



Office of Utility Regulation

Update on Guernsey Post Limited's Compliance with Directions

Information Notice

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1 Introduction

The Director General is issuing this Information Notice in order to provide interested parties with an update on progress with Guernsey Post Limited's ("GPLs") compliance with the Directions imposed by the Director General in March 2003 arising from the OUR's investigation into the service failures experienced in December 2002 and January 2003.

Other related postal workstreams that may be of interested to readers of this report include the following:

Quality of Service Direction

Notice of a direction to GPL¹ (OUR 03/24) imposing formal Quality of Service targets on GPL is available on the OUR's website (www.regutil.gg). This paper sets out targets and requires publication of performance in relation to many of the issues that were subject to Directions by the OUR after its Christmas 2002 investigation.

Postal Tariffs

In the light of negotiations with Royal Mail as its primary business partner, the OUR has requested GPL to submit a business plan on 1 November 2003 with the company's proposals for tariff changes which it considers should be introduced in 2004. OUR will publish GPL's proposals and consult on the OUR's methodology for reviewing the company's application early in November 2003.

2 Background

On 3rd January 2003, the Director General announced her intention to launch a formal investigation² into the operational difficulties that had arisen at GPL during December 2002. The scope of the investigation was the consideration of:

- GPL's delivery service failure over December 2002 and January 2003;
- GPL's customer complaint handling and information provision during that period and its systems for these functions generally; and
- GPL's failure to comply with its universal service obligation with respect to daily delivery of mail to all households.

On 3rd March 2003, the OUR's findings³ on these issues and a Notice of a Proposal to issue Directions to GPL in accordance with Section 31 of the Post Office (Bailiwick of Guernsey) Law, 2001 ("the Postal Law"), were published to give interested parties an opportunity to make written representations or objections in respect of the Proposed Directions. The OUR's investigation and the proposed directions focussed on four key areas namely:

- identifying the reasons for the service failure;

¹ Document OUR 03/24 Guernsey Post Limited: Quality of Service Notice of Direction to Guernsey Post Limited under condition 14.1 of its Licence to provide Postal Services.

² Document OUR 03/01 Postal Quality of Service – Information Notice

³ Postal Services in Guernsey Report on Findings of OUR Investigation and Notice of Proposal to issue Directions to Guernsey Post Ltd under Section 31 of the Post Office (Bailiwick of Guernsey) Law, 2001

- establishing the degree to which the failure had been corrected and where this had not been achieved, what further measures were necessary;
- setting out the key issues that needed to be addressed by GPL to ensure that there would be no recurrence of the factors leading to the service failure along with an action plan and timetable for those actions; and
- ensuring that there were measures in place that guaranteed a firm base line of universal service delivery including measures to ensure the stability and continuity of service in future.

Following the statutory notice period and written representations from GPL and Deputy John Gollop the Director General issued 10 Directions⁴ to GPL which fell into three broad groups:

- preventative and remedial measures,
- universal postal service targets and
- redress to customers.

Each of the Directions set out a series of actions that GPL was required to address within specified timeframes. In general these actions were focussed on internal systems and processes that GPL was required to put in place and this document summarises GPL's compliance with these Directions in Section 3.

3 Compliance with Directions

3.1 Preventative and Remedial - Operations

GPL was required to put in place a series of operational systems, processes and plans to ensure that it can plan for and meet its obligations and ensure that the systemic problems that occurred in December 2002 can be prevented. These included:

- The introduction of a sorting office work plan to deal in particular with peak volumes;
- The introduction of a resourcing plan;
- The development of a contingency plan;
- Implementation of measures to improve post code usage;
- Adopting project planning procedures for all major projects; and
- Deployment of the video coding facility.

All of those actions that were due to be concluded by 31st July 2003 have been completed by GPL in accordance with the Directions specified in OUR 03/09. The OUR is pleased to note that GPL's Board has approved the plans and systems that have been introduced by the company as fit for purpose.

One key area that was identified by the company as contributing to service failure was the low usage of postcodes and Direction 2.1 required the company to put in place measures to improve postcode usage. GPL has complied with these requirements, for example by publishing a postcode finder and issuing a CD-ROM with the postcode

⁴ Document OUR 03/09 Postal Services in Guernsey – Notice of Directions in accordance with Section 31 of the Post Office (Bailiwick of Guernsey) Law, 2001

information on it. As a result postcode usage has risen considerably. The use of postcodes on Bailiwick to UK mail has risen from 76% in January 2003 to 93% in July 2003 and for Bailiwick to Bailiwick mail over the same period it has risen from 53% to 79%. The Director General welcomes this increased usage of postcodes by consumers and expects that this will assist the company in preventing a recurrence of service failure.

The OUR is aware that the GPL relationship with Royal Mail is of great importance in that it significantly affects the operational capability of the company. The OUR is being kept abreast of negotiations with Royal Mail for arrangements between the two operators and appreciates this open approach by GPL. Ultimately the responsibility for ongoing management and implementation of its business relationship with Royal Mail lies with GPL and the company is responsible for ensuring that the systems and processes it has implemented are fit for purpose.

