



Office of Utility Regulation

Guernsey Post: Quality of Service

Consultation Paper

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Postal Quality of Service

Consultation Paper

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Foreword

Despite the rise in popularity of the fax, a seemingly endless stream of emails and the increasing popularity of mobile text messaging, the written word, physically sent and received, continues to represent an important means of communication in business and private life. This is why the provision of a universally available, low cost mail service throughout the Bailiwick of Guernsey is an explicit policy of the States of Guernsey.

Guernsey Post Limited has been given the responsibility of delivering that service and this consultation paper is concerned with the quality and standards to which that service should be provided.

The Paper sets out to consider the services provided by Guernsey Post Ltd, how the delivery of those services to postal users can be monitored and tracked, and how the quality of the services can be set and maintained at a high level.

Specific targets are proposed for key services like next day delivery of mail in the Bailiwick and to key destinations such as the UK, and the factors that go into setting those targets are explained. The input of participants in an industry workshop and a public meeting on the 23rd January has helped the OUR to make the paper as comprehensive as possible and I would like to thank those who attended.

The disruption to the universal postal service towards the end of 2002 and the beginning of 2003 threw the importance of postal services into sharp relief and highlighted the direct relevance of postal services to everyone in the Bailiwick.

I would invite every postal user, those who were affected by those delays and those who were not, to consider the issues in this paper and provide their comments by the response date. Those comments will inform us and help to shape quality of service standards that will be put in place for Guernsey Post Limited so as to secure a reliable, sustainable and high quality universal postal service for all postal users in the Bailiwick.

Regina Finn
Director General of Utility Regulation

1 Introduction

On 1st October 2001, the States of Guernsey established Guernsey Post Ltd (“GP”) to take over the functions of the States Post Office Board. At the same time the States enacted the Post Office (Bailiwick of Guernsey) Law, 2001 (“the Postal Law”) which gave the function of regulating the postal sector to the Director General of Utility Regulation (“the Director General”). When enacting this legislation, the States also set out States policy on postal services in the form of States Directions made under the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 (“the Regulation Law”). These Laws and the States policies are set out in more detail in Section 3 of this document.

In accordance with those Laws and policies, the Director General granted a licence to GP on 1st October 2001. That licence

- required GP to provide a universal postal service throughout the Bailiwick at a uniform price, and
- granted to GP the sole rights in Guernsey to provide a limited set of postal services known as the “reserved services”¹.

The purpose of this monopoly is to protect and ensure the continuity of the universal service to all addresses in the Bailiwick and this is described in greater detail in Section 3.1 later. With the exception of the reserved services, there are no restrictions on any operator providing postal services in the Bailiwick. Thus there is competition for services such as special delivery, courier services, etc.

The Licence issued to GP by the Director General was finalised following a public consultation on the terms and conditions it should contain². Following the conclusion of that consultation, the Director General included certain specific conditions relating to quality of service in GP’s licence which were designed to ensure that GP meets quality of service targets whilst enabling the Director General to receive sufficient information to monitor compliance.

Given this market structure, which Guernsey shares with most western developed jurisdictions, both residential and business consumers within the Bailiwick rely entirely on GP for the provision of their standard letter post services and this is likely to continue to be the case for some time. Therefore it is important to ensure that the operation and maintenance of the facilities and services of GP are provided at a sufficiently high level to meet the reasonable needs of the users of the service. The importance of this has been highlighted by the operational difficulties experienced by GP over the Christmas period of 2002 which resulted in lengthy delays in the delivery of post within the Bailiwick.

In January 2003 the Director General held a workshop for users of bulk mail and an open public meeting for all interested parties on the development of quality of service

¹ Postal services provided in consideration of a payment less than £1.35 made by, or on behalf of, the person to whom those services are provided are designated as reserved postal services.

² See Document OUR 01/05 Postal Licence Conditions, Consultation Paper, Document OUR 01/15 Postal Licence Terms and Conditions, Decision Notice and Report on the Consultation Paper, Document OUR 01/20 Postal Licence Terms and Conditions.

targets for GP. This paper has been developed as a result to address how this licence condition should be implemented. The paper considers:

- Which performance indicators best reflect the Quality of Service required by customers within the Bailiwick;
- How should the proposed quality of service for those indicators be measured; and
- What target should be set for each quality of service indicator.

The remainder of this Consultation Paper is organised as follows:

Section 2 - sets out the procedures for individuals and organisations wishing to respond to this document and provides the timetable for submitting responses

Section 3 - provides background information on the legal, policy and licensing framework, including GP's relevant licence conditions and details of earlier work in the development of the regulatory regime for the postal sector.

Section 4 - describes the characteristics and features of GP's postal network and compares GP's network with a generic postal network, thus providing a context in which to consider the issues raised for discussion in the paper.

Section 5 - addresses the concept of Quality of Service ("QoS") as perceived by consumers within the Bailiwick and considers a framework for defining QoS for GP.

Section 6 – describes the QoS indicators that the Director General proposes should be measured in Guernsey and invites views on these or any other indicators that should be measured.

Section 7 – describes the methodology that the Director General proposes to use and criteria that will be taken into account, in setting targets for GP's QoS indicators together with proposed target levels.

Section 8 - addresses measurement and monitoring of services to demonstrate that targets are met as well as compliance and compensation arrangements.

Section 9 – provides a summary of all the specific questions throughout the consultation document.

In addition there are a number of supporting Annexes, which provide additional background material.

In summary, the paper sets out proposals regarding the introduction of QoS standards in accordance with GP's licence conditions and calls for comments on those proposals.

This consultative document does not constitute legal, commercial or technical advice. The Director General is not bound by it. The consultation is without prejudice to the legal position of the Director General or her rights and duties to regulate the market generally.

2 Consultation Procedure and Timetable

The consultation period will run from Friday 31st January 2003 to Friday 28th February 2003. Written comments should be submitted before 5.00pm on February 28th 2003 to:

Office of Utility Regulation
Suite B1 & B2,
Hirzel Court,
St. Peter Port,
Guernsey GY1 2NH.

Email: info@regutil.gg

All comments should be clearly marked “Comments on Guernsey Post: Quality of Service- Consultation Paper”.

All comments are welcome, but it would make the task of analysing responses easier if comments reference the relevant question numbers from this document. In line with the policy set out in Document OUR01/01 – “Regulation in Guernsey; the OUR Approach and Consultation Procedures”, the Director General intends to make responses to the consultation available for inspection. Any material that is confidential should be put in a separate Annex and clearly marked so that it can be kept confidential.

The Director General regrets that she is not in a position to respond individually to the responses to this consultation, but she will publish a report on the consultation after all comments have been considered.

3 Background

3.1 Legislation

The Postal Law and the Regulation Law together provide the legislative basis for the regulation of postal services in Guernsey and the relevant provisions are referenced in this section. Copies of the legislation are available on the OUR website at www.regutil.gg.

3.1.1 Licensing

The Postal Law provides that a range of postal activities do not require licensing, ranging from personal private delivery to the delivery of court documents and banking instruments³. In addition, any postal services that are provided for a price greater than £1.35 (the “reserved services”) can also be provided by any person or business without a licence. All services that are provided for a price of less than £1.35 are deemed to be reserved services and this is set out in an Order made by the Director General in accordance with section 9 of the Postal Law⁴.

To provide these reserved services, an operator must hold a licence issued by the Director General. Furthermore GP is the only operator licensed to provide these services and this is so that the company can meet the requirement to provide a specific universal service obligation which is described in Section 3.2 below.

The Director General may specify the conditions to be included in a licence issued under the Postal Law. Relevant licence conditions are described in Section 3.3 below.

3.1.2 States Directions

The Regulation Law provides that the States of Guernsey may issue States Directions to the Director General on a number of specific areas, thus setting out overall government policy for the postal sector which the Director General can then implement within the legislative framework described above. States policy is described in Section 3.2.

3.1.3 Terms, Conditions and Compensation

The primary legislation (the Postal Law) also includes a number of other provisions that are relevant to this consultation. These include

- Provisions enabling GP to set its terms and conditions out in the form of “schemes” and the granting of the power to the Director General to direct that such schemes may be amended if they are considered unreasonable⁵
- Provisions limiting the liability of the universal service provider against claims for consequential loss, and
- Provisions allowing the licensee to develop voluntary codes of compensation for customers.⁶

³ Section 1(2) of the Post Office (Bailiwick of Guernsey) Law, 2001

⁴ The Post Office (Reserved Postal Services) Order, 2001

⁵ Section 10 of the Post Office (Bailiwick of Guernsey) Law, 2001

⁶ Sections 11 to 13 of the Post Office (Bailiwick of Guernsey) Law, 2001

These provisions are described in more detail in section 8.3 later in this paper.

3.1.4 Conclusion

This legislative structure provides the Director General, GP and the States of Guernsey with a framework similar to that in neighbouring jurisdictions, within which:

- States policy can be articulated in more detail in the form of States Directions;
- Licence conditions can be developed to provide more detail on the operation of the market; and
- The company can provide services to its customers in accordance with a transparent set of rules.

3.2 States Policy

The Regulation Law provides for the States of Guernsey to issue States Directions to the Director General in relation to:

- the scope of the universal service that should be provided in the postal sector in the Bailiwick;
- the extent of any exclusive privileges or rights in the postal sector;
- the identity of the first licensee in the postal sector; and
- any obligations arising from international agreements.

In September 2001, the States issued Directions to the Director General that required the Director General to issue the first licence to provide universal services to GP Ltd. At the same time the States set out the universal service obligation that should be imposed on GP which is:

“... 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.”*

Having described the universal service, the States Directed that GP should be provided with the exclusive right to provide reserved services insofar as this is needed to enable and ensure the universal postal service is delivered. The relevant States Direction states:

“The Regulator shall reserve services to be exclusively provided by the Universal Service Provider to the extent necessary only to ensure the maintenance of universal service, and shall review and revise the reserved services from time to time with a view to opening up the Guernsey postal

market to competition consistent with the need to maintain the Universal Service”.

Thus States policy on the universal service and the degree of competition in the postal market was set out in September 2001. The full text of these directions is available from the government website www.gov.gg where States Resolutions for 2001 are published.

3.3 GP's Licence Conditions

Following these States Directions, on 1st October 2001 the Director General issued a licence to GP to provide postal services in the Bailiwick. The terms and conditions in that licence were finalised following a public consultation⁷.

Respondents to the consultation agreed that including a condition to safeguard service quality was necessary although it was noted that because of the geographical constraints and the small size of the Bailiwick, a high proportion of mail services is reliant on the input of operators outside GP's control and consequently this factor should be borne in mind when developing service levels. The view was also expressed that in developing the service level targets the benchmark used should not be the present level of service attained and any service level targets should address delivery times, care of the mail being delivered (i.e. protection from damage) and collection times.

A specific condition (14.8) was included in GPs licence in relation to the implementation and monitoring of service levels and targets⁸:

“The Licensee shall comply with any directions issued by the Director General from time to time, regarding any quality of service indicators and measurement methods for Postal Services and shall, as and when required, supply to the Director General in a form specified by her, the results of its measurements of actual performance against any quality of service indicators and measurements so specified and the Director General may publish or require publication of such information as she considers appropriate.”

The licence therefore allows the Director General to set a range of quality of service targets, and provides a framework to ensure that the Director General receives sufficient information from the licensee to monitor whether the company's performance meets the targets set.

3.4 Other Considerations

There have been a number of other activities that have taken place over the past year which impact on the proposals in this consultation paper.

⁷ Document OUR 01/05 – Postal Licence Conditions, Consultation Paper and Document OUR 01/15 – Postal Licence Terms and Conditions – Decision Notice and Report on the Consultation

⁸ Document OUR 01/20 Postal Licence Conditions

- The GP relationship with Royal Mail is going through a significant change as Royal Mail seeks to prepare itself for competition in its UK market, and the quality of service that GP can expect from Royal Mail along with the prices for the services from Royal Mail were under review during 2002. At this stage this issue is becoming clearer and can be taken into account in this exercise;
- The mechanisation of the mail sorting process which took place at the end of 2002 changes the methods and capabilities of the company at processing, measuring and monitoring its operations. These changes can now also be taken into account in relation to setting QoS targets; and
- During 2002, GP trialled new measurement techniques for monitoring QoS which are crucial to how targets are set and the level of those targets.

Therefore OUR scheduled a public consultation on QoS for the end of 2002/early 2003. On January 23rd 2003, OUR held a workshop with the Bulk Posters Group (a specific group of postal users) and a public meeting for all postal users to help shape and inform the contents of this consultation. Comments and suggestions provided at these meetings have been incorporated within the Consultation Paper. The Director General is grateful for the contribution from the participants at the two events.

3.5 Conclusion

This section of the paper has described the legislative and licensing background for the postal sector in Guernsey, States policy for the postal sector and the key licence conditions that are relevant to setting QoS. All previous documents referenced in this section are available from the OUR website www.regutil.gg.

