

Licence Condition 4.6 (a) and (b)

Licence Condition 4.9 (a)

Licence Condition 5.6 (a) and (b)

National Report To Postcomm and Postwatch

2006/07 Quarter 1 Report



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**NATIONAL QUARTER 1 REPORT
2006 / 2007**

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OVERVIEW OF QUALITY OF SERVICE PERFORMANCE
QUARTER 1 - 2006/07

This is the first Quarterly Report produced in accordance with Conditions 4.9 (a), 4.6 (a) (b) and 5.6 (a) (b) of Royal Mail's amended Licence dated 25 May 2006.

The Annex to Condition 4 of the Licence details twelve Scheduled Services or Standardised Measures. Two of the Scheduled Services (Bulk First Class and Bulk Second Class) place individual products which had previously been subject to individual targets into one basket with one overall target. In addition there are four new Standards within the overall twelve which did not feature previously – European International Delivery, % Of Collection Points Served Each Day, % Of Delivery Routes Completed Each Day, and % Of Items Delivered Correctly. The Postcode Area Standard has changed from Posted In The PCA For Delivery In The UK to Posted In The UK For Delivery In The PCA.

Each Scheduled Service or Standardised Measure (apart from Special Delivery) has four performance bands set out at the Annex to Condition 4, with the consequences of performance in each of the bands explained in the Licence. This Report compares actual performance in Quarter 1 with the Performance Band 1 Standard.

The Quarter 1 reporting period for the End-to-End measures, except Special Delivery, and for Percentage Of Items Delivered Correctly was 20/03/06 – 04/06/06.

The Quarter 1 reporting period for Special Delivery was 27/03/06 – 25/06/06.

The Quarter 1 reporting period for European International Delivery was 01/04/06 – 30/06/06.

The Quarter 1 reporting period for the Collection and Delivery measures was 27/03/06 – 25/06/06.

Overall, a very good start to the new reporting year, with performance for 11 of the 12 Licence standards at or above the full year Licence requirement. All but two products (where historical information exists) performed at best-on-record levels for Quarter 1 as follows:

	Quarter 1 Actual c.w Full Year Target	Best On Record Quarter 1 Result *
Retail First Class	+ 1.1	✓
Retail Second Class	+ 0.6	✓
Bulk First Class	+ 2.2	Mailsort 1 ✓ Presstream 1 ✓ PPI 1 ✓ Response Services 1 ✓
Bulk Second Class	+0.9	Mailsort 2 ✓ Presstream 2 ✓ PPI 2 ✓ Response Services 2 ✓
Bulk Third Class	+2.1	✓
Standard Parcels	+4.2	✓
European International Delivery	+7.1	Not Available
Special Delivery	+0.0	
Postcode Area % Delivered	-3/118	Not Available
% Of Collection Points Served Each Day	+0.04	Not Available
% Of Delivery Routes Completed Each Day	+0.08	Not Available
% Of Items Correctly Delivered	+0.13	Not Available

* NB. Comparable results are available to 1995/96 for all UK products except Standard Parcels; comparable results are available to 2002/03 for Standard Parcels.

The only standard below the Licence full year target level is the new PCA measure of 1st Class Stamped and Meter Delivered from the rest of the UK. Three PCAs out of 118 are marginally below the full-year requirement at the end of Quarter 1. The three PCAs have action plans to address the root causes and we are confident that the full-year performance target will be achieved. (NB The PCA-level results at Quarter 1 are subject to wide statistical accuracy which will reduce as the year progresses as more samples are taken into account).

The following report details the results for Quarter 1. In addition, in accordance with the requirement from Postcomm, a written commentary is provided for any Scheduled Service or Standardised Measure, or for any product in the Bulk First Class or Bulk Second Class grouping, which falls into Band 3 or Band 4 of the performance bands as detailed in the Annex to Licence Condition 4. Cumulatively to the end of Quarter 1 this applies in three cases only.

- Response Services 1st Class (Performance Band 3)
- Response Services 2nd Class (Performance Band 3)
- Postcode Area: 1st Class Stamped and Meter Delivered From UK (Performance Band 3).

Table 1.

