery performance with timely remedial actions deployed

The Quarter 4 actions to relieve capacity pressure and improve compliance at Princess Royal Distribution Centre have also helped maintain Special Delivery performance levels. Investment in materials handling equipment (uniquely identifiable green bags) for the sole use of Special Delivery and release of 'Masterclass' best practice guidelines have also contributed.

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. Flightpath Plan) has been produced as a separate document.

⁶ Securicor, TNT and CityLink

Section 2.

Table 6.

**Pre-sort Products
Quarter Results (January – March 2003)**

Standard	Scheduled Standards			
	*Year End Target %		Jan - March %	95% cl
Mailsort 1	93.0		91.4	3.8
Mailsort 2	98.5		96.8	1.2
Mailsort 3	98.5		98.0	1.3
Presstream 1	92.5		89.0	1.0
Presstream 2	98.5		96.9	1.2

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

95% cl = 95% confidence limit

MAILSORT 1

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
92.5% (±4.7%)	2.0%	94.5% (±4.7%)	93.0%	+2.0%

* Actual Exit Performance adjusted for force majeure weather 92.7%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
89.3% (±4.6%)	90.9% (±4.9%)	90.0% (±4.5%)	91.4% (±3.8%)

* Actual Quarter 4 Performance adjusted for force majeure weather 91.5%

Cumulative Result

2002/3 Cumulative Result	Change since last year
90.8% (±2.3%)	+0.8%

* Actual Cumulative Performance adjusted for force majeure weather 90.8%

Overview

We are delighted to report that at 94.5% Mailsort 1 has achieved its Exit Target for the 2nd year running. Quarter 4 has seen the strongest performance this financial year and full year cumulative performance has improved by 0.8% since last year (with a cumulative result which also achieved the target 92.5% performance level).

A number of quality improvement activities within the Distribution Centre network have been carried out in Quarter 4 and these activities have benefited all products in the Workshare portfolio (i.e. Mailsort 1, 2, 3, Presstream 1 and Presstream 2):

Transport Review: Thames Valley Distribution Centre closed early in Quarter 4 with mail transferring to South West and Southern Home Counties Distribution Centres through a series of complex operational and employee changes. Initial teething problems with the transfer

have been largely overcome and revised plans are underway to ensure consistent clearance to workplan at these sites. The

circulation changes related to Thames Valley's closure required an update to the Mailsort Database - which specifies customer pre-sortation requirements. There is evidence that some customers have not yet converted to the new database, leading to missorts and/or delay. These issues are also being addressed locally through close liaison with customers.

Customer Issues: A programme of activity has begun to ensure both Mailsort and Presstream customers are compliant with the respective contractual arrangements for these products. These include checks for correct addressing standards and correct sortation and segregation (as described above). Distribution Centres are also working closely with customers to overcome the issues of poor volume forecasting which makes staff alignment difficult and can result in failure to clear.

Out of Course Cages: Work has been carried to identify and deploy best practices, e.g. by improving lane markings and increasing checks in the lane despatch area, which reduce the number of late and out of course cages. Quarter 4 has seen a reduction of 28% in the number of late and 15% in the number of out of course cages. This measure will continue as a key standard throughout 2003/04.

Mail Centre Handover: A trial of new Mail Centre handover measures between North West Distribution Centre and the Mail Centre it serves commenced in Quarter 4 with early indications that the new approach is providing robust information on which monitor and improve performance. The trial will come to a conclusion early in 2003/04, when plans for national deployment will be developed.

Root Cause Analysis: A Quality Test Letter looking at flows of mail out of East Midlands Distribution Centre was completed but was inconclusive⁷. However, East Midlands continue to monitor performance and drive improvements as described in their Regional Report to Postwatch.

Network Improvements: Local network improvements have continued throughout Quarter 4 and are described in the Regional Reports to Postwatch. The investment made to relieve capacity problems and improve compliance at Princess Royal Distribution Centre (as described for 1st Class Stamped and Meter mail) have also benefited Mailsort and Presstream products.

The strong Quarter 4 and cumulative performance puts Mailsort 1 on a strong footing for achievement of the 2003/04 target.

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. Flightpath Plan) has been produced as a separate document.