This provides the Director General with a framework similar to that in neighbouring jurisdictions, within which she can manage the twin objectives of:

- ensuring the continued provision of a universal postal service throughout the Bailiwick; and
- facilitating the development of a vibrant and competitive postal sector in Guernsey to deliver efficient, high quality and good value services to customers.

4 Understanding GP's postal network

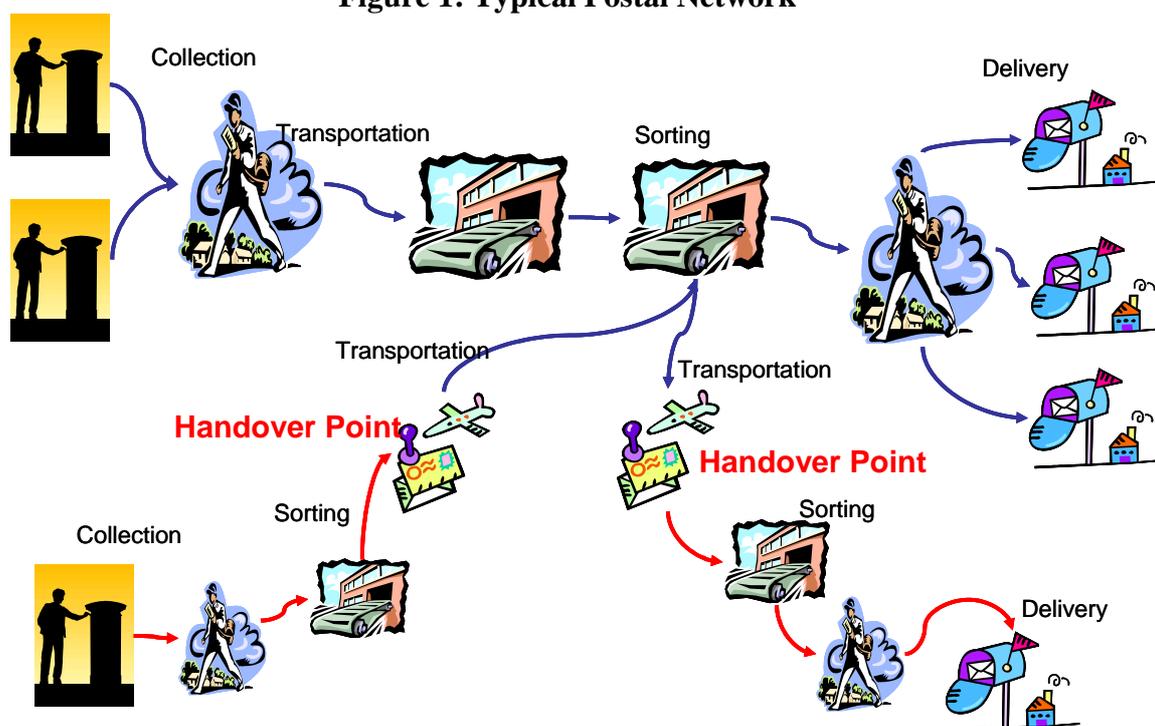
In order to provide a suitable context for the issues raised in the remainder of the Consultation Paper, this section briefly describes a generic postal network and then considers the specific characteristics of the Guernsey postal network.

4.1 Generic Postal Network

A postal network comprises the equipment and facilities for collecting, sorting, transporting and delivering postal items. Essentially, postal networks handle mail by gathering it through post boxes or businesses, sorting it at mail centres and transporting it between centres before finally redistributing the mail to individuals. Postal networks also operate as a "ring". This means that for both inward sorting (collection) and outward sorting (delivery), the post office worker visits all the collection end points or delivery points in a sequential order before returning to the sorting office.

Within a closed network in which there are no external inputs or outputs, all of these individual processes are managed and controlled by the network postal operator. Of course in reality postal items are sent to and from postal networks in other countries. International postal delivery therefore requires interconnected networks with bilateral agreements between postal operators in other countries. Whilst these networks are interconnected, a network operator in a particular country does not take control of a postal item destined for delivery in that country until it actually enters that operator's own network. Conversely an item originating from within the operator's network but destined for another country leaves the operator's own control and is delivered by another operator's network.

Figure 1: Typical Postal Network



4.2 Guernsey Post's Network

The generic postal network shown in Figure 1 provides a basis for describing the network within the Bailiwick. GP's postal network has some specific features in terms of:

- size;
- the importance of the specific composition of the mail items, such as the proportion of bulk mail;
- the geography within which the network is placed; and
- the nature of its "interconnectedness" with other networks.

4.2.1 Size of the GP Network

GP employs almost 250 staff and the network handles approximately 150,000 mail items a day, six days a week⁹. This equates to almost 50 million mail items per year. In comparison Royal Mail in the UK employs over 200,000 staff and handles 80 million mail items per day. Unsurprisingly for a population of around 62,000¹⁰ the first distinguishing characteristic of GP's postal network is that, compared to postal operators in other countries, it is a small network comparable in size to a small town such as Weymouth and Portland¹¹ in England and this will affect how targets are set and monitored.

4.2.2 Volumes of Mail

Whilst the network may be small in absolute terms, it has a high volume on a per capita basis in comparison with other networks. The UK for example handles 1.3 mail items per capita per day, compared with Jersey and Guernsey having 2.0 and 2.3 items respectively.

The high per capita figures for Guernsey (and for Jersey) reflect the composition of the mail items handled by the network and the importance of bulk mail to the overall demand for postal services. Bulk mailers have been attracted to the Channel Islands by the competitive advantages offered by the two jurisdictions. As the Guernsey postal sector is relatively small, it means that the bulk mail users account for a larger proportion of total mail items than would normally be the case in other networks.

Clearly GP provides an important infrastructure service, which facilitates economic growth and prosperity within its jurisdiction, in common with all postal operators. For the Bailiwick's economy, however, because of the general importance that the postal service has for commerce and industry as demonstrated by the per capita figures, its contribution to GDP is greater than its directly measurable impact.

4.2.3 Geography of the Bailiwick

Although the Bailiwick of Guernsey's population is comparable in size to a small town in England, from a geographic perspective the differences are significant.

⁹ Source: GP

¹⁰ Guernsey's population of 59,000 taken from 2001 Census available at www.gov.gg/census/pdfs/2001%20Census%20Report.pdf, and assuming 2,000 population on Alderney, 500 on Sark and 200 on Herm.

¹¹ www.statistics.gov/census2001/downloads/pop2001.xls

The Bailiwick encompasses a number of inhabited islands and GP has an obligation to provide a universal service to all of these. This poses a number of operational process and design issues. In particular GP is reliant upon collection and delivery by air or sea to the different islands within the network, which is not the same as island jurisdictions such as the Isle of Man or Jersey. Given this, intra-island deliveries will clearly be affected by weather conditions and must be taken into account when setting and measuring targets.

The logistical challenges caused by weather conditions also affect mail coming into and leaving the Bailiwick. This is of significant importance when we consider the reliance of the Guernsey postal network on the network in the UK (as set out in section 4.2.4). Bulk mail (“Mailsort”) leaves the Bailiwick by sea, with parcels being transported to and from Guernsey by sea. Virtually all other mail classes travel to and from the Bailiwick by air, arriving in and leaving from Guernsey Airport.

In order to consider the effect of this factor on deliveries and collections, OUR has sought statistical data on the impact of the weather on the delivery of mail. Such data relating to the impact of adverse weather conditions on the postal service are not available at present.

However, data from the meteorological team at Guernsey Airport does clearly indicate that the airport’s operations are susceptible to inclement weather. For example whilst it is possible for aircraft to take off when the Runway Visual Range (“RVR”) is less than 600m, aircraft are unable to land at the airport when the RVR is less than 600m. During the period 1991 and 2000 Guernsey Airport has been affected by inclement weather, defined as the RVR being less than 600m for between 50 hours (1999) and almost 200 hours (1991) (Summary of data available included in Annex 1).

Although aircraft may be prevented from landing for only a few minutes during any given day it is important to bear in mind that under the current GP work practices, if the mail plane has not arrived by 7.30am then all incoming mail will not be sorted and delivered that day. Similarly if outbound mail cannot leave the island by 6.15pm then the outbound mail will not be able to enter the Royal Mail network at the Redhill Exchange Office that night for delivery the next day.

How this information should be taken into account when setting targets is considered in Section 7.1.2.

4.2.4 Interconnect with other Networks

The fourth and final critical characteristic of the GP network relates to the special relationship between the company and Royal Mail. Whilst GP’s postal network does “interconnect” with Jersey Post’s network, the vast majority of mail leaving or entering the Bailiwick comes via Royal Mail’s network. Almost 90% of mail leaving the Bailiwick is destined for the UK, with a large proportion of all incoming mail to the Bailiwick being posted in the UK.

Furthermore, apart from the mail going to Jersey, all mail to international destinations outside the UK also passes through Royal Mail’s network. Similarly, incoming international mail to the Bailiwick from outside the UK also arrives via the Royal Mail’s network. Consequently, Royal Mail’s network is extremely important to postal

users in the Bailiwick, particularly because Royal Mail, as the universal service provider in the UK, is the only network operator capable of delivering normal letter post¹² to any address in the UK and collecting such letter post from its collection points.

The dependence of GP on networks outside the Guernsey postal network is demonstrated by the fact that of the total number of mail items handled by GP;

- 35% leave the Bailiwick,
- 35% enter the Bailiwick, and only
- 30% is originated and delivered within the Bailiwick.

These figures are comparable to those for other small offshore islands (Jersey and the Isle of Man), but differ substantially from other jurisdictions – even island jurisdictions. For example, the comparable figures for the Irish postal operator are as follows: Of the total number of mail items handled by An Post;

- 10% leaves the Irish network.
- 20% enters from outside the network, and
- 70% is originated delivered within the Republic of Ireland

4.2.5 Other Factors

In addition, some of the 35% of mail items entering the Bailiwick will also be subjected to inspection by Customs. Historically this would have meant transporting mail received at the airport to the harbour for inspection before then being able to transport it back to the sorting office for sorting and delivery. As a result, by the time it had been sorted the postmen would have already started their delivery rounds and so delivery would have been delayed until the next delivery round. With the move from the old building to Envoy House, however, Customs now have a room on site where they are able to inspect the mail. Therefore as soon as mail has been passed by the Customs team it can re-enter the GP's sorting process, thereby reducing the scope for potential delays.

4.3 Conclusions

This section has demonstrated the key reliance of the Guernsey Postal service on;

- the complexity of GP's network;
- the degree of "openness" of that network; and
- the degree of reliance on the Royal Mail network in particular.

These points are of crucial importance when considering quality of service targets which are addressed in the next section.

¹² Mail defined as within the "reserved area" in which Royal Mail has a legal monopoly

5 An Introduction to Quality of Service

5.1 Defining and Measuring Quality of Service

Quality of service means customers' perceptions of the level of service which they receive from a service provider. As in many types of markets, quality of service with respect to postal services has many different aspects and can be measured in a number of different ways. Usually quality of postal service relates to the time taken to deliver certain mail items (in terms of a percentage of the mail to arrive within so many days) and minimising losses of and delays to mail items.

In measuring quality of service for postal delivery times, the formula that is most commonly used is:

$$J + n;$$

where **J** represents the date of "deposit" and **n** the number of working days which elapse between that date and delivery to the addressee. It is possible to measure both **J** and **n** in a variety of ways and these are crucial to the targets set and the results that may be obtained. One important distinction is the measurement of "live" mail – that is real time mail delivery of letter post, compared to "test" mail – that is mail sent by volunteer panellists to specific addresses for monitoring purposes. Both of these types of measurement are considered below and further detail is contained in Annex 2.

5.1.1 Live Mail

First, from a customer's perspective the postal operator accepts the mail item for delivery as soon as the postal user deposits the mail item within a collection box. For the customer this represents "**J**", the time and date of the deposit. The network operator, however, will not be aware of this item until it is collected by a postal worker. For example, consider the first collection from a post box at 7am on a Monday morning. The post box may contain two letters, one was deposited at 7pm on Saturday night (i.e. already 36 hours old) and the other was deposited at 6.59am that Monday morning (i.e. one minute old). Whilst the postal users know when they made their deposits, the postal operator is unable to differentiate between the age of the two items.

Similarly, when considering "**n**", the customer's perception will be focussed on the time he or she receives the mail at the relevant postal address. Measuring this with precision also poses problems for postal operators who can far more easily identify the time at which the relevant mail left the sorting office for delivery rather than the precise time it is delivered.

Finally, to measure live mail "end to end" a postal operator would have to introduce live sampling and measurement techniques whereby real mail is interrupted in its flow through the network and a sample is taken out and examined, measured and recorded, before being put back into the network. This is likely to impact on and delay the delivery of live mail, thus proving counter productive.

Taking account of these factors, the only measurement of live mail that most operators carry out is the tracking and monitoring of the mail through the transportation and sorting processes – i.e. throughout the internal process of the postal operator. This is done as part of the core processing of mail and does not interrupt the flow of the mail through the system. However, live mail monitored in this way is simply an internal measure of performance of the system which provides useful information for the operator but does not measure what the customer perceives to be the real quality of service, i.e. the time taken from deposit to delivery.