**Scheduled Services & Standardised Measures
Actual Quarter 1 Results
2006 - 2007**

Standard	Scheduled Services & Standardised Measures			
	Standards %		Quarter 1	Quarter 1 95% cl
Grouping 1 (Retail First Class)	93.0		94.1	+/- 0.2
Grouping 2 (Retail Second Class)	98.5		99.1	+/- 0.2
Grouping 3 (Bulk First Class)	91.0		93.2	+/- 0.3
• 1 st Class Postage Paid Impression	-		92.9	+/- 0.3
• 1 st Class Response Services	-		89.2	+/- 2.1
• Mailsort 1	-		95.4	+/- 2.3
• Presstream 1	-		94.8	+/- 0.8
Grouping 4 (Bulk Second Class)	97.5		98.4	+/- 0.4
• 2 nd Class Postage Paid Impression	-		97.8	+/- 0.4
• 2 nd Class Response Services	-		96.3	+/- 1.3
• Mailsort 2	-		98.9	+/- 0.8
• Presstream 2	-		98.0	+/- 1.5
Grouping 5 (Bulk Third Class)	97.5		99.6	+/- 0.6
Standard Retail Parcels	90.0		94.2	+/- 0.9
European International Delivery	85.0		92.1	+/- 0.9
Special Delivery #	99.0		99.0	##
Postcode Area Target % (Delivered)	91.5 (in 118/118)		115 of 118	
Percentage Of Collection Points Served Each Day	99.90		99.94	
Percentage Of Delivery Routes Completed Each Day	99.90		99.98	
Percentage Of Items Delivered Correctly	99.50		99.63	+/- 0.14

- Standard is full-year cumulative.
- ## Product subject to continuous sampling (confidence limit inapplicable).
- 95% cl = 95% confidence limit.
- # The result for Special Delivery is for all Special Delivery (Next Day) items. The Licence target is for Special Delivery (Next Day) other than when sold to users having an account with the licensee buying the service using their account. The Royal Mail measurement system is unable to separate the performance for account and non-account customers in this way.

Table 2.