⁷ Quality Test Letters produce an electronic trace which identifies when an item is moving or stationary. This is useful for highlighting where delays or processing errors occur. The East Midlands study was inconclusive as the test letters were all delivered on time and hence did not highlight any problem areas.

MAILSORT 2

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
96.8% (±1.4%)	1.0%	97.8% (±1.4%)	98.5%	-0.7%

* Actual Exit Performance adjusted for force majeure weather 97.0%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
96.3% (±1.6%)	96.5% (±1.7%)	96.5% (±1.5%)	96.8% (±1.2%)

*Actual Quarter 4 Performance adjusted for force majeure weather 97.0%

Cumulative Result

2002/3 Cumulative Result	Change since last year
96.5% (±0.8%)	+1.1%

* Actual Cumulative Performance adjusted for force majeure weather 96.6%

Overview

At 97.8%, Mailsort 2 has failed to achieve the Exit Target by 0.7%. However, Quarter 4 performance has shown some improvement (particularly when adjusted for the severe weather) and the full year cumulative performance is 1.1% better than last year.

In Quarter 4 Area Managers and Distribution Centre Managers were reminded (via a product Best Practice Pack) of the importance of achieving the Mailsort 2 target through consistent workplan clearance - particularly in inward Mail Centres. Work to accelerate Mailsort 2 traffic on the Distribution Centre Network "A-Wave", i.e. 1st Class outlet, has also continued in Quarter 4 and a number of the activities described for Mailsort 1 have had a positive effect on Mailsort 2.

However, it is clear that we need to further raise the emphasis on this product to ensure the remaining performance gap with 2003/04 target

is quickly closed. The activities for closing the this gap have been set out in the 2003/04 Quality of Service Plan. The focus will

be on inward operations - in particular, ensuring that inward Mail Centres adhere to workplan and that Delivery Offices do not confuse Mailsort 2 with Mailsort 3 (which can be delivered over a longer period of time).

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. Flightpath Plan) has been produced as a separate document.

MAILSORT 3

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
98.1% (±1.5%)	1.0%	99.1% (±1.5%)	98.5%	+0.6%

* Actual Exit Performance adjusted for force majeure weather 98.1%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
97.7% (±1.7%)	98.2% (±1.6%)	97.4% (±1.7%)	98.0% (±1.3%)

* Actual Quarter 4 Performance adjusted for force majeure weather 97.9%⁸

Cumulative Result

2002/3 Cumulative Result	Change since last year
98.0% (±0.8%)	+0.1%

* Actual Cumulative Performance adjusted for force majeure weather 98.0%

Overview

With an Exit result of 99.1%, Mailsort 3 has successfully achieved target for the 2nd year running. Quarter 4 performance has remained strong, improving 0.6% from Quarter 3 and the product has maintained the cumulative performance achieved in 2001/02.

No Mailsort 3 specific activities were scheduled for Quarter 4 as performance remains relatively stable around the target level. However, the product continues to benefit from the generic Distribution Centre, network and Mail Centre activities described previously in this report.

⁸ The process used to adjust for the force majeure weather requires that all samples, regardless of whether they are delivered on time, are removed from the survey. For Mailsort 3, the adjustment process has actually led to a reduction in quality of service.

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. Flightpath Plan) has been produced as a separate document.

PRESSTREAM 1

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
89.2% (±1.3%)	2.0%	91.2% (±1.3%)	92.5%	-1.3%

* Actual Exit Performance adjusted for force majeure weather 91.5%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
91.1% (±1.1%)	91.5% (±1.1%)	90.5% (±1.1%)	89.0% (±1.0%)

* Actual Quarter 4 Performance adjusted for force majeure weather 90.6%

Cumulative Result

2002/3 Cumulative Result	Change since last year
90.8% (±0.6%)	+1.6%

* Actual Cumulative Performance adjusted for force majeure weather 91.2% (2.0% increase on 2001/2)

Overview

Presstream 1 performance has been seriously impacted by the severe weather encountered in late January. The impact on Presstream 1 has been more pronounced than on any other product as:

- 30% of all Presstream items are posted on a Thursday (the day on which the bad weather struck)
- Many of the large monthly Presstream publications are posted on the last Thursday of the month (again, coinciding with severe weather)
- 50% of all Presstream items are posted through the 3 Distribution Centres in the South East of England which were worst affected by the weather - Essex, Northern Home Counties and South Eastern.