In monitoring its own efficiency the operator measures from the moment it receives an item of mail to the moment it is either processed and ready to deliver or ready to handover the mail to another operator. In this instance moment of acceptance of the mail can be expressed as “**D**” with the time taken to handover again expressed as **n** (i.e. no of working days). So in measuring internal efficiency we would be using the expression **D+n**.

5.1.2 Test Mail

One way of addressing this difficulty in measuring end to end service, is to use “test mail”. This involves a number of postal users volunteering to post items to specific destinations, with a record of the time of deposit in the mailbox. At the other end the recipient (usually an independent monitoring company), will record the time of receipt of the item. With sufficient sample size and statistical reliability, this can represent a useful way of measuring end to end quality of service.

5.1.3 The J+n formula

The **J+n** formula can be used to set:

- A standard delivery target by which a set majority of mail items is scheduled to arrive, and
- A “residual” target by which the remaining mail (any mail that did not meet the standard target) should arrive.

For example if the target for **J+1** is set at 95%, the operator will also monitor when the remaining 5% is delivered to the addressee. This is often referred to as measuring the “tail of the mail”. Thus in this instance it might be appropriate for **J+5** to be 99.9%, meaning that the remaining mail must arrive within 5 days.

5.1.4 Customer Facing Functions

Whilst a postal operator is essentially collecting and delivering a variety of products (hence the need to measure reliability and delivery times) it is clearly a service business and so there are going to be other ways that customers interact with the company which will affect the customers’ perceptions of QoS. For example Royal Mail measure queuing times at post office counters to assess their service quality. Thus QoS can be expanded to include Key Performance Indicators (KPIs) to measure the operator’s customer facing functions.

5.1.5 Conclusion

The Director General believes the various types of QoS indicators discussed in this Section can be divided into three distinct groups as follows:

QoS 1 –Delivery times and reliability of the mail from the customers’ perspective with targets set using the **J+n** formula, measured using test mail . This measurement is considered the most significant and of greatest interest to the majority of customers;

QoS 2 – Internal efficiency of the operator in handling mail from the time that it comes within the operator’s control to the time that it leaves the operator’s control, with targets set using the **D+n** formula, measured using live mail. This measurement is considered important as it can be used to identify where any failures in QoS are taking place in the networks, e.g. if the operator was achieving all internal efficiency targets, but not meeting the end-to-end targets, it would be necessary to examine the parts of the mail service that are outside the operator’s control for underlying reasons; and

QoS 3 – Key customer facing functions which are measured using individual Key Performance Indicator measures appropriate to the individual function.

Q5.1 *Do respondents agree that these three categories of quality of services indicators capture all areas where QoS targets should be considered for Guernsey Post? If not, why not and what alternative would you suggest?*

6 Quality of Service Proposals for Guernsey

Section 5 set out three categories of QoS indicators that the Director General considers are relevant for consideration in relation to Guernsey's postal services. This section addresses which QoS indicators within each of those three categories are most important in Guernsey. Section 7 goes on to address the actual targets that might be set for each QoS indicator.

6.1 QoS 1: Delivery and Reliability Indicators

Whilst there are a number of methods for measuring QoS which are widely used, UK based research¹³ has shown that the reliability of the mail and delivery targets are considered by consumers as either important or very important. The Director General believes that such preferences are likely to be prevalent among customers within the Bailiwick. This view was also endorsed at the user workshop and public meeting held on the 23rd January, as well as being the primary concern expressed to the OUR in representations.

As such delivery times should be the first indicator of quality of service for which targets should be set and the Director General therefore wishes to introduce QoS targets for delivery and reliability of mail which focus on end to end measurement. In order to identify those products for which QoS is of highest importance a complete list of GP's domestic, international, special delivery, international priority and business services are included within Annex 3 to this consultation paper, and respondents are invited to answer the following question:

Q6.1 Which services offered by GP should have quality of service indicators set with respect to delivery times and reliability. Please indicate on Annex 3 your preference and order and priority for introducing QoS indicators for individual products. Please state separately the reasons for your preferences and priorities.

Subject to the outcome of this consultation and consideration of the views of respondents on which services are most important for this type of measurement, this paper concentrates on delivery and reliability indicators for those services which are used by the majority of postal customers in Guernsey, namely standard mail items and bulk mail.

6.1.1 Delivery targets for Standard Mail Items

On the basis of the various different activities that are needed to handle different types of mail items, the Director General believes it would be appropriate to have different postal delivery targets for different types of mail. The Director General therefore proposes to set QoS targets for the delivery of mail items according to origination and destination as set out below:

- Bailiwick to Bailiwick mail;
- Bailiwick to Jersey mail;
- Jersey to Bailiwick mail;

¹³ 3rd UK Mail Summit November 2002, Bill Cockburn "Is it Just Cream Skimming?"

- Bailiwick to UK mail; and
- UK to Bailiwick mail.

These are the most popular and heavily used standard mail services provided by GP. In addition, GP has been carrying out some measurement of end-to-end delivery times for these services for the past 12 months, using the independent research company Research International. This provides a useful basis for the development of targets for these services:

Q6.2 Do respondents agree with the Director General that delivery standards for standard mail for the services outlined above (Bailiwick to Bailiwick, Bailiwick to Jersey, Jersey to Bailiwick, Bailiwick to UK and UK to Bailiwick) should be set to monitor GP's performance? If not, why not and what do you believe should be measured?

In terms of the types of targets available the Director General believes it appropriate to set targets in terms of next day delivery (i.e **J+1**). However the Director General also believes that it is important to set a target within which the remainder of the mail should arrive and proposes to set targets for the tail of the mail to arrive within **J+3**.

The Director General therefore proposes to measure the following quality of service standards for mail deliveries;

- Standard letter reaching its destination the day after delivery (**J+1**); and
- Standard letters reaching their destination on the third day after the delivery target date (**J+3**).

Q6.3 Do respondents agree with the Director General that delivery standards for standard mail for the services outlined above (Bailiwick to Bailiwick, Bailiwick to Jersey, Jersey to Bailiwick, Bailiwick to UK and UK to Bailiwick) should be set for J+1 and J+3? If not, why not and what do you believe should be measured?

Section 5.1 described two possible measurement techniques that can be adopted when assessing the QoS for standard mail delivery - live mail and test mail. A more detailed consideration of the relative advantages and disadvantages of using these two types of mail for measurement purposes is set out in Annex 2.

Having considered the advantages and disadvantages, the Director General believes that for the delivery of standard mail, which is the most heavily used service by the majority of postal users, it is essential to use test mail as this will provide the best indication of customer perceived end to end service with minimum disruption to the live service.

Q6.4 Do respondents agree with the Director General that GP's quality of service for standard letter mail should be measured using test mail? If not, why and please explain what alternative you think is appropriate?

6.1.2 Delivery Targets for Bulk Mail

Bulk mailers avail of a special service whereby they post large numbers of items one way – from the Bailiwick – to other destinations, predominantly the UK. Because this

is a more defined and specific service, quality of service need only be measured for postal deliveries from the Bailiwick to the UK and other destinations.

The mail is also treated somewhat differently from standard mail, in that it must be cleared by customs in the UK and is transported by sea rather than air. Taking these factors into account, it is sensible to set and measure delivery quality of service for bulk mail separately. The Director General intends therefore to measure bulk mail to the following destinations:

- Bailiwick to UK;
- Bailiwick to rest of Europe;
- Bailiwick to all other destinations

The QoS measures proposed for these services are **J+3** for the majority of the mail and **J+5** for the tail of the mail.

Q6.5 Do respondents agree that Bulk Mail should be monitored separately with targets for days to delivery (J+3) and tail of the mail (J+5). If you disagree please explain your reason and explain any alternative proposals you suggest.

With respect to monitoring the delivery times and reliability of bulk mail, GP currently monitor this using live mail as it is a more controllable set of mail. This is done with the direct participation of the Bulk Mailer customers who insert a card in a customer order detailing the company name and the date the mail item was posted from Guernsey (i.e. the time the mail item entered the GP network). The addressee then completes the card by entering the date the mail item is received and returning the completed card to GP for analysis. The Director General believes it is sensible to continue with the existing use of live mail as the most appropriate and cost effective way of monitoring the quality of this service, with data being collected by GP and reported directly to the bulk mail customers.

During the bulk mailer workshop there was a suggestion that the bulk mail customers themselves might collate this data, and the Director General is willing to consider any alternatives that might be proposed.

Q6.6 Do respondents agree with the Director General that GP's quality of service for bulk mailers should be measured using live mail with data collected by GP and presented directly to affected customers? If not, why and please explain what alternative you think is appropriate?

6.1.3 Measuring performance for other products

In response to question 6.1, respondents were asked to indicate their preference for targets to be introduced for other products and services offered by GP. Those respondents who have carried out this exercise are invited to suggest what types of targets should be put in place for those products and services and how they should be measured.

Q6.7 For those products and services listed in Annex 3 which you have expressed the need for a quality of service target in terms of delivery times, respondents are asked to indicate what types of targets should be set (e.g.. J+1 day, +2 day etc) and how

they should be measured. Where appropriate respondents may wish to disaggregate the services to reflect different origination and destination points.

6.2 QoS 2: GP Internal Efficiency

In recognition of the fact that a high proportion of the mail service is reliant on the input of other operators (i.e. only intra Bailiwick mail is wholly within GP's control) the Director General believes it necessary to have an additional indicator which measures the performance of GP's own operations. The Director General believes that mail items passing through GP's sorting office on a daily basis can be used to assess the internal efficiency of GP's operations. Furthermore, if there are any QoS failures, this data could help to identify whether those failures happened in the parts of the network that are within GPs control or in other networks outside GPs control, thus making it possible to identify appropriate remedial actions that should be taken.

The Director General proposes that five mail streams should be measured to track internal efficiency:

- **Intra Bailiwick Mail** – the time taken for GP to process mail from the moment it enters Envoy House to the moment it leaves for delivery;
- **Mail received from Jersey Post** – the time taken for GP to process mail from the moment it is handed over to GP from Jersey Post;
- **Mail received from Royal Mail** – the time taken for GP to process mail from the moment it is handed over to GP from Royal Mail;
- **Mail transferred to Jersey Post** – the time taken for GP to hand mail over to Jersey Post from the moment it is accepted at Envoy House;
- **Mail transferred to Royal Mail** – the time taken for GP to hand mail over to Royal Mail from the moment it is accepted at Envoy House;

Q6.8 Do respondents agree that these five internal processes should be measured to monitor the internal efficiency of GP's operations? If not, why not and what do you believe should be measured?

6.3 QoS 3: Key Performance Indicators (KPIs)

The Director General is of the view that there is also a third set of QoS indicators focusing on customer facing functions of GP's business which reflect on the QoS perceived by its customers. Consequently these aspects of the business should also be measured to ensure that at a minimum the QoS does not deteriorate over time and should in fact lead to improvements in performance over time as service failures are identified and rectified with greater efficiency, transparency and speed.

In developing proposals for these type of KPIs the Director General has considered those commitments to customers that GP includes in its own customer charter, the comments of participants in the public meeting and bulk mailers workshop and representations received from postal users generally.

6.3.1 Misdelivery of correctly addressed postal items

This particular problem is not wholly related to the recent introduction of new delivery rounds. Consumers have been receiving other people's mail over a period of

years¹⁴. The only reliable way for GP to become aware of these difficulties is if customers report them directly. This will facilitate the identification of the location and duration of the problems and ensure that systems and processes can be put in place to minimise such misdeliveries.

The Director General therefore proposes that GP be required to measure the number of complaints relating to the misdelivery of mail by postal delivery routes so that problem areas can be addressed and improvements tracked over time.

Q6.9 Do respondents agree that GP should be required to monitor the number of complaints regarding misdelivery of mail items? If not please state your reasons and any alternative measure.

6.3.2 Completion of Delivery Rounds by 1pm

GP's Customer Charter states that all delivery rounds should be completed by 1pm. Experience to date, and not just limited to the events of December 2002 and January 2003, suggest that this has not been achieved on a consistent basis. The timely completion of delivery rounds is an important customer requirement and consequently it is proposed that GP should monitor this aspect of its service in order to ensure it satisfies targets that may be set in this regard.

Q6.10 Do respondents agree that GP should be required to monitor the completion of delivery rounds by 1pm six days a week? If not please state your reasons and any alternative measure.

6.3.3 Handling of Complaints

GP's Customer Charter states that all customer complaints will be addressed within 10 number of working days although where complaints involve other postal operators the time taken may take a little longer. The timely resolution of complaints and responding to telephone calls are important aspects of QoS and it is proposed that GP should monitor this aspect of its service in order to ensure it satisfies targets that may be set in this regard.

Q6.11 Do respondents agree that GP should be required to monitor its handling of customer complaints? If not please state your reasons and any alternative measure.