**Postcode Area (PCA) First Class Stamped and Metered Delivered In PCA
Actual Quarter 1 Results
2006 - 2007**

Postcode Area	Q1	C/L	✓☒	Postcode Area	Q1	C/L	✓☒	Postcode Area	Q1	C/L	✓☒
AB Aberdeen	94.6	+/- 2.2	✓	DL Darlington	94.9	+/- 2.0	✓	KW Kirkwall	84.2	+/- 3.6	⊕
AL St Albans	93.3	+/- 2.2	✓	DN Doncaster	95.1	+/- 2.1	✓	KY Kirkcaldy	94.4	+/- 1.7	✓
B Birmingham	94.5	+/- 1.6	✓	DT Dorchester	94.4	+/- 2.2	✓	L Liverpool	93.8	+/- 2.2	✓
BA Bath	95.2	+/- 2.0	✓	DY Dudley	94.0	+/- 2.1	✓	LA Lancaster	94.9	+/- 2.1	✓
BB Blackburn & Burnley	91.7	+/- 2.8	✓	E London East	92.3	+/- 2.5	✓	LD Llandrindod Wells	92.8	+/- 2.6	✓
BD Bradford	95.3	+/- 2.2	✓	EC City of London	95.1	+/- 2.0	✓	LE Leicester	95.4	+/- 1.9	✓
BH Bournemouth	94.5	+/- 2.1	✓	EH Edinburgh	92.7	+/- 1.7	✓	LL North Wales	95.3	+/- 1.9	✓
BL Bolton	93.2	+/- 2.4	✓	EN Enfield	94.4	+/- 2.0	✓	LN Lincoln	92.1	+/- 2.5	✓
BN Brighton	95.0	+/- 2.2	✓	EX Exeter	93.0	+/- 2.5	✓	LS Leeds	92.8	+/- 2.4	✓
BR Bromley	95.3	+/- 2.0	✓	FK Falkirk	93.0	+/- 1.9	✓	LU Luton	94.8	+/- 2.1	✓
BS Bristol	95.1	+/- 1.9	✓	FY Fylde	93.6	+/- 2.4	✓	M Manchester	93.8	+/- 2.0	✓
BT Northern Ireland	91.7	+/- 2.5	✓	G Glasgow	93.6	+/- 1.4	✓	ME Maidstone	93.3	+/- 2.4	✓
CA Carlisle	93.3	+/- 2.2	✓	GL Gloucester	94.7	+/- 2.1	✓	MK Milton Keynes	94.8	+/- 2.2	✓
CB Cambridge	93.0	+/- 2.5	✓	GU Guildford	96.1	+/- 1.8	✓	ML Motherwell	92.9	+/- 2.0	✓
CF Cardiff	93.4	+/- 2.3	✓	HA Harrow	93.9	+/- 2.1	✓	N London N	94.4	+/- 2.3	✓
CH Chester & Deeside	93.7	+/- 2.3	✓	HD Huddersfield	95.1	+/- 2.0	✓	NE Newcastle	93.9	+/- 2.2	✓
CM Chelmsford	94.8	+/- 1.9	✓	HG Harrogate	90.5	+/- 2.7	☒	NG Nottingham	95.7	+/- 2.0	✓
CO Colchester	95.1	+/- 2.1	✓	HP Hemel Hempstead	95.4	+/- 1.9	✓	NN Northamptonshire	94.2	+/- 2.2	✓
CR Croydon	95.4	+/- 1.9	✓	HR Hereford	94.9	+/- 2.1	✓	NP Newport	91.3	+/- 2.6	☒
CT Canterbury	94.5	+/- 2.2	✓	HS Hebrides	82.6	+/- 3.8	⊕	NR Norwich	95.1	+/- 2.1	✓
CV Coventry & Warwickshire	93.3	+/- 2.5	✓	HU Hull	96.8	+/- 1.6	✓	NW London NW	92.8	+/- 2.2	✓
CW Crewe	93.7	+/- 2.2	✓	HX Halifax	93.4	+/- 2.4	✓	OL Oldham	96.5	+/- 1.8	✓
DA Dartford	95.4	+/- 1.9	✓	IG Ilford	94.2	+/- 2.1	✓	OX Oxford	93.5	+/- 2.2	✓
DD Dundee	93.3	+/- 1.8	✓	IP Ipswich	95.7	+/- 1.9	✓	PA Paisley	92.8	+/- 2.1	✓
DE Derby	95.0	+/- 2.1	✓	IV Inverness	93.9	+/- 2.0	✓	PE Peterborough	91.3	+/- 2.6	☒
DG Dumfries	94.7	+/- 2.2	✓	KA Kilmarnock	95.1	+/- 1.6	✓	PH Perth	92.3	+/- 2.0	✓
DH Durham	94.7	+/- 1.9	✓	KT Kingston upon Thames	95.5	+/- 2.0	✓	PL Plymouth	92.3	+/- 2.5	✓

☒ = Areas below full-year target

✓ = Areas meeting or exceeding full-year target

⊕ = Exempted from postcode area targets

Table 2. (Continued)

**Postcode Area (PCA) First Class Stamped and Metered Delivered In PCA
Actual Quarter 1 Results
2006 - 2007**

Postcode Area	Q1	C/L	✓☒
PO Portsmouth	95.5	+/- 2.1	✓
PR Preston	92.9	+/- 2.5	✓
RG Reading	95.8	+/- 1.8	✓
RH Redhill	95.9	+/- 1.8	✓
RM Romford	93.3	+/- 2.5	✓
S Sheffield	93.2	+/- 2.2	✓
SA Swansea	92.3	+/- 2.7	✓
SE London SE	94.7	+/- 1.6	✓
SG Stevenage	95.0	+/- 2.0	✓
SK Stockport	92.9	+/- 2.5	✓
SL Slough	96.5	+/- 1.6	✓
SM Sutton	94.1	+/- 2.2	✓
SN Swindon	97.7	+/- 1.4	✓
SO Southampton	94.0	+/- 2.4	✓
SP Salisbury	93.4	+/- 2.2	✓
SR Sunderland	92.6	+/- 2.7	✓
SS Southend-on-Sea	95.2	+/- 2.0	✓
ST Stoke-on-Trent	94.2	+/- 2.3	✓
SW London SW	94.3	+/- 1.5	✓
SY Shrewsbury & Mid Wales	94.9	+/- 2.0	✓
TA Taunton	94.1	+/- 2.2	✓
TD Borders	93.4	+/- 2.3	✓
TF Telford	95.5	+/- 2.0	✓
TN Tonbridge	95.3	+/- 2.1	✓
TQ Torquay	93.4	+/- 2.3	✓
TR Truro	91.8	+/- 2.3	✓
TS Teesside	94.4	+/- 2.1	✓