With allowance for the severe bad weather, Presstream 1 has achieved its Exit target. We firmly believe the basic Exit result (with no weather allowance) is unrepresentative and that the 'weather adjusted' result gives a much fairer representation of the achievements made in improving Presstream 1 performance - as displayed in the full year cumulative result which is 1.6% higher than the previous year.

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. Flightpath Plan) has been produced as a separate document.

PRESSTREAM 2

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
96.8% (±1.6%)	1.0%	97.8%	98.5%	-0.7%

* Actual Exit Performance adjusted for force majeure weather 97.2%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
96.7% (±1.9%)	96.3% (±1.7%)	97.2% (±1.3%)	96.9% (±1.2%)

* Actual Quarter 4 Performance adjusted for force majeure weather 97.2%

Cumulative Result

2002/3 Cumulative Result	Change since last year
96.8% (±0.8%)	+0.6%

* Actual Cumulative Performance adjusted for force majeure weather 96.9%

Overview

At 97.8%, Presstream 2 has ended the year 0.7% short of the Exit Target (or 0.3% short if allowance is made for the bad weather which has had a disproportional impact on Presstream 1 and 2). However, like most other products, full year cumulative performance for Presstream 2 has improved on last year - by 0.6%.

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

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions Royal Mail intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. flightpath) has been produced.

PARCELS

Review of Results

Exit Results

Actual Performance Achieved	Adjustment for Weighting	Outcome	Target	+/-%
91.6% (±1.4%)	-	91.6%	90.0%	+1.6%

* Actual Exit Performance adjusted for force majeure weather 91.8%

Quarterly Results

April-June (Quarter 1) Result	July-September (Quarter 2) Result	October-December (Quarter 3) Result	January-March (Quarter 4) Result
82.0% (±1%)	88.3% (±1%)	91.3% (±1%)	91.6% (±1.1%)

* Actual Quarter 4 Performance adjusted for force majeure weather 91.8%

Cumulative Result

2002/3 Cumulative Result	Change since last year
88.5%±0.7% Full Year	+7.5%
90.5%±0.7% Quarters 2 to 4	

* Actual Cumulative Performance adjusted for force majeure weather 88.6%

Overview

We are delighted to report that the transfer of Standard Parcels into the Royal Mail pipeline in July 2002 has been extremely successful. At 91.6%, Parcels has exceeded the required Exit performance level by 1.6%. Quarterly performance has improved steadily through the year and the full year cumulative result is 88.5% - 7.5% higher than the previous year. Cumulative performance for Quarters 2, 3 and 4 is 90.5% - demonstrating the effectiveness of the transfer.

Quarter 1 2003/4

In accordance with Condition 4, Paragraph 8b of Royal Mail's Licence a statement of the actions [Royal Mail](#) intends to take in 2003/4 to meet the Scheduled Standard of Service Targets (i.e. flightpath) has been produced.

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.

For the February/March Exit Period all products except 1st Class Response Services and 1st and 2nd Class PPI achieved the 99.9% target with results of 99.5%, 99.8% and 99.8% respectively.

LOST MAIL/SUBSTANTIAL DELAY

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

Performance as measured remained at 100% for all products except 1st Class Response Services (99.9%) in February/March 2003.

IMPACT OF UNUSUALLY SEVERE WEATHER ON EXIT, QUARTER 4 AND CUMULATIVE RESULTS

Snow and freezing weather conditions in the South East at the end of January have impacted on 2002/03 Quality of Service results for all products. The effect of this severe weather has been material on many products but has not made a substantial impact on the achievement of our 2002/03 Exit Targets - only Presstream 1 switches from 'failure' to 'success' when adjustment is applied. Royal Mail is of the view that these exceptional circumstances should be taken into account when considering our 2002/03 performance.

This section demonstrates how bad weather has seriously disrupted service and impact on quality of service. It also describes the steps that we have taken to mitigate the impact of this severe weather. In such force majeure situations - especially where employee safety is at risk - the key focus is service recovery.