6.3.4 Clearing of Post Boxes

At the public meeting it was suggested that a useful KPI would be the successful collection of mail from all post boxes by the posting times displayed on the relevant post boxes. This could be considered within the framework of the internal efficiency benchmarks or could be measured separately.

Q6.12 Do respondents consider that that GP should be required to monitor the clearance of all post boxes by published times on the boxes and if so how do you think this should be measured and monitored?

¹⁴ This problem may be exacerbated within the Bailiwick due to the almost complete absence of house numbers in postal addresses.

6.3.5 Other Customer Facing KPIs

This section has identified some of the possible KPIs relating to customer facing functions of GP's business. Respondents are invited to suggest any other KPIs that they believe should be monitored in order to assess GP's performance.

Q6.13 What other Key Performance Indicators for customer facing functions of GP's business do respondents think that GP should be required to monitor and assessed against targets.

7 Proposed Target Levels for GP

7.1 Targets for Standard Mail

In setting targets for standard mail for GP the Director General proposes to take a number of factors into account to arrive at targets that are both challenging and achievable.

7.1.1 Benchmarks

First, the OUR has undertaken an analysis of the various target levels that have been put in place across EU and certain island jurisdictions. Details of this benchmarking exercise are provided in Annex 4, and the results have helped form a basis for setting targets in the first instance.

Having considered the benchmark information available, the Director General considers that the target and actual levels of service for the “distant destinations” within the Royal Mail network represent the best available benchmarks to take as the starting point as these share some of the common characteristics of Guernsey in that they are remote Postcode Areas that are physically separated from the Royal Mail network.

The most recent set of results for these types of destinations are set out in Annex 4 and are referred to below when considering what targets should be set for each type of mail.

7.1.2 Operating Environment

Second, the Director General believes that the operating environment in which GP actually provides services must be taken into account. These factors were described in Section 4.2 earlier.

During the public presentation it was suggested that targets should be set excluding the effect of some of these external factors, particularly the weather. This would mean for example that a target could be set at a reasonably high level, e.g. 95% of mail to arrive in **J+1**. Against this target, actual performance might be lower, say for example 70%. Notwithstanding this, if the lower result was due to the weather, i.e. had it not been for delays caused by weather, the company would have achieved 95%, then the company’s performance would be adjusted to take account of the weather – i.e. it would be “uplifted” to 95%. Thus the results are adjusted, not the target. The alternative is to say that over any one year a specific percentage, say for example 25%, of mail is delayed due to weather, therefore the target of 95% should be adjusted and the company should only be required to meet a target of 70%. Either approach gives the same result, but is presented differently.

The Director General invites views on the best approach. However, she notes that a final decision may be dependent on the availability of data on the relevant delays.

Q7.1 *In setting targets and measuring performance do respondents believe that the target or the actual measurement should be adjusted to take account of the external effects of the weather?*

Q7.2 *Are there any other external factors that should be treated this way and if so why?*

7.1.3 Actual Performance

Finally, the Director General believes that it is necessary to take into account the actual performance of GP in relation to end-to-end delivery and internal efficiency. This represents the base point for setting reliability levels for different delivery times.

The first category of measurement identified by the OUR – end-to-end delivery times measured in terms of **J+1**, is a new measurement in Guernsey. Prior to 2001, there was no such measurement undertaken for Guernsey and so there is no benchmark of the actual performance of the company. However, GP has been using an independent research company to monitor end to end delivery times for the past 12 months and the results of this monitoring are shown in Table 1 below.

Table 1 End to End Delivery times Year to Nov 2002¹⁵

	J+1	J+2	J+3	J+4	J+5
Intra Bailiwick Mail	83.1%	97.5%	99.6%	99.9%	100.0%
Jersey to Bailiwick	32.9%	78.7%	96.1%	99.3%	99.3%
UK to Bailiwick	50.6%	87.1%	96.6%	98.8%	99.6%
Bailiwick to Jersey	54.8%	96.8%	99.2%	99.2%	100.0%
Bailiwick to UK	51.1%	87.6%	97.2%	98.9%	99.6%

In considering these statistics, OUR has been made aware that both Channel Island postal operators have experienced problems with the reliability and accuracy of the performance results provided by Research International, partly due to the difficulty in finding sufficient numbers of panelists within the Bailiwick to participate in the monitoring of GP's performance. Consequently the samples have been small and potentially unrepresentative with respect to actual performance delivery. Therefore GP believes the results should be subjected to a statistical audit to determine their reliability. Notwithstanding these concerns, the information suggests that GP's performance against **J+1** targets is poor and requires significant improvement.

The second measurement identified in this paper is the measurement of internal operational efficiency. GP has collected data on the following measurements for some time, namely the processing of mail from receipt to either handover or delivery. These measurements reflect GP's commitments in its Customer Charter:

- 100% Bailiwick posting boxes offer next day local delivery;

¹⁵ Source: Guernsey Post provisional data although the results have not been subjected to an independent audit and verification.

- All mail posted locally by latest posting times and 95% of first class mail received into the Bailiwick on schedule will be delivered daily.
- All outward mail posted in roadside boxes by latest posting times Monday-Friday will leave the Islands on the day of posting.

In summary therefore the delivery targets provided in GP's Customer Charter are:

- **Deliveries within the Bailiwick** - For central sites in St Peter Port GP offers same day local delivery for early morning posting, but that all (i.e. 100%) mail posted locally by latest posting times will be delivered next day. For incoming mail GP is committed to delivering 95% of all first class mail received into the Bailiwick by 7:30am on the day of arrival.
- **Deliveries outside the Bailiwick** - For outward letter services all mail posted in roadside boxes by latest posting times Monday-Friday will leave the Islands on the day of posting. However, only designated posting boxes will be cleared on Saturday and the mail will leave the Islands on Sunday.

GP, however, qualifies both of these commitments by stating that factors outside normal operating conditions will affect reliability, including: abnormal mail volumes, automation failures, inclement weather, customs risk profiling exercises, industrial action, poor addressing standard, and failure to use the postcode. In essence GP effectively uses the raw performance data and adjusts to take out account of these factors.

Data provided by GP shows that 84% of intra Bailiwick Mail and mail for other networks would have been either delivered within the Bailiwick or handed over to another operator on the day it was received at the Post Office (i.e. actual performance of 84% for **D+0**). The average figure for the year included poor performance in January (57.8%) and July (70.7%), but the average for August through to November (December data not available) was 98.4% which shows GP's performance improved significantly over the year.

Similarly for inward mail entering the Bailiwick GP have monitored what percentage of mail, by type, would have been processed and ready for delivery that day. The average figures for 2002 (excluding December) are;

- 1st Class **D+0** 93.5%;
- 2nd Class **D+0** 80.5%; and
- Mailsort **D+0** 87.1%.

As before, these figures hide significant improvements in the latter part of the year with the averages for August to November being 97.3%, 92.5% and 95.5% respectively.

This information is considered in the following sections when targets for QoS are proposed.

7.1.4 Intra Bailiwick Mail

Intra Bailiwick Mail refers to mail sent to GY postcodes from within the Bailiwick itself. The mail therefore stays within the GP network from collection through to delivery. As such this type of mail is in effect the same as intra postcode mail for Royal Mail's distant destinations. Lerwick, Kirkwall and Hebrides recent performance¹⁶ with respect to **J+1** is 92.8%, 90.8% and 89.7% respectively. The national aggregate target for the UK is 92.5%. In comparison GP's current performance is 83.1% according to the last year's measurement.

Taking into account the size of the network and GP's control over the whole process it would seem reasonable that a similar if not better level of service as that provided in these Royal Mail distant postcode areas should be achievable. These levels of service in the UK have been achieved over time, with targets tightening year on year and the Director General believes that a glide path to better standards should be established that brings Guernsey in line with the UK intra-postcode results.

As the current performance for **J+1** is 83.1% and the top end of the UK intra-postcode results in distant destinations is 92.8%, the Director General believes that the target for GP for intra-Bailiwick Mail should move from 83.1% to 92.8% over a period of three years, ending with 92.8% in year 3. In addition the Director General proposes that a tail of the mail target of 99.9% of the mail within **J+3** should apply immediately.

The Director General therefore proposes that the targets should be as follows:

Table 2: Proposed Targets for Intra Bailiwick Mail

	Year 1	Year 2	Year 3
J+1	86.3%	89.6%	92.8%
J+2	98.0%	98.5%	99.0%
J+3	99.9%	99.9%	99.9%

Q7.3 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

7.1.5 Jersey to Bailiwick

It may be appropriate to consider Jersey and Guernsey as neighbouring PCAs, from a Channel Island perspective. Consequently the current delivery performance of only 32.9% within **J+1** and only at 78.7% by **J+2** is clearly unacceptable.

As mentioned earlier, the OUR does not have reliable data on how much of this is attributable to adverse weather effects and such matters are not considered in the existing **J+1** measurement. OUR is currently investigating the collection of further data on this issue. Furthermore, pending the statistical audit of the data, OUR is not aware of how much these results are affected by small sample sizes. However, the Director General still considers that a target can be set and the approach of adjusting the actual performance of GP taking account of actual weather effects can be adopted.

Once again, the Director General believes that targets should be set that are challenging and achievable and therefore she proposes to set targets that require GP to

¹⁶ Royal Mail National Report to Postcomm and Postwatch July to September 2002 Results

improve performance over time. Given the low starting point in this instance, it is proposed to set targets for **J+1**, **J+2** and **J+3** to ensure that there is improvement across the three day period on delivery, with all mail being delivered within 3 days, subject to weather.

The Director General therefore proposes that the targets should be as follows:

Table 3: Proposed Targets for Jersey to Bailiwick Mail

	Year 1	Year 2	Year 3
J+1	60.0%	75.0%	90.0%
J+2	75.0%	85.0%	95.0%
J+3	97.0%	98.0%	99.0%

Q7.4 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

7.1.6 UK to Bailiwick

Mail from the UK to the Bailiwick is collected from the Royal Mail network and handed over to the GP network for delivery within the Bailiwick, thus is reliant upon part of the process being completed by Royal Mail. The most appropriate benchmark would appear to be the Royal Mail reports on mail posted from the distant destinations to other PCAs within the Royal Mail network. Lerwick, Kirkwall and Hebrides recent performance¹⁷ with respect to **J+1** for this type of mail is 93.6%, 88.5% and 82.5% respectively. In comparison GP's current performance is 50.6% according to the last year's measurement.

Taking into account the size of the network and GP's control over the whole process it would seem reasonable that a similar level of service as that provided in these Royal Mail distant PCAs should be achievable. Once again these levels of service in the UK have been achieved over time, with targets tightening year on year and the Director General believes that a glide path to better standards should be established that brings Guernsey in line with the UK intra-postcode results.

As the current performance for **J+1** is 50.6% and the top end of the UK intra-postcode results in distant destinations is 93.6%, the Director General believes that the target for GP for UK to Bailiwick Mail should move from 50.6% to 93.6% over a period of three years, ending with 93.6% in year 3. In addition the Director General proposes that a tail of the mail target of 99.0% of the mail within **J+3** should apply in year 3 rising from 95% in year 1.

The Director General therefore proposes that the targets should be as follows:

Table 4: Proposed Targets for UK to Bailiwick Mail

	Year 1	Year 2	Year 3
J+1	60.0%	75.0%	93.6%
J+2	90.0%	95.0%	97.0%
J+3	95.0%	99.0%	99.0%

Q7.5 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

¹⁷ Royal Mail National Report to Postcomm and Postwatch July to September 2002 Results

7.1.7 Bailiwick to Jersey

The current delivery performance of only 54.8% within **J+1** and only at 96.8% by **J+2**, though far better than Jersey to Bailiwick end-to-end delivery times, is also unacceptably low unless this can be proven to be due to weather impacts.

As mentioned earlier, the OUR does not have reliable data on how much of this is attributable to adverse weather effects and such matters are not considered in the existing **J+1** measurement. OUR is currently investigating the collection of further data on this issue. Furthermore, pending the statistical audit of the data, OUR is not aware of how much these results are affected by small sample sizes. However, the Director General still considers that a target can be set and the approach of adjusting the actual performance of GP taking account of actual weather effects can be adopted.

Once again, the Director General believes that targets should be set that are challenging and achievable and therefore she proposes to set targets that require GP to improve performance over time. Given the low starting point in this instance, it is proposed to set targets for **J+1**, **J+2** and **J+3** to ensure that there is improvement across the three day period on delivery, with all mail being delivered within 3 days, subject to weather.

The Director General therefore proposes that the targets should be as follows:

Table 5: Proposed Targets for Bailiwick to Jersey Mail

	Year 1	Year 2	Year 3
J+1	65.0%	82.5%	90.0%
J+2	97.0%	97.5%	98.0%
J+3	99.5%	99.7%	99.9%

Q7.6 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

7.1.8 Bailiwick to UK

Mail from the Bailiwick to the UK is collected by GP and handed over to Royal Mail for delivery within one of the Royal Mail's PCAs. Thus GP is reliant upon part of the process being completed by Royal Mail. The most appropriate benchmark would appear to be from the Royal Mail reports on mail posted from the distant destinations to other PCAs within the Royal Mail network. Lerwick, Kirkwall and Hebrides recent performance with respect to **J+1** is 93.6%, 88.5% and 82.5% respectively. In comparison GP's current performance is 51.1% according to the last year's measurement.