Postcode Area	Q1	C/L	✓☒
TW Twickenham	93.5	+/- 2.1	✓
UB Uxbridge	92.6	+/- 2.4	✓
W London West	92.8	+/- 2.1	✓
WA Warrington	94.0	+/- 2.1	✓
WC London West Central	95.0	+/- 1.9	✓
WD Watford	96.4	+/- 1.7	✓
WF Wakefield	95.3	+/- 2.0	✓
WN Wigan	95.7	+/- 2.1	✓
WR Worcester	94.5	+/- 2.1	✓
WS Walsall	93.2	+/- 2.2	✓
WV Wolverhampton	93.6	+/- 2.1	✓
YO York	94.7	+/- 2.2	✓
ZE Lerwick	43.3	+/- 4.8	⊕

☒ = Areas below full-year target

✓ = Areas meeting or exceeding full-year target

⊕ = Exempted from postcode area targets

Table 3.

**Percentage of Deliveries By Latest Delivery Times
Actual Quarter 1 Results
2006 - 2007**

Standard		Rural Quarter 1	Urban Quarter 1
UK		99.8	99.6

Table 4.

**Percentage Of Collections At Or After Final Advertised Time of Collection
Actual Quarter 1 Results
2006 - 2007**

	Percentage Of Collections (From All Access Points Except Business Collections) At Or After Final Advertised Time of Collection
National Result	Quarter 1
UK	96.9

1ST CLASS RESPONSE SERVICES

Quarter 1 Result	Confidence Level
89.2	+/- 2.1

OVERVIEW

1st Class Response Services is within the overall Grouping 3 (Bulk First Class) Scheduled Service which has a Licence Standard of 91.0 for full year performance. Quarter 1 result for the Grouping was 93.2, well above Standard, and we are forecasting achievement of the full-year Licence Standard for the Grouping.

Last year's result for 1st Class Response Services was the best-on-record 90.1 (+/- 0.9). Royal Mail has consistently stated that we will continue to strive to improve Quality of Service for this product, but that there is no certainty that the previous Licence target of 90.8 is achievable for the existing product specification. The manual counting and billing of items at the Delivery Office in time to connect with delivery adds an additional handling process and is not compatible with a single delivery operation. It was for this reason that Royal Mail developed and launched in 2004/5 a new but complementary set of machineable products, Response Plus, which give customers a choice.

The old RS products remain a Controlled Service within the Licence and therefore we are required to report performance within this document. In the QoS Plan for 2006/7, which was submitted to Postcomm and Postwatch in March, Royal Mail said that our objective for 2006/7 will be to maintain the 2005/6 level of performance for the old RS products.

Although the Quarter 1 result of 89.2 is below last year's level, work continues to identify where delays are occurring across the operations pipeline. In respect of the downstream elements of the pipeline (ie Inward Mail Centre and Delivery) analysis of the End-to-End results has identified 5 Postcode Areas which have a high impact on the overall national performance result. Analysis of the End-to-End survey data for these PCAs has highlighted likely root causes in each case, and a series of independent audits by the Quality Excellence Team (QEX) has been instigated to verify the findings. Specific action plans will be drawn up following the QEX process in order to drive performance improvement. In respect of upstream performance (Collection and Outward Mail Centre processing) analysis of the Q1 results is continuing, but there is no immediate identification of high impact units. Work is continuing to understand any quality loss that occurs in the Outward Mail Centre function.

2nd CLASS RESPONSE SERVICES

Quarter 1 Result	Confidence Level
96.3	+/- 1.3

OVERVIEW

2nd Class Response Services is within the overall Grouping 4 (Bulk Second Class) Scheduled Service which has a Licence Standard of 97.5 for full year performance. Quarter 1 result for the Grouping was 98.4, above Standard level, and we are forecasting achievement of the full-year Licence Standard for the Grouping.

Last year's result for 2nd Class Response Services was 95.3 (+/- 0.6) which was best-on-record annual performance. As with 1st Class Response Services, Royal Mail's Quality of Service Plan recognises that the previous Licence target of 97.5 is unlikely to be achieved for the old RS products and specification. As with 1st Class RS a new set of products had been launched to give customers a choice.