Service Disruption:

Poor weather conditions are not unexpected in Quarter 4 and they can take their toll on service performance when the air, rail and road infrastructure is disrupted. Many distant mail flows are dependent on a single network outlet to secure 1st Class quality of service and cancellation or substantial delay to that outlet ultimately leads to a quality of service failure as alternative routes or methods of transport can rarely be employed at short notice.

Our national quality of service plan recognises that performance is lower in the winter months and this is reflected in our flightpath plan. On a cumulative basis, the overall impact of such severe incidents are to some extent balanced by the positive effect of milder conditions in Quarters 1 and 2. However, the severity of the weather during the Exit period has had a more pronounced impact on our two month Exit results as it was localised in an area of the country whose infrastructure is ill prepared for such conditions.

Snow and freezing weather conditions on 30th January 2003 had a major effect on transport infrastructure in North London and adjoining areas of the Home Counties. This caused serious disruption to all rail, air and road transport users, not just Royal Mail, and was widely reported in the National Press. Some examples of the issues which Royal Mail had to address included:

- gridlocked traffic in North London - affecting collections and local distribution runs
- immobilised motorways and major roads in Hertfordshire and the surrounding counties (particularly the M11 and its approach to Stansted Airport)
- closure of the Industrial Estate housing Northern Home Counties distribution centre due to icy roads - impacting on performance for workshare products
- major delays to flights in and out of Stansted Airport plus disruption in Norwich and Scottish airports
- snowed up and/or frozen points in the vicinity of Princess Royal Distribution Centre (the principal road/rail hub which serves mail leaving and entering London and a large proportion of the Home Counties)

Quality of Service Impact

The table below provides a summary of the 2002/03 Exit, Quarter 4 and cumulative impact of the bad weather described above:

National Quality of Service depressed by:	Exit	Quarter 4	Cumulative
1 st Class Stamped and Meter	0.4%	0.3%	0.1%
2 nd Class Stamped and Meter	0.1%	0.1%	0.0%
1 st Class PPI	0.7%	0.5%	0.1%
2 nd Class PPI	0.2%	0.2%	0.0%
1 st Class Response Services	0.0%	0.0%	0.1%
2 nd Class Response Services	0.0%	0.0%	0.0%
Mailsort 1	0.2%	0.1%	0.0%
Mailsort 2	0.2%	0.2%	0.1%
Mailsort 3	0.0%	0.0%	0.0%
Presstream 1	2.3%	1.6%	0.4%
Presstream 2	0.4%	0.3%	0.1%
Special Delivery	N/A	0.2%	0.0%
Standard Parcels	0.2%	0.2%	0.1%

These impacts have been calculated by removing all test items posted in and/or due to be delivered to the affected postcode areas (based on a line roughly drawn from the Wash to the Solent). This involved removal of all samples, regardless of whether they failed or achieved the service specification, as follows:

- 1st Class - test items posted and/or to be delivered in the South East from Thursday 30th January to Sunday 2nd February
- 2nd Class and Parcels - test items posted and/or to be delivered in the South East from Tuesday 28th January to Sunday 2nd February
- Mailsort 3 - test items posted and/or to be delivered in the South East from Wednesday 22nd January to Sunday 2nd Feb

Clearly, there are alternative methods of calculating the quality of service impact - assuming a smaller/larger geographical area or longer/shorter exclusion window but we believe the approach described above gives a fair representation of the impact. The figures shown in the table above are quoted throughout the main body of this report to aid understanding of the true underlying Quarter 4 performance and to more accurately show the extent of the improvements made throughout 2002/03.

Steps taken by Royal Mail to mitigate the impact of bad weather

Royal Mail's Central Postal Control immediately sought to implement contingency arrangements and co-ordinate the communications and recovery operation. At a national level, the following network changes were introduced:

- a revised airplan, diverting mail scheduled for flights in/out of Stansted Airport
- introduction of 4 extra trains to convey the growing backlog of traffic at PRDC
- revised circulation for mails to the four principal TPOs into PRDC
- revised road schedules to clear backlogged mail at network nodes

Central Postal Control maintained constant contact with rail and air authorities to establish when routes would be re-opened and what alternatives were available, ensuring Mail Centres were kept informed. However, as conditions worsened and local authorities/service providers struggled to clear the channels, e.g. road gritting, defrosting rail points, the potential for using alternative network outlets narrowed.