Once again it would seem reasonable that a similar level of service as that provided in these Royal Mail distant PCAs should be achievable and the Director General once again proposes a glide path to better standards should be established that brings Guernsey in line with the UK intra-postcode results.

As the current performance for **J+1** is 51.1% and the top end of the UK intra-postcode results in distant destinations is 93.6%, the Director General believes that the target for GP for Bailiwick to UK Mail should move from 51.1% to 93.6% over a period of three years, ending with 93.6% in year 3. In addition the Director General

proposes that a tail of the mail target of 99.0% of the mail within **J+3** should apply in years 2 and 3, rising from 95% in year 1.

The Director General therefore proposes that the targets should be as follows:

Table 6: Proposed Targets for Bailiwick to UK Mail

	Year 1	Year 2	Year 3
J+1	60.0%	75.0%	93.6%
J+2	90.0%	95.0%	97.0%
J+3	95.0%	99.0%	99.0%

Q7.7 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

7.1.9 Summary

In summary, the Director General's proposed delivery quality of service standards for standard mail for 2003 are shown in Table 7. The proposed targets will be increased annually so that the company is encouraged to continually improve the quality of its service to customers.

Table 7: Proposed Delivery Quality of Service Standards for GP 2003

Postal Service	J+1	J+2	J+3
Intra Bailiwick	86.3%	98.0%	99.9%
Jersey to Bailiwick	60.0%	75.0%	97.0%
UK to Bailiwick	60.0%	90.0%	95.0%
Bailiwick to Jersey	65.0%	97.0%	99.5%
Bailiwick to UK	60.0%	90.0%	95.0%

Q7.8 Do respondents agree with the Director General's proposed quality of service standards for J+1 for the five postal services shown in Table 7? If not, why not and what alternative targets do you think are appropriate?

Q7.9 Do respondents agree with the Director General's proposed quality of service standards for J+2 for the five postal services shown in Table 7? If not, why not and what alternative targets do you think are appropriate?

Q7.10 Do respondents agree with the Director General's proposed quality of service standards for J+3 for the five postal services shown in Table 7? If not, why not and what alternative targets do you think are appropriate?

7.2 Bulk Mail

GP is able to monitor the end to end delivery of the actual or "live mail" posted by Bulk Mailers as this is a more controllable set of mail. This is done with the direct participation of the Bulk Mailer customers who insert a card in a customer order detailing the company name and the date the mail item was posted from Guernsey (i.e. the time the mail item entered the GP network). The addressee then completes the card by entering the date the mail item is received and returning the completed card to GP for analysis. Each customer is requested to send out approximately 20 cards per day (giving a daily total of 120 cards) which represents a very small

percentage of the total daily output which is in the region of 40,000 to 50,0000 items. This outward bound QoS indicator is measured over an eight week period. GP agreed with the Bulk Posters a QoS target for **J+3** working days of 90%.

A benchmark of other similar services shows that Royal Mail offer three mailsort products which are equivalent to the GP Bulk Mail service and these have each been set delivery targets as follows¹⁸:

- Mailsort 1: 93.0% next working day delivery (Actual performance 90.9%);
- Mailsort 2: 98.5% within three working days of posting (Actual performance 96.5%); and
- Mailsort 3: 98.5% within five working days of posting (Actual performance 98.2%).

GP's actual current performance against the agreed target has gradually improved from the first five months of the year where it was below 88% in achieving **J+3** with the most recent data up to October 2002 showing a success rate of 90.2%. At the Workshop on the 23rd January 2003 the Director General invited views on the current agreed target of 90% for **J+3** for bulk mail taking into account current performance of 90.2%. During the discussions at the Workshop participants expressed an interest in introducing a target to address the tail of the mail.

The Director General therefore proposes that the targets should be as follows:

Table 8: Proposed Bulk Mail Quality of Service Standards for GP

Postal Service	Year 1	Year 2	Year 3
J+3	90.0%	92.5%	95.0%
J+5	99.0%	99.5%	99.9%

Q7.11 Do respondents agree with the Director General's proposed targets for GP's Bulk Mail quality of service indicators as shown in Table 8? If not, why not and what alternative target do you think is appropriate?

7.3 Targets for other products and services

In Section 6.1 respondents to the consultation were invited to comment on the products and service offered by GP and indicate their preferences and priorities for introducing quality of service indicators for products within GP's portfolio. Where respondents have expressed a need to introduce QoS indicators respondents are invited to specify their suggested target level for those products.

Q7.12 For those products and services listed in Annex 3 which you have expressed the need for a quality of service target in terms of delivery times, respondents are asked to specify the level at which the targets should be set. Where appropriate respondents may wish to disaggregate the services to reflect different origination and destination points.

¹⁸ National Report available at www.royalmailgroup.com website.

7.4 Internal Efficiency of GP's own Operations

As described in Section 7.1.3 GP, currently monitor the efficiency of their own processes in terms of inward processes (mail received into the GP network from Royal Mail and Jersey Post) and outward processes (mail from the Bailiwick going to either Royal Mail, or Jersey Post or delivery within the Bailiwick itself – i.e. intra Bailiwick mail). Inward mail is further disaggregated by mail type so that GP's performance with respect to 1st Class, 2nd Class and mailsort can be identified.

Consequently GP's existing monitoring combines the five mail categories discussed in Section 6.2 into two main processes; inward and outward mail, and then disaggregates the former into a number of distinct types of mail products. It would appear reasonable to adopt this methodology in monitoring the efficiency of GP's processes as it will allow for comparison with previous years as well as making the most efficient use of existing monitoring processes and mechanisms. Taking the current performance described in Section 7.1.3 as the starting point the Director General believes that the target levels should be tightened gradually over time.

The Director General therefore proposes that the targets should be as follows:

Table 9: Proposed Internal Efficiency Targets for GP for D+0

Postal Service	Year 1	Year 2	Year 3
Inward Mail:			
1 st Class	97.3%	98.0%	99.0%
2 nd Class	92.5%	95.0%	97.0%
Mailsort	95.5%	96.0%	97.0%
Outward Mail	95.0%	99.0%	99.9%

Q7.13 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

7.5 Targets for KPIs

7.5.1 Misdelivery of correctly addressed postal items

The Director General believes it would be inappropriate to set a target level for misdeliveries of correctly addressed mail as the objective is to eliminate this service failure entirely. The Director General therefore proposes that GP record the number of complaints regarding misdelivery of correctly addressed by delivery round so that appropriate action can be taken to remedy any service failures.

Q7.14 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

7.5.2 Completion of Delivery Rounds by 1pm

GP plans to complete all delivery rounds by 1pm six days a week to the 27,000 addresses across the Bailiwick. Thus not only is GP required to deliver mail to addresses six days a week in compliance with its universal service obligation, but it commits that these rounds should be completed by 1pm each day. GP has not been able to provide historical data to show its performance with respect to this service level. Data has been collected by the Director General since the commencement of

delivery difficulties in late 2002/03 and this has demonstrated that GP is not achieving its self imposed target.

Therefore the Director General proposes that GP continues to record the completion of delivery rounds on a daily basis so that performance and compliance with this service level can be monitored and improved. This will also assist GP in identifying any service failures so that remedial actions can be taken.

Given the potential need for staff training to eliminate these service failures, the Director General proposes, at the end of an initial monitoring period of six months, to formalise this target and introduce regular reporting and monitoring.

Q7.15 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

7.5.3 Handling of Complaints

GP's Customer Charter states that GP will acknowledge an enquiry within two working days of receipt and would anticipate resolving any problem within 10 working days, although this may take longer if the complaint involves other postal operators. GP have to date not been able to supply any information showing how quickly they respond to complaints and how quickly they are resolved. The company has introduced a Customer Relationship Database from 1st January 2003 which will record this information and allow GP to monitor its performance with respect to handling customer complaints.

The Director General proposes that GP should have a target of 99% for acknowledging receipt of an enquiry within two working days and a target of 95% for resolving complaints concerning GP's service within 10 working days.

Q7.16 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

7.5.4 Clearing of Post Boxes

GP's Customer Charter similarly includes a commitment to collect and despatch mail from all posting facilities six days a week. Instead of setting a target level at this moment the Director General proposes that GP record the collection of mail from post boxes on a daily basis so that performance and compliance with this service level as stated in the Customer Charter can be monitored. It will also assist GP in identifying any service failures so that remedial actions can be taken.

If at the end of an initial monitoring period of six months, the data demonstrates that there are significant concerns and these have not been addressed by the company, the Director General will reconsider this approach.

Q7.17 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

7.5.5 Other Customer Facing KPIs

This section has identified some of the possible KPIs relating to customer facing functions of GP's business. Respondents are invited to suggest any other KPIs that they believe should be monitored in order to assess GP's performance.

Q7.18 What other Key Performance Indicators for customer facing functions of GP's business do respondents think that GP should be required to monitor and assessed against targets.

8 Monitoring, Enforcement and Compensation

Accurate measurement and monitoring of GP's performance against the quality of service targets is clearly an important part of the QoS framework. The methodologies adopted to record GP's quality of service must be transparent, credible and reliable.

This section of the consultation paper considers:

- Who should measure GP's quality of service;
- How the results of GP's performance should be reported and published; and
- How the monitoring or measurement process should be verified.

It is also important to consider what action should be taken to enforce the quality of service measures. Therefore this paper also sets out;

- The legislative and licence framework for enforcement of obligations on GP and the measures that are available to the Director General in relation to non-compliance, and;
- Whether compensation schemes to compensate customers affected by failures to meet QoS targets might be complementary or even preferable to some of the other enforcement measures.

8.1 Who should measure Quality of Service?

The actual measurement of the quality of service can be done either by GP, by the OUR or by an independent third party.

8.1.1 Self Monitoring by GP

This method has a number of advantages. Firstly, it is the least cost option given the existence of the systems and expertise within GP to carry out the monitoring process. GP would also have immediate access to the results enabling the company to address any service failures as early as possible. Another potential advantage is that because GP has a high profile and plays an integral part in the community so that if awareness of the monitoring procedure could be raised, there may be greater local participation in test mail trials, which would increase the sample size, making it more representative.

On the other hand, where the operator carries out the monitoring there can be concerns as to the independence of the results, given the fact that in certain circumstances it may be in the company's interests to influence them. However, the potential for either real or perceived bias in the results can be addressed by putting in place safeguards such as independent audits of the process and scrutiny on a regular but unannounced basis.

8.1.2 Monitoring by OUR

Were OUR to undertake the monitoring, the concerns as to bias or interference with the results would not arise. However, as OUR does not currently have the resources or expertise to do this it would have to recruit the necessary expertise and set up appropriate systems. The cost of carrying out the function would then have to be reflected in higher licence fees. This is likely to be more expensive than the other options as it would involve creating a new function with no economies of scale.

8.1.3 Independent Monitoring

To date GP has been using an independent consultancy to monitor its delivery quality of service and it pays the cost of this. The main attractions of maintaining such an arrangement is the experience and scale that the consultant provides mean that costs are minimised. Furthermore the role of the company as a professional independent monitoring agency means that the independence of the exercise is assured.

Against this backdrop, however, is that fact that the results currently produced are based on small sample sizes and the lack of a local profile inhibits the external consultancy's ability to build local awareness of the benefits of participating in test mail trials.

8.1.4 Conclusion

On balance, the Director General considers that it is appropriate that GP takes responsibility for the day to day monitoring process and that the manner in which GP undertakes this will have to be approved by OUR in advance. Thus GP could continue to use the independent monitoring company to carry out the monitoring or it could propose an alternative mechanism to OUR in the case of particular types of mail, e.g. bulk mail. Where GP propose a mechanism that does not have inbuilt assurance of independence, OUR will carry out or appoint an independent body to carry out, regular audits of the monitoring process to ensure it is impartial and independent.

Q8.1 Do respondents agree with the Director General's proposal that GP should measure its quality of service in a manner approved by the OUR which would include regular audits of the results? If not, why not and who would you propose?

8.2 Publishing of Results

GP's licence states that the results of GP's quality of service monitoring is supplied to the Director General in a form specified by her and that the Director General may publish or require GP to publish those results.

In the first instance, given the need to monitor the quality of service in the early stages of implementation, the Director General believes it is necessary for GP to keep the OUR regularly updated with GP's performance. The Director General therefore proposes that GP provides the OUR with quarterly reports containing the results of the measurements for each of the quality of service indicators outlined in this consultation paper. GP will also be required to publish its results every six months in a format approved by the Director General. Any amendments to these requirements will be solely at the discretion of the Director General and will, in part, be dependent on GP's performance.

Q8.2 Do respondents agree that the GP report its results for each of its quality of service indicators quarterly to the OUR, and that GP publish the results every six months? If not, why not and what alternative method of reporting do you suggest?