The Quarter 1 result of 96.3 for the old products is a 1% improvement on last year's annual result and 2.2 better than Q1 last year. The activities described previously for 1st Class Response Services have supported, and will continue to support, improvements for the 2nd Class products.

POSTCODE AREA – 1ST CLASS STAMPED AND METER DELIVERED

The Schedule Of Standardised Measures requires all Postcode Areas (excluding HS, KW and ZE) to achieve an average performance of 91.5% next day delivery for 1st Class Stamped and Meter Delivered in the PCA throughout the 12 months period ending March 2007, excluding the Christmas period.

Progress against this standard is shown in the table below:

Number Of Postcode Areas Averaging 91.5% Or Above For 1st Class Delivered Stamped And Meter	
Quarter 1 Result	Full Year Cumulative Standard
115 out of 118	118 out of 118

The End-to-End measurement system is designed to produce results which have meaningful statistical accuracy on an annual basis. The results for a single quarter have wider statistical accuracy. We do not expect all Postcode Areas to be achieving the full-year target level at the beginning of the year as a single month of weaker performance with wide statistical accuracy can have a significant effect on the cumulative result. Obviously, as the year progresses the impact of that single month will decrease. This fact – which is supported by historical analysis – was reflected in the flightpath forecasts included in the QofS Plan submitted to Postcomm and Postwatch at the beginning of the year, and it is extremely heartening that the Quarter 1 actual performance is significantly ahead of the flightpath expectation. Quarter 1 is a very good result.

The task below summarises the performance of the 3 Postcode Areas which after Quarter 1 are below the full year target level, together with the performance which is required during the remainder of the year in order for each to achieve its full year standard. In all 3 cases, the rest-of-year requirement is achievable and is supported by local action plans.

Postcode Area	Quarter 1 Results	Rest Of Year Requirement
HG Harrogate	90.5 +/- 2.7	91.8
PE Peterborough	91.3 +/- 2.6	91.6
NP Newport	91.3 +/- 2.6	91.6

- HG (Harrogate) is 1% below the Licence full year standard after Quarter 1. The Period 3 result had a negative effect on the 3

month cumulative. Historically, the PCA has performed well (92.8 in 2005/6) and no systemic issues have been identified. However, in order to provide further analysis a programme of electronic Quality Test Letters (QTL) studies has begun. We are confident that HG will achieve the 91.5 full-year target – and the early indications from the Period 4 result is that the PCA is on course.

- PE (Peterborough) is just 0.2% below the Licence full year standard after Quarter 1 (with a statistical confidence level of +/- 2.6 around the result). QTL testing took place after early results in the Quarter, and Period 3 saw an improved performance. We are continuing with QTL testing in Quarter 2, but we are confident that PE will achieve the full year target. (Indeed, the provisional Period 4 result puts the cumulative above Licence target level).
- NP (Newport) is just 0.2% below the Licence full year standard after Quarter 1 (with a statistical confidence level of +/- 2.6% around the result). The Q1 result was affected by a poor Period 1, with results in Periods 2 and 3 above the Licence level. Indeed, the provisional result for Period 4 shows further improvement and moves the cumulative result to well above the Licence full-year requirement. Nevertheless, in order to ensure performance, QTL studies have commenced.

Table 5.**Licence Condition 5.6 – Complaints Report****Q1 Report - 5.6 (a), 5.6 (b) (i), (iii)**

	The number of complaints unresolved at the beginning of period	The number of complaints received in the period	The number of complaints resolved in the period	The number of complaints unresolved at the end of period	Total Compensation Value
Royal Mail Letters Total	22,557	322,869	325,241	25,278	£3,149,713
Main Causes:					
Loss	13,657	134,263	133,674	16,386	£2,049,880
Redirection Failure	1,700	34,905	35,558	1,723	£79,944
Mis-Delivery	910	32,941	33,307	826	£8,678
Delivery Procedures	779	25,841	26,307	689	£15,689
Delay	984	19,562	19,951	1,007	£243,446
Damage	1,162	14,732	15,034	1,295	£254,638
Delivery Frequency	239	8,948	9,038	235	£407
Redirection Centre Failure	271	5,052	5,138	183	£6,495
Part Loss	259	4,828	5,028	251	£59,560
Other Complaints	2,596	41,797	42,206	2,683	£430,978

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

Q1 Report - 5.6 (b) (ii)

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

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

Royal Mail

75.0 %

95.0 %