The national recovery operation incorporated a much enhanced Saturday network, an additional road network on Sunday, additional flights on Sunday and special measures on Sunday to clear a backlog of traffic for the PRDC inward catchment area. Locally, a range of contingency and recovery arrangements were deployed including:

- ensuring all Intra routes were served
- ensuring neighbouring routes were served where roads remained open (finding alternative access routes where necessary)
- ensuring collections boxes were emptied at least once per day
- revising manpower plans and flexing Mail Centre and Delivery Office workplans to clear the backlog of mail by:
- obtaining additional resource through allocation of overtime and recruitment of Agency staff
- treating all mail as 1st Class once transport channels re-opened
- allowing deliveries to go out later in the day - permitting more time for the network operation

However, our overall conclusion from the evidence of this weekend was that our local managers and front-line staff rose magnificently to the challenges of a unique set of circumstances brought on by weather conditions which were both unannounced and unprecedented. They did as much as was possible, despite some great personal inconvenience, for our customers. We are proud of our people and what was achieved, which compares very favourably with some of the responses from other service industries.

Section 2.
Table 7.

Post Office Limited Performance
Quarter Results (January – March 2003)
Queuing Time Statistic - National

% of Customers served within 5 minutes

	Jan - March Performance %	Feb – March Performance %	*Target %	95% ci %
National	94.0	94.4	95.0	1.0

*Target applies to last two months of the financial year

95% ci = 95% confidence limit

Analysis of main variations – Annual result:

In October we alerted Postcomm and Postwatch that, in the light of the need to take radical and swift action to stem their financial losses, Post Office Ltd had reviewed their flightpath plan for QofS. The conclusion was that achievement of the February/March exit target for queuing times of 95.0% was high risk. However POL committed itself to take all reasonable endeavours to, at least, meet last year's outturn of 94.1%. It is pleasing, therefore, to report that, despite the difficulties, last year's performance was exceeded with a result of 94.4%. This was achieved with results of 93.4% in February and an impressive 95.3% in March.

This result was particularly pleasing against the risks that were flagged up in the revised flightpath and demonstrated that the activities we identified to help meet these risks were well deployed.

Furthermore, there were a number of failures where all counter positions were manned. If allowance is made for these failures then Post Office Ltd achieved 94.8% in February, 96.8% in March with a cumulative result of 95.8%.

Performance for the financial year as a whole was 93.0%. This result includes the heavy trading period of December. Excluding the December result the yearly cumulative outturn was 93.7%.

Looking ahead, we will continue to work hard to minimise queuing time as part of the overall pursuit of customer satisfaction levels that will be crucial to the future financial position of our Business. We will keep Postwatch informed of our activities in this area.

**Section 2.
Table 8.**

**Royal Mail National Performance
Cumulative Results April 2002 – March 2003**

Standard	Scheduled Standards			Tail of Mail			Loss / Substantial Delay		
	Year End *Target %	Apr - Mar Cum %	Apr - Mar Cum 95% cl	Year End *Target %	Apr - Mar Actual %	Apr - Mar 95% cl	Year End *Target %	Apr - Mar Actual %	Apr - Mar 95% cl
1st Class Stamped & Meter All	92.5	91.8	0.1	99.9	99.9	0.0	100.0	100.0	0.0
2nd Class Stamped & Meter All	98.5	98.6	0.1	99.9	100.0	0.0	100.0	100.0	0.0
1st Class Postage Paid Impression	92.5	83.9	0.7	99.9	99.7	0.1	100.0	100.0	0.0
2nd Class Postage Paid Impression	98.5	96.9	0.3	99.9	99.9	0.1	100.0	100.0	0.0
1st Class Response Services	92.5	80.3	1.4	99.9	99.5	0.1	100.0	100.0	0.0
2nd Class Response Services	98.5	93.7	0.9	99.9	99.9	0.0	100.0	100.0	0.0
Special Delivery	99.0	98.6	0.0	99.9	100.0	#	100.0	100.0	#
% of Postcode Areas with 90%+ for 1st class stamped & metered posted quality of service	100.0	91.5							
% of Postcode Areas with 92.5%+ for 1st class intra stamped & metered posted quality of service	100.0	90.9							
Mailsort 1	93.0	90.8	2.3	99.9	99.6	0.1	100.0	100.0	0.0
Mailsort 2	98.5	96.5	0.8	99.9	99.9	0.0	100.0	100.0	0.0
Mailsort 3	98.5	98.0	0.8	99.9	100.0	0.0	100.0	100.0	0.0
Presstream 1	92.5	90.8	0.6	99.9	99.8	0.0	100.0	100.0	0.0
Presstream 2	98.5	96.8	0.8	99.9	100.0	0.1	100.0	100.0	0.0
Standard Retail Parcel (End to End)	90.0	88.5	0.7	99.9	99.9	0.1	100.0	100.0	0.0
% of People queuing for less than 5 minutes at P.O. Counters	95.0	93.0	1.0						