8.3 Compliance

The legal background to the setting of QoS targets for GP was described in Section 3 above. The Regulation Law, the Postal Law and the GP Licence set out the Director General's powers in relation to enforcement generally. Under those powers, QoS

targets may be imposed on GP under condition 14.8 of its licence. Thus compliance with the targets becomes an obligation on GP under its licence.

Therefore the enforcement measures available to the Director General are the same as those for the enforcement of any other licence condition. Part IV of the Postal Law contains a number of provisions designed to enable the enforcement of licence conditions and directions and defines the process that the Director General must follow in the event of a licence breach. In considering the imposition of sanctions or other enforcement actions, the Director General is bound by the general duties and functions set out in the Regulation Law, including the requirement to act in a manner that is fair, impartial, independent, timely, transparent and objective.

8.3.1 Processes

In the first instance, where a licensee is in breach of a licence condition, the Director General, having given notice to the licensee of the breach and of her intention to issue any directions in relation to the breach, and allowed a period for response by the licensee, may issue a direction to the licensee requiring it to take action to remedy the breach¹⁹.

8.3.2 Direct Imposition of Penalties

Failure to comply with a direction under section 31 of the Postal Law is an offence and the Director General may impose any penalty available under the Law or the licence. Penalties that the Director General may impose directly are set out in section 32 of the Postal Law and include:

- suspension of licence;
- revocation of licence; and
- imposition of a financial penalty on the licensee of an amount up to 10% of the turnover of the company.

The law also provides for the procedure to be followed in the event of a decision to impose a penalty, including notification and representation by the licensee, and a right of appeal by the licensee against decisions.

8.3.3 Criminal Proceedings

Alternatively or in addition to, the Director General may take proceedings against the company for breach of licence and if the court finds the company guilty, the penalties that it may impose include:

- on conviction and indictment, imprisonment for a term not exceeding two years, or a fine of an amount to be set by the court, or both; and
- on summary conviction, imprisonment for a term not exceeding six months, or a fine not exceeding level five on the uniform scale or both.

8.3.4 Injunctions

The Director General may also seek an injunction in the Royal Court against a licensee where there is a likelihood of a repeat offence or where there is the possibility of an offence occurring (section 6 of the Regulation of Utilities (Bailiwick of

¹⁹ Section 31 of the Post Office (Bailiwick of Guernsey) Law, 2001

Guernsey) Law, 2001). Such an injunction would be enforceable by the Court and penalties for breach of an injunction would be those available to the Court.

8.3.5 Conclusion

A failure to meet quality of service targets, depending on the extent of the failure, could have a significant effect on consumers and the Director General would, in considering the most appropriate penalty, take all relevant matters into account including:

- the effects of the breach and whether those effects could be reversed;
- the seriousness of the breach;
- the degree to which the action by the licensee was reckless or deliberate;
- any action that the licensee took to remedy the breach;
- the period of time for which the contravention continued; and
- all other relevant matters set out in the Laws.

The Director General will apply the penalty she considers most appropriate having regard to the licence breach in question.

8.4 Compensation

While the measures set out in Section 8.3 are available in the case of failure to meet global targets of the kind set out in this document, this does not address individual cases of customers who purchase a service and fail to receive the service that they have been guaranteed or the service that is required under the GP licence. In many industries, direct compensation to customers who have not received the promised level of service is a direct and effective way of ensuring;

- that the company has an incentive to provide the level of service – otherwise it incurs a direct cost, and
- the customer who suffered the loss receives the compensation directly rather than a general fine which goes to central revenue.

In the case of postal services, different types of services may have different types of targets which are quite different in their nature. For example failure to respond to a complaint within two days might be both measured and attract compensation in a manner quite different from lost mail. Pending the outcome of this consultation and the identification of a full range of appropriate QoS targets and measures, this section concentrates on the following three main areas;

- Loss of mail items
- Damage to mail items, and
- Delay of mail items

These areas are acknowledged as the main areas where postal operators are exposed to failure to meet their obligations and they are addressed in international postal agreements and often in primary legislation. This is the case both in the UK and in Guernsey. The following section sets out the legislative framework within Guernsey.

8.4.1 Guernsey Legislation

Section 10 of the Postal Law provides that GP, as the universal service licensee, may set its terms and conditions out in the form of “Schemes” and these schemes shall be

reasonable and may be amended following directions from the Director General. It is in the form of schemes that GP sets out its compensation arrangements.

Section 11 of the Postal Law provides that GP as the universal service provider is exempt from liability for matters such as consequential loss. This limitation is similar across the world and is in place for valid economic reasons. The nature of the universal postal service is such that it is available to all consumers at a low uniform price and is easily accessed with no real scope for the universal service operator to decline to carry items or even be aware of the content of items that it is handling. In addition it is difficult, if not impossible for a postal operator to prove the existence of a transaction (unless proof of receipt had been asked for) or to determine whether a service failure had taken place. Clearly this applies to standard letter items and there are alternative products available at a differential price, where service is guaranteed and customers are entitled to payment in cases of failure.

Conditions 12 and 13 of the Law cover those areas where the company is liable to pay compensation and puts an upper limit on that compensation. In essence the law states that GP may be liable to pay compensation for normal “inland packages” sent from the Bailiwick to the Isle of Man, the UK or Jersey, where the package has been lost or damaged. The company is not liable to pay compensation in the event of a delay.

The level of the compensation payable is specified in condition 13 as either:

- the market value of the package, excluding any message or information therein, or
- an amount that the company volunteers to pay as set out in a compensation scheme,

whichever is the lower.

Finally, the legislation provides that the compensation can be claimed by either the recipient or the sender of the mail item, although not by both.

This is similar to legislation elsewhere including legislation in the UK. As with consequential loss, the exclusion of compensation for reasons of delay is based on the characteristics of the universal postal service. Given the high volume, low price nature of the standard mail service, the contract between the postal operator and the customer is based on the purchase of a stamp only. Global targets for delivery vary in their level, but rarely, if ever, reach 100%, meaning that there is an acknowledgement that not all letters will arrive within the specified target of, for example, **J+1**. This is the reason for having a tail of the mail target for **J+3**.

However, it is difficult to determine which individual customers’ mail items arrived in **J+2** and which in **J+3**, and so verify delay in mail. Once again customers may purchase alternative products with guaranteed delivery times and associated compensation. However Postcomm in the UK is currently consulting on the introduction of compensation for delay and this is addressed in section 8.4.4 below.

8.4.2 International Benchmarks

The OUR has investigated compensation practice elsewhere, including the rules that apply to EU member states, as the Director General believes it is reasonable that

wherever possible consumers in the Bailiwick of Guernsey should be afforded similar rights and protection to those afforded to consumers in Europe.

Article 19 of the European Postal Services Directive²⁰ requires Member States to ensure that transparent, simple and inexpensive procedures are drawn up for dealing with users' complaints. Particularly with respect to loss, damage and non-compliance with service quality standards. The Directive also requires the adoption of measures to ensure those procedures enable disputes to be settled fairly and promptly with provision, where warranted, for a system of reimbursement and / or compensation.

A review of the compensation schemes in place across Europe was recently carried out by Royal Mail and this information has been provided to OUR. The benchmark by Royal Mail identifies the current compensation schemes in place throughout Europe, which are in compliance with the Postal Services Directive. More detail of the Royal Mail's benchmarking together with additional information obtained by OUR are presented in Annex 6. The key findings of the survey which concentrated on standard mail were:

- nine of the ten postal operators did not pay compensation for either loss or delay;
- eight of the operators did not pay compensation for damage; and
- only Finland had a scheme that was similar to the new scheme proposed by Postcomm for Royal Mail.

GP's compensation scheme which is described in the next section is directly comparable to the existing Royal Mail scheme.

8.4.3 Guernsey Post's Compensation Scheme

GP's existing compensation scheme for standard mail is identical to Royal Mail's existing scheme. This is useful in that, given the amount of mail between the UK and the Bailiwick, similarity of schemes means that postal users in the UK and in Guernsey follow similar processes and can obtain similar levels of compensation, providing one consistent regime across both jurisdictions.

The existing compensation scheme for standard mail is:

	Loss/Damage
Intra Bailiwick	Up to £27
Bailiwick to UK	Up to £27
Bailiwick to Jersey	Up to £27
Bailiwick to IoM	Up to £27

Other compensation payments for different services are set out in Annex 5 and more details are available from GP on 01481 711720.

²⁰ Directive 97/67/EC of the European Parliament and of the Council on common rules for the development of the internal market of Community postal services and the improvement of quality of service.

Thus customers can claim up to 100 times the price of the item that has been lost or damaged. In the context of Royal Mail's benchmarking, the company noted that the maximum level of compensation available for an item that was either lost or damaged was almost 160% of average annual consumer expenditure. This compared to compensation across other utility industries such as water, gas, electricity and telecommunications, of between 5-10% of average annual expenditure per consumer. (full details provided in Annex 6).

In summary, the GP scheme for standard mail is currently at the same level as that in the UK, which compares favourably to other benchmarked jurisdictions. Other compensation regimes are in place for other products whereby customers can choose to pay a higher amount to guarantee delivery of more important or valuable mail items and these regimes include payment in various circumstances including delays.

8.4.4 Changes in the UK

Royal Mail has been subject to QoS standards and measurement for some time now and at this stage of development of the UK market, Postcomm, the postal regulator in the UK, has decided that it is appropriate to consult on changes to the Royal Mail compensation scheme. Postcomm published a Consultation Paper²¹ in October 2002, setting out the changes it proposes to the existing quality of service standards and compensation arrangements for Royal Mail. Under Postcomm's proposals domestic users would be able to claim compensation for delays. Compensation levels proposed are £3 when a 1st class letter is more than four days late (six days late for 2nd class) rising by £1 day to a maximum of £14.

Postcomm is also proposing that Bulk Mailers would be entitled to a 1% rebate for every 1% that Royal Mail fails to meet relevant QoS targets. The full consultation paper and the responses to the consultation paper are available directly from Postcomm's website at www.psc.co.uk.

The Director General considers that this consultation is of direct relevance and importance to the regime in Guernsey, and given the extensive work carried out by Postcomm, recommends that interested parties review the detailed documentation for further information. The report on the consultation is due to be published in mid February and, once again, respondents are recommended to review this in preparing their response to this consultation. The Director General will also review the outcome of those proposals in preparing her report on this consultation.

8.4.5 Conclusion

In conclusion, the legislation in Guernsey currently sets out the scope of services for which GP is liable to pay compensation and the exclusions of liability in relation to standard mail and provides that the company may include compensation regimes within its terms and conditions.

GP's existing compensation schemes for standard letter mail are similar to those for Royal Mail, and other products with other price ranges are available with different

²¹ Review of Consignia's plc's Price and Service Quality Regulation, October 2002, Postcomm Proposal for a Second Price Control.

compensation regimes attached. Compensation is not payable for delays to standard mail, but is payable for loss and damage.

Postcomm, the UK regulator is consulting on changing the UK compensation scheme and the Director General expects that the outcome of that consultation will be available for consideration some time in February 2003.

Q8.3 Do respondents consider the levels of compensation for lost or damaged standard mail are appropriate at 100 times the value of the postage? If not what alternatives do you consider reasonable and why?

Q8.4 Do respondents consider that GP should introduce compensation for delays in standard mail and if so should these be based on developments in the UK or some other basis? Please support your response with reasons and justification.

Q8.5 Do respondents believe that the range of other products and services provided by GP with associated guarantees and compensation schemes (as set out in Annex 5) meet customer needs? If not what alternatives are needed and why?

9 Summary of Questions

This section brings together all of the questions in the consultation paper for ease of reference.

Defining and Measuring Quality of Service

- Q5.1** *Do respondents agree that these three categories of quality of services indicators capture all areas where QoS targets should be considered for Guernsey Post? If not, why not and what alternative would you suggest?*

Quality of Service Proposals for Guernsey

- Q6.1** *Which services offered by GP should have quality of service indicators set with respect to delivery times and reliability. Please indicate on Annex 3 your preference and order and priority for introducing QoS indicators for individual products. Please state separately the reasons for your preferences and priorities.*
- Q6.2** *Do respondents agree with the Director General that delivery standards for standard mail for the services outlined above (Bailiwick to Bailiwick, Bailiwick to Jersey, Jersey to Bailiwick, Bailiwick to UK and UK to Bailiwick) should be set to monitor GP's performance? If not, why not and what do you believe should be measured?*
- Q6.3** *Do respondents agree with the Director General that delivery standards for standard mail for the services outlined above (Bailiwick to Bailiwick, Bailiwick to Jersey, Jersey to Bailiwick, Bailiwick to UK and UK to Bailiwick) should be set for J+1 and J+3? If not, why not and what do you believe should be measured?*
- Q6.4** *Do respondents agree with the Director General that GP's quality of service for standard letter mail should be measured using test mail? If not, why and please explain what alternative you think is appropriate?*
- Q6.5** *Do respondents agree that Bulk Mail should be monitored separately with targets for days to delivery (J+3) and tail of the mail (J+5). If you disagree please explain your reason and explain any alternative proposals you suggest.*
- Q6.6** *Do respondents agree with the Director General that GP's quality of service for bulk mailers should be measured using live mail with data collected by GP and presented directly to affected customers? If not, why and please explain what alternative you think is appropriate?*
- Q6.7** *For those products and services listed in Annex 3 which you have expressed the need for a quality of service target in terms of delivery times, respondents are asked to indicate what types of targets should be set (e.g.. J+1 day, +2 day etc) and how they should be measured. Where appropriate respondents may wish to disaggregate the services to reflect different origination and destination points.*
- Q6.8** *Do respondents agree that these five internal processes should be measured to monitor the internal efficiency of GP's operations? If not, why not and what do you believe should be measured?*

Q6.9 Do respondents agree that GP should be required to monitor the number of complaints regarding misdelivery of mail items? If not please state your reasons and any alternative measure.