In particular, given the extensive work that has been done on internal processes in the context of this investigation, the OUR expects that it will henceforth concentrate on measuring and confirming results and deliverables rather than processes.

3.2 Preventative and Remedial Customer Complaints and Communications

Directions set out in Document OUR 03/09 in relation to customer complaints and communications included:

- Amendments to the company's automated call handling system;
- Consultation with customers;
- Enhancements to website; and
- Measuring of internal handling of complaints.

The OUR is pleased to confirm that GPL has complied with all those Directions that had a deadline of 31st July 2003. In particular this has involved GPL implementing systems and processes to monitor the company's performance in responding to customer queries and complaints. The benefits of these systems and processes should become apparent in the results of the customer facing Key Performance Indicator ("KPIs") that have been set for GPL. These are set out in some detail in Document OUR 03/24 which addresses Quality of Service, but in brief the KPIs with respect to customer complaints include;

- acknowledging complaints within two working days; and
- resolving customer complaints within 10 working days.

Once again, given the extensive scope of the original directions and the fact that the company now has a significant amount of guidance on what internal systems are required, the OUR's role as regulator will be primarily confined to monitoring and measuring the output GPL's systems and the company's results. The internal systems to achieve those results are the responsibility of the company.

3.3 Universal Service Targets

Direction 9 in Document 03/09 included targets and timescales within which GPL was required to undertake the actions necessary to bring it into compliance with its universal postal obligation (“USO”). That USO was set by the States of Guernsey at the time that GPL was commercialised and requires amongst other things that the company provides daily deliveries of mail items six days a week.

It is important to note that the States Direction⁵ to the Director General does not address quality of service aspects such as end to end delivery times. These issues were addressed in the OUR’s Quality of Service Consultation⁶ and Report⁷ and the enforcement of these targets is covered in Document 03/24.

During the investigation, it transpired that GPL was not meeting the six days a week delivery requirement and the Director General set targets for stepped improvements in GPL’s performance on this issue. These targets and GPL’s performance against the targets are shown in Table 1.

Table 1: Average Daily Number of Incomplete Delivery Rounds

Month	Target	GPL’s Actual Performance
April 2003	0.50	0.22
May 2003	0.25	0.10
June 2003	0.10	0.04
July 2003	0.00	0.00

The Director General is pleased to note that GPL has exceeded the targets that were in place from April through to June 2003 and in July it operated fully in accordance with the States Direction concerning the universal service. The Director General considers this to be a demonstration of the customer service that GPL can deliver and encourages the company to continue to ensure this level of compliance is a regular part of its performance.

The Post Office (Bailiwick of Guernsey) Law, 2001, GPL’s licence and the States Direction in relation to the universal service obligation set out the circumstances in

⁵ “... throughout the Bailiwick of Guernsey at uniform and affordable prices, except in circumstances or geographical conditions that the Director General of Utility Regulation agrees are exceptional:

- One collection from access points on six days each week;
- One delivery of letter mail to the home or premises of every natural or legal person in the Bailiwick (or other appropriate installations if agreed by the Director General of Utility Regulation) on six days each week including all working days;
- Collections shall be for all postal items up to a weight of 20Kg;
- Deliveries on a minimum of five working days shall be for all postal items up to a weight of 20Kg;
- Services for registered and insured mail.”

⁶ Document OUR 03/04 Guernsey Post: Quality of Service – Consultation Paper

⁷ Document OUR 03/12 Postal Quality of Service, Report on the Consultation, Decision Notice and Direction

which failure to comply with the company's universal service obligation may be relaxed or where the Director General may refrain from taking action in relation to a breach of licence. Going forward therefore the Director General will consider GPL's compliance on a case by case basis and will take individual circumstances into account where there are any difficulties.

3.4 Customer Redress

The OUR welcomes GPL's commitment to the provision of a discounted service for local mail for Christmas 2003. GPL will be offering a local Christmas mail service for letters upto 100g with a maximum size of C5 (i.e. 162mm x 229mm) at a price of 10p instead of the standard price of 22p.

In order to manage the volumes of mail over this peak period, this service will be available from the 1st December to the 15th December inclusive. In order to facilitate the efficient processing of the mail by GPL, customers are strongly encouraged to include postcodes in local mail so as to assist GPL with the increased mail volumes arising for the provision of this discounted service. There will also be a latest posting date for standard local mail (i.e. the normal 22p tariff) after the 15th December for delivery before the 25th December 2003. GPL will be providing further details in due course.

These arrangements will be taken into account by GPL in developing the December resourcing plan which is to be submitted to the OUR by 30th September 2003 which will be designed to take into account any additional mail arising from the discounted price.

4 Conclusion

In conclusion, the OUR is pleased to confirm GPL's compliance with the various individual Directions issued following the Christmas 2002 investigation. The OUR will monitor the outputs and deliverables of GPL in the form of compliance with QoS targets, USO obligation and KPIs and expects the company to manage and keep fit for purpose its internal systems and processes.

However, the DG reserves the right to reconsider any of the systems and processes that were the subject of this investigation, or any other systems or processes, if she has concerns as to the ability of GPL to meet its licence obligations.

/END