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

◆Cumulative Target

Section 2.**Table 9.****Month Performance March 2003**

Standard	March %
1st Class Stamped & Meter All	92.4
2nd Class Stamped & Meter All	98.4
1st Class Postage Paid Impression	84.2
2nd Class Postage Paid Impression	96.8
1st Class Response Services	85.0
2nd Class Response Services	93.8
Special Delivery	98.9
Mailsort 1	92.5
Mailsort 2	96.7
Mailsort 3	97.6
Presstream 1	91.7
Presstream 2	96.5
Standard Retail Parcel	91.8
% of People queuing for less than 5 minutes at P.O. Counters	95.2

**Section 2.
Table 10.**

**Licence Condition 5 - Paragraph 6 - Customer Handling
Quarter Results (January – March 2003)**

	% Calls answered to quality standard aim - 85% in 15 seconds	% Cases closed to quality standard aim - 100% (inland) in 10 working days
Royal Mail	70%	86%
Post Office Limited	91%	79%
Total	79%	86%

Commentary on performance

Data Capture

Speed to answer

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

Case turnaround

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

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

Complaint Handling

We are pleased to report that we are now seeing steady performance on our speed measures with a significant improvement in the quarter for the Royal Mail campaign where we achieved our highest score of the year with a 19 point improvement on the previous quarter. We actually achieved the 85% target for the whole of the last month of the quarter. This has been sustained into the new financial year.

Grade of Service performance on the POL campaign has improved by a further 2 points to a year high of 91% and the combined total with Royal Mail has improved from 69% in Q3 to 79% in Q4. The underlying stats show that we are now consistently achieving in both campaigns.

Our overall performance on cases closed to target has also hit the best performance of the year with 86% achievement.

Our recruitment engine mentioned in the previous report is working well and we are in a better position to align staff to workload more effectively. Individual contact centre reviews are driving improvements and we are able to identify performance down to operator level which is helping us to pick up improvement opportunities and training needs. We have a tight focus on coaching our staff, highlighting standards of performance, in particular in Customer Handling Standards, Productivity and Quality measures.

These results confirm that the overall operation is now settling down. The principal objectives over the coming year will be to drive consistency, reliability and productivity with the quality of customer experience a priority. To this end a senior manager has been appointed with a remit to drive quality across the business.

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

Royal Mail

Royal Mail	Unresolved at start	Received in quarter	Resolved in quarter	Unresolved at end	Recompense £ *
Royal Mail Total	89,540	564,694	562,892	91,342	5,373,361
Loss	55,836	343,035	335,711	63,160	4,206,679
Delay	5,774	37,825	39,305	4,294	172,853
Redirection Failure	6,066	27,384	27,903	5,547	59,407
Misdelivery	4,212	25,103	25,036	4,279	38,082
Damage	2,927	15,364	16,348	1,943	241,976
Other	14,725	115,983	118,589	12,119	654,363

Complaint resolution action plan update

All of the actions detailed in the Condition 8 Loss Action plan and Condition 4.14 Complaints Action Plan have been progressed in accordance with milestones.