Q6.10 Do respondents agree that GP should be required to monitor the completion of delivery rounds by 1pm six days a week? If not please state your reasons and any alternative measure.

Q6.11 Do respondents agree that GP should be required to monitor its handling of customer complaints? If not please state your reasons and any alternative measure.

Q6.12 Do respondents consider that that GP should be required to monitor the clearance of all post boxes by published times on the boxes and if so how do you think this should be measured and monitored?

Q6.13 What other Key Performance Indicators for customer facing functions of GP's business do respondents think that GP should be required to monitor and assessed against targets.

Proposed Target Levels for Guernsey Post

Q7.1 In setting targets and measuring performance do respondents believe that the target or the actual measurement should be adjusted to take account of the external effects of the weather?

Q7.2 Are there any other external factors that should be treated this way and if so why?

Q7.3 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

Q7.4 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

Q7.5 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

Q7.6 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

Q7.7 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

Q7.8 Do respondents agree with the Director General's proposed quality of service standards for J+1 for the five postal services shown in Table 7? If not, why not and what alternative targets do you think are appropriate?

Q7.9 Do respondents agree with the Director General's proposed quality of service standards for J+2 for the five postal services shown in Table 7? If not, why not and what alternative targets do you think are appropriate?

Q7.10 Do respondents agree with the Director General's proposed quality of service standards for J+3 for the five postal services shown in Table 7? If not, why not and what alternative targets do you think are appropriate?

Q7.11 Do respondents agree with the Director General's proposed targets for GP's Bulk Mail quality of service indicators as shown in Table 8? If not, why not and what alternative target do you think is appropriate?

Q7.12 For those products and services listed in Annex 3 which you have expressed the need for a quality of service target in terms of delivery times, respondents are asked to specify the level at which the targets should be set. Where appropriate respondents may wish to disaggregate the services to reflect different origination and destination points.

Q7.13 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

Q7.14 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

Q7.15 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

Q7.16 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

Q7.17 Do respondents agree with this approach? If not what alternative approach would you suggest and why?

Q7.18 What other Key Performance Indicators for customer facing functions of GP's business do respondents think that GP should be required to monitor and assessed against targets.

Monitoring, Compliance and Compensation

Q8.1 Do respondents agree with the Director General's proposal that GP should measure its quality of service in a manner approved by the OUR which would include regular audits of the results? If not, why not and who would you propose?

Q8.2 Do respondents agree that the GP report its results for each of its quality of service indicators quarterly to the OUR, and that GP publish the results every six months? If not, why not and what alternative method of reporting do you suggest?

Q8.3 Do respondents consider the levels of compensation for lost or damaged standard mail are appropriate at 100 times the value of the postage? If not what alternatives do you consider reasonable and why?

/ENDS

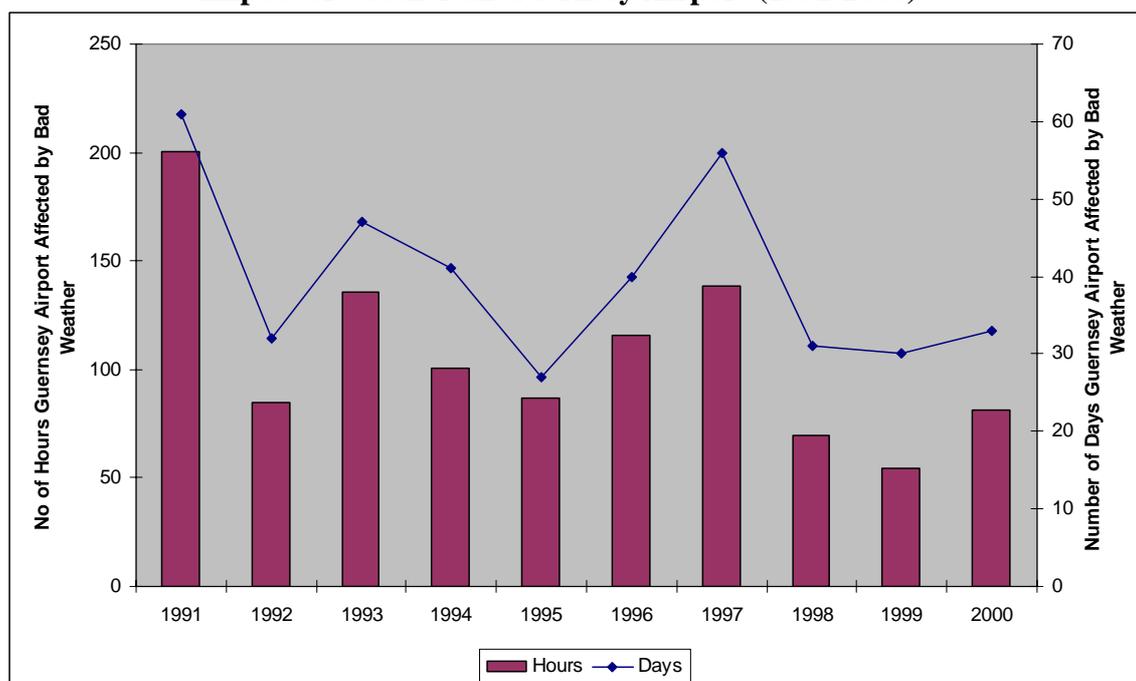
ANNEX 1: Guernsey Airport Meteorological Data

This annex contains information on the degree to which Guernsey airport is affected by bad weather, including fog. This information was extracted from data provided by the Meteorological Team at Guernsey Airport for which the OUR is grateful.

Runway Visibility Range <600m During Flying Hours (1991-2000)²²

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Yr
Mean No of hours/month RVR<600m	10.1	13.0	14.3	13.1	9.6	11.0	14.4	7.9	3.1	1.7	4.3	4.6	106.8
Mean No of hours / month RVR <600m	2.9	3.3	4.4	4.2	3.8	4.3	6.1	4.9	1.4	1.2	1.7	1.6	39.8
Probability of RVR <600m given day	9%	12%	14%	14%	12%	14%	20%	16%	5%	4%	6%	5%	11%
Probability of RVR<600m given hr	2%	3%	3%	3%	2%	2%	3%	2%	1%	0.3%	1%	1%	2%

Impact of weather on Guernsey Airport (1991-2000)



²² Source: Guernsey Airport Meteorological Team

ANNEX 2 Comparison of measurement of Live Mail and Test Mail

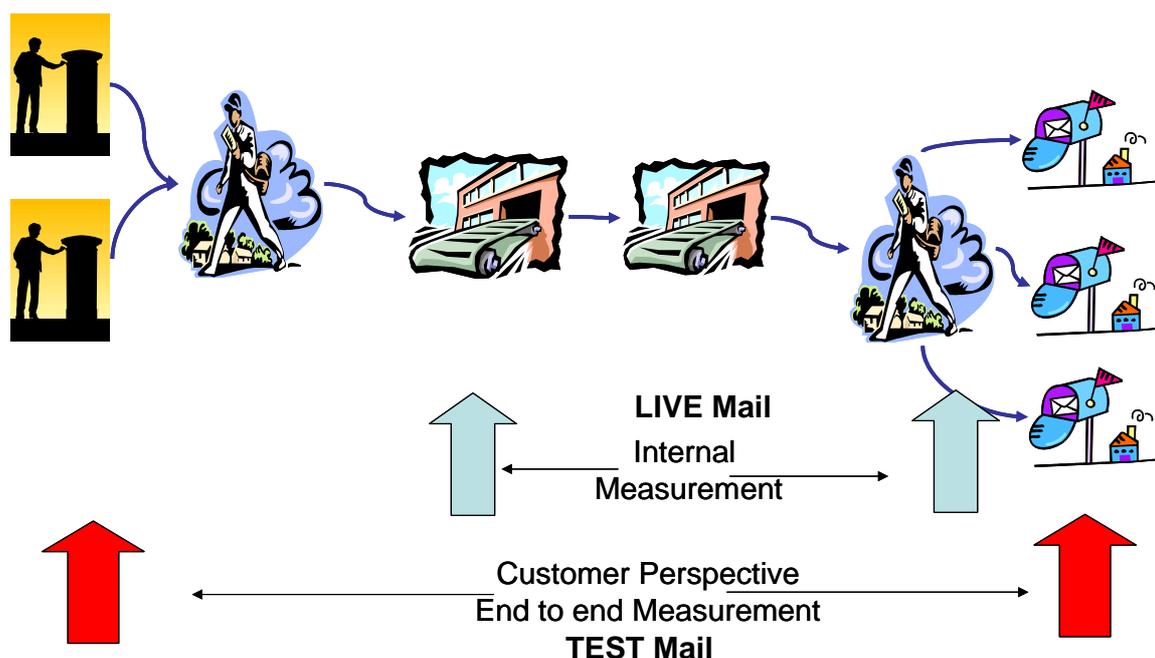
This Annex compares the concepts of live mail and test mail and discusses the merits of each approach as a means of measuring delivery times.

Live Mail

By using random samples of actual mail which has been posted by customers “live mail” gives a true picture of what is actually handled on a daily basis by GP. This includes mail in all formats (e.g. varying letter sizes, handwritten or typed addresses) possibly including illegible or incorrectly addressed mail. However “live mail” can only be measured from the date of the post mark stamped by GP and therefore only reflects the date GP acknowledges receiving it for processing. Hence this method only measures delivery from GP’s perspective and does not measure GP’s performance from the customer’s perspective when the service starts from the moment the sender puts the item in a letter box. Furthermore sufficient sample sizes must be monitored to ensure accuracy and it is possible that such sampling of the live mail could introduce delays in the delivery of the mail in any event.

Test Mail

The alternative method is to use “test mail” which is the approach currently used by GP. This is the more widely adopted approach and is used by Royal Mail in the UK and An Post in the Republic of Ireland. Typically this involves appointing an independent body to measure ‘end to end’ delivery or the time a letter is posted to the time it is received by the intended recipient. When using this method, however, it is crucial that the samples used should be representative of mail patterns, delivery routes and of the ranges of letter sizes, business and personal. Providing this is the case then this will measure the quality of service from both the customers and the operators’ perspective.



Although there are sampling issues because of Guernsey's scale, "test mail" is generally considered the only viable method of measuring end to end delivery for standard mail and as such is the most widely used. Furthermore, its use does not have the counter productive impact that live mail sampling is susceptible to. Consequently, the Director General is of the view that on balance test mail is the most appropriate method for measuring performance against target delivery times of J+1 and J+3 for all standard mail items in Guernsey.

ANNEX 3 List of Guernsey Post Products and Services

Domestic Services

	Service Name	Notes	Is QoS Indicator Required	Respondents Order of Priority
DS1	Letters	Standard letters including rolls, packets and newspapers.		
DS2	Newspapers & Periodicals	Tariff depends on weight.		
DS3	Flower Boxes	Containing flowers or fern (potted plants posted at letter rate)		
DS4	Parcels	Tariff depends on weight.		
DS5	Recorded Delivery	Proof of posting and signature at delivery.		
DS6	Postage Franking Service	Postage may be prepaid		
DS7	Fax Transmissions	Available from Smith Street		
DS8	Postal Orders			
DS9	TV Licences			
DS10	HM Forces Services	Forces air letter upto 60g		
DS11	Redirection	Redirect mail to another address.		
DS12	Keepsafe	Temporary retention of mail		
DS13	Private Boxes	Rent PO Box		

International Services

	Service Name	Notes	Is QoS Indicator Required	Respondents Order of Priority
IS1	Airmail Letters			
IS2	Airmail Small Packets			
IS3	Airmail Printed Papers	Newspapers, books and pamphlets.		
IS4	Surface mail letters	Longer delivery time compared with air ail		
IS5	Surface small packets	Longer delivery time compared with air ail		
IS6	Surface Printed Papers	Longer delivery time compared with air ail		
IS7	International Reply Coupons	Postage paid vouchers to send to people abroad so that they write to you free of charge.		

Special Delivery Services

	Service Name	Notes	Is QoS Indicator Required	Respondents Order of Priority
SD1	Business Papers & Documents	Guarantee next day delivery to Jersey, Isle of Man and most UK destinations		
SD2	Other contents	May be subject to customs and not guaranteed next day delivery.		
SD3	Flower Boxes			

International Priority Services

	Service Name	Notes	Is QoS Indicator Required	Respondents Order of Priority
IP1	Swiftair Express Airmail	Priority express airmail service.		
IP2	Swiftair Plus Recorded			
IP3	Swiftair Plus Registered			
IP4	International Airmail			
IP5	International Recorded			
IP6	International Registered			

Business Services

	Service Name	Notes	Is QoS Indicator Required	Respondents Order of Priority
BS1	Private Boxes			
BS2	Guaranteed Delivery Service	Arrange for delivery before 12:30		
BS3	Guaranteed Collection Service	Either before 3.00pm, between 3.00 and 5.00pm		
BS4	Diversion			
BS5	Postage Accounts			
BS5	Business Reply Service			
BS6	Postage Franking Service			
BS7	Refunds on Franking Machines			
BS8	Prepaid VAT Service			
BS9	Household Delivery			
BS10	Mail House Service			

ANNEX 4 Benchmark Quality of Service Targets

In considering the appropriate quality of service targets that should apply to GP, the Director General has taken into account international benchmarks. This Annex describes the data available for EU Member States and presents comparable data for island jurisdictions which are more similar to the microenvironment in which GP operates. In setting quality of service standards with respect to delivery times for GP, the Director General proposes to take into account these International Benchmarks as well as considering GP's specific operating environment and actual performance.

International Benchmarks – EU Member States

Netherlands

Prior to the Netherlands Postal Act on 1 June 2000 there was no specific standard for postal deliveries and next day delivery was simply the general objective. However the 2000 Postal Act contains a provision requiring 95% of all letters (less than 100g) to be delivered within 24 hours (excluding Sundays and public holidays). The Dutch Independent Post and Telecommunications Authority ("OPTA") not only assesses TPG's performance but is also able to assess the quality system used for measuring TPG's quality of service and, where appropriate, can enforce corrective action.

Luxembourg

The 2001 Regulation²³ in Luxembourg require that 95% of national post is delivered with one day and 99% of national post delivered within three working days. For international deliveries 85% must be delivered within three days and 97% within five days.

Belgium

The quality of service targets which apply to the Belgian universal service operator ("La Poste") are set out in the management contract between "La Poste" and the Belgian State. La Poste has undertaken to improve the quality of its service and so to deliver within the time limits of:

- at least 91 % within a time limit of J+1 of domestic mail in 2002,
- 92% in 2003,
- 93% in 2004,
- 94% in 2005,
- 95% in 2006.

La Poste is required to deliver at least 97% within a time limit of J+2 of domestic mail.

These target levels are measured according to the CEN prEN 13850 standard "Postal Services -Quality of Service - Measurement of quality of end-to-end service for priority and first class mail", under the supervision of the BIPT (Belgian Postal Regulator) and the annual performance reports are audited each year.

²³ Reglement grand-ducal du 10 mars 2001 fixant la duree d'achievment des envois postaux de la categorie la plus rapide du service postal universel

Ireland

The ODTR introduced targets for the Irish universal service provider “An Post” in September 2001 to achieve next day delivery of J+1 for 92% of national mail and for 99.5% of national post to reach its destination by J+3. ODTR expects to be able to tighten the J+1 target to 97% from January 2003 pending An Post submitting specific detailed costed proposals to achieve that target.

United Kingdom

In the UK, Consignia was awarded its first licence in March 2001 which included 16-service performance targets agreed between Consignia and Postwatch, the postal consumer body. The standards include services offered to business and domestic customers and are measured against targets for delivery on due day, as well as the tail of mail delivered within 3 days of the due day and the percentage of mail regarded as undelivered if not delivered within 15 days of due day of service. Targets were established for each service standard for the period until the end of March 2002, with the targets increasing by the end of March 2003 to reflect a gradual tightening of standards. J+1 standards for first class mail for example rises from 92.1% in 2002 to 92.5% by 2003. The J+3 target remains constant at 99.9%.

Condition 4 of its licence requires Royal Mail to provide quarterly reports to Postcomm and Postwatch on all of the company’s quality of service indicators. As the scheduled service targets are blanket national targets (i.e. 92.5% for J+1) in 2003, there will be variations across the Postcode Areas (PCAs) with some parts of the network exceeding the target and other areas being below, but from a compliance perspective Royal Mail’s performance is assessed against the quality of service across the network in its entirety. Royal Mail’s network actually comprises over 120 separate PCAs with mail being sent within the network being classified as either intra PCA mail, mail sent from neighbouring PCAs or mail sent to distant destinations.

To examine these differences across the network Royal Mail provides Postcomm and Postwatch with Quarterly Performance Reports which includes Postcode Area Performance Reports²⁴ for 1st Class Stamped and Metered mail items across all Post Code Areas within the UK. For each Postcode Area Royal Mail presents performance with respect to J+1 for 1st Class Stamped and Metered mail in terms of:

- mail posted from that particular post code to other PCAs within the Royal Mail Network; and
- mail posted from within the PCA to addresses within the same PCA.

As noted above the current national target for J+1 is 92.5%, but clearly across the 121 PCAs within the Royal Mail network not each of the PCAs will satisfy the national target some PCAs will be above the national average and some below. To allow for this variation and protect QoS Royal Mail operates a floor of 90% for J+1 which means that mail posted from a PCA to another PCA does not have to hit the 92.5% target. The floor for J+1 has been set at 90%. However there are a number of PCAs within the Royal Mail network to which this floor does not apply due to the fact that these PCAs are classified as distant destinations within the network and it would not be reasonable to expect compliance with the 90% floor. These distant destinations

²⁴ National Report to Postcomm and Postwatch available at www.royalmailgroup.com

include the Hebrides, Kirkwall (Orkneys) and Lerwick (Shetlands) and as such share many characteristics of the Guernsey Post network.

The performance of these three distant destinations for the two middle quarters of 2002 are shown in the table below although data covering winter months when one would expect the performance of the network to be adversely affected are not available.

Intra PCA Mail: Performance with respect to J+1

PCA	April to June 2002	July to September 2002
Hebrides	96.3%	89.7%
Kirkwall	84.2%	90.8%
Lerwick	82.5%	92.8%

All mail posted from PCA to other Royal Mail PCAs: Performance with respect to J+1

PCA	April to June 2002	July to September 2002
Hebrides	79.6%	82.5%
Kirkwall	91.1%	88.5%
Lerwick	85.6%	93.6%

Source: Royal Mail

The table below shows the average number of delivery days and percentage arriving by J+3 for mail entering the UK Royal Mail network from a variety of European countries²⁵.

Country of Origination	Average No of Days For delivery in UK	J+3 in 2001 for delivery in UK
Austria	2.3	93.2%
Belgium	2.3	92.2%
Denmark	2.1	95.8%
Finland	2.2	95.0%
France	2.2	94.6%
Germany	2.2	94.3%
Greece	2.6	86.9%
Iceland	2.4	89.5%
Ireland	2.2	92.8%
Italy	2.4	89.4%
Luxembourg	2.1	95.7%
Netherlands	2.2	94.0%
Norway	2.2	93.9%
Portugal	2.3	91.6%
Spain	2.4	89.8%
Sweden	2.1	95.9%

²⁵ International Post Corporation, March 2002

Switzerland	2.0	96.0%
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International Benchmarks – Island Jurisdictions

Information for other island jurisdictions although less comprehensive is provided below for Jersey, Isle of Man, Aland, Cyprus, Faroe Islands and New Zealand.

Jersey

Jersey Post (“JP”) commits through its Postal Charter²⁶ to provide service standards under normal operating conditions for a range of services.

With respect to local deliveries JP’s Charter states that all mail posted locally by the latest posting times, and all First Class mail received on the early morning charter flight from the UK, that at least 90% of all business addresses within the predominant business area in the town of St Helier should receive their mail by 10:30am.

For outgoing mail posted locally by the latest posting times will receive the following service standards for despatch to the UK:

- Monday to Friday: All posted mail will be sorted and despatched in time to meet the afternoon outward mail charter flight;
- Saturday: All mail posted in selected posting boxes will be sorted and despatched in time to meet the scheduled Sunday mail flight to the UK
- Sunday: All mail posted at the Main Post Office, Broad Street, or Postal Headquarters, Rue des Pres, by the latest posting times will be sorted and despatched in time to meet the scheduled Sunday mail flight to the UK

It is expected (i.e. simply an aspiration) that 90% of all ordinary mail and 100% of Special Delivery items for addresses in the UK will be delivered the next working day.

Isle of Man

On the Isle of Man (“IoM”) all local mail is scheduled for next day delivery; with items that are posted in boxes with a scheduled 06.00 collection receiving delivery the same day. The IoM Post Office has a quality of service standard for on Island mail of 98%. All mail for delivery to UK, Europe and the rest of the world leaves the Island by air, on the day of posting (if before last collection) and enters the 1st Class stream within Royal Mail. For the UK, delivery is scheduled for the day after posting to most areas.

All incoming mail from Europe and the rest of the world joins the 1st Class stream in the UK and is delivered along with the UK 1st Class mail. All 1st Class and foreign mail arrives by air early in the morning and is delivered that day. 1st Class post from the UK is delivered one day after posting. 2nd Class mail from the UK may arrive by air or by sea. It is dispatched from the UK the day after posting. Mail arriving by sea is delivered the day after receipt on the island, giving delivery three working days after posting. However the majority of 2nd Class mail travels by air and is delivered along with 1st Class mail so delivery is usually two working days after posting.

²⁶ www.jerseypost.com

Cyprus

Cyprus Post (“CP”) which is under the responsibility of the Ministry of Communications and Works operates the national postal network in Cyprus. CP participates in the UNEX International Postal Corporation programme and measures incoming and outgoing mail on a continual basis. Precise target and performance levels are unavailable. Information on CP’s website simply states that the results of outgoing mail are deemed satisfactory bearing in mind Cyprus’s geographical position, but for incoming mail there is considerable room for improvement.

CP used an independent firm to research delivery times for local mail in the second half of 2001. The research showed that the average delivery time for delivery of mail was J+2.3 days, a situation which CP regarded as inadequate and in need of improvement.

Faroe Islands

The Faroe Islands²⁷ have a population of 45,000 and consists of 18 rocky islands in the middle of the North Atlantic. Three of the main islands are linked by a 5km tunnel which unites 75% of the population. The islands are subject to extremely changeable weather with storms that can rage for weeks and cloud that can hang very low above the ground particularly in the summer which bring the sole airport at Vagar to a standstill.

With respect to the postal service all mail within the islands has a target delivery of J+1. All incoming and outgoing post comes from Kastrup airport in Copenhagen. The post (usually around 600 kg) from Denmark normally arrives at 11am at Vagar and is transported to the office of exchange at Torshavn.

The target for incoming and outgoing mail to Denmark is 97% within J+1. For the past nine years in cooperation with Post Denmark, Postverk Foroya has achieved an average of 97% for outgoing mail to Denmark, although the most recent year’s performance is only 96.2%. The equivalent for outgoing mail to Denmark has in the same nine years been around 93%. It appears that these figures are corrected to take into account of force majeure etc (e.g. adverse weather conditions).

The measurement of performance against these targets is done through test mail from the exchange office to a private address in the receiving country. Each morning Monday to Friday eight test letters are sent from Copenhagen and Torshavn to the other destination with the mail. When they are received at the exchange office the arrival time and date are recorded together the departure time from the source exchange office. Thus in this instance the test measurements are not based on end to end measurement from deposit to delivery, but simply between the two exchange offices.

²⁷ The Faroe Islands received self governing status within the framework of the Danish Commonwealth in 1948.

New Zealand

New Zealand Post delivers to 1.5 million addresses throughout the country six days a week. New Zealand Post “strives” to deliver standard mail next working day across “town” or within 2-3 working days out of town. New Zealand Post recognise that delivery to some more remote areas may take a little longer.

Summary

European postal delivery targets for across a selection of western European countries are presented in the tables below for J+1 and J+3.

European Postal J+1 Delivery Targets (2002)²⁸ National Mail

Country	1 st class target J+1
Austria	95% (2004)
Belgium	90%
Denmark	97%
France	84% (2001)
Finland	95% *
Germany	80% (actual 95.6%) *
Greece	70%
Ireland	92%
Isle of Mann	98%
Italy	80%
Luxembourg	95%
Netherlands	95%
Portugal	93%
Sweden	95%

* 2000-1

European Postal J+3 Delivery Targets (2002)²⁹

Country	J+3
Ireland All mail	99.5%
Luxembourg	99%
Spain	90%
UK	99.9%

²⁸ European Commission, personal communication

²⁹ European Commission, personal communication

ANNEX 5 GP Compensation Scheme³⁰

Type of Item Sent	Not Received	Damaged	Delayed
LETTERS / PACKETS	If item is confirmed as not received, depending on contents arrange compensation. Maximum payable £27 + postage cost	If the damage has been confirmed and packaging was sufficient then Maximum