In terms of Loss, the actions detailed against each of the 24 Contributory causes are being tracked and monitored by the Loss Prevention Board and are performance managed on a quarterly basis. Contributory causes of Loss include each of the 5 key Complaints categories of; Loss, Damage, Delay, Mis-delivery and Re-directions. Complaints also continues to feature as a Primary Scorecard message and as such is subject to Performance Management at Unit, Area and Territorial level on a monthly basis

Misdelivery improvement activity continues to be the focus for the Loss plan and the key best practice improvement pack has now been deployed to 122 Delivery Units, including the 40 with the worst performance units in terms of Customer complaints. Internal communications campaigns have continued to highlight Mis-delivery as a key issue and this continues to be supported by the National, Area and Unit scorecard which positions Customer Complaints as a primary measure and target.

Activity continues to drive down loss and complaints associated with the “doorstepping” of packets and parcels. Since the transfer of parcels to Royal Mail from Parcelforce in July recorded incidents of “doorstepping” items has reduced by 60%, the aim is to drive this down further.

Investment in equipment, buildings and staff training continues in support of our Special Delivery product - our guaranteed secure product. Loss complaints have reduced and the focus on this area will remain.

In response to issues of mail delay Royal Mail continued the roll out of the Quality of Service Action Plan with focus on key operational standards. Postcomm and Postwatch receive quarterly updates on the plan and these should be referenced.

Measures aimed at reducing damage to mails items continue to be rolled out. The ongoing programme of sorting frames refreshment continues with the deployment of vertical slot fittings replacing the more traditional box fittings. Extended traying of mail continues and Royal Mail are currently trialling Flat (A4) Sorting equipment and the traying of Flat mail, both aimed at reducing damage to items as well as speeding the transfer of the mail. Improvements to delivery equipment also continue with improved mails pouches being made available, along with improved trolleys, both with the benefit of maintaining the integrity of the mail. Finally measures aimed at reducing jamming of automated sorting equipment continue to be developed.

A cross business team has been established to fundamentally review our Re-directions product. The whole supply chain and the operational specification will be subject to review with an end objective of improving performance of this essential product.

Training for new staff, refresher training for existing staff, and training packages for casuals, have been developed to re-emphasise the correct operational specification for a range of products and activities. The focus of the new training includes Re-directions, handling of Special Delivery and Recorded items, and best practice guidelines on the preparation and delivery of mail aimed at reducing Mis-delivery rates. A series of Work Time Learning/ Work Time Listening sessions have been developed in support of these key issues. In tandem with the focus provided by the Performance Management way of working, the additional training, support and engagement of the staff is designed to ensure key customer complaint issues are addressed and remedied.

Post Office Ltd

	Unresolved at Start of Q4	Received	Closed	Unresolved at End of Q4	Compensation Payout
Advice Provision	37	231	217	51	£ 1,322.00
Change Discrepancies	39	186	199	26	£ 669.00
Cus Serv at Transaction	184	423	565	42	£ 877.00
Service Failures	158	915	974	99	£ 1,958.00
Branch Facilities	62	466	471	57	£ 701.00
Other	204	860	880	184	£ 1,246.00
TOTAL	684	3081	3306	459	£ 6,773.00

The categories shown above can be described as follows:

- Advice provision – where customer has been given incorrect information on the availability / use of a service
- Change discrepancies – covers both overcharging and incorrect payments as well as change given to customers
- Customer service at transaction – rude, unhelpful, inattentive and impatient staff
- Service failure – where a service is not delivered eg redirection not implemented
- Branch facilities – physical access and availability / ease of use of facilities
- Other – speed of service, opening hours and product networks

Complaint resolution action plan update

Following a successful pilot in 3 branches, later extended to 33 others, the update to the Horizon system to support the full range of mails products is on track for roll out by October 2003. This will ensure counter staff advise customers correctly and should significantly reduce complaints of poor advice provision.

A simplified product range has been introduced for International Priority Services. The training aid was deployed during April 03

Data capture and the reporting function of the new Seibel computer system used by Customer Management are still in development. Only basic trend analysis has been possible.

A major system update is planned for late May after which more in depth and detailed analysis of complaint data should be possible.

In addition, in the light of practical experience with the system to date, simplification of the data capture process, supported by additional staff training is also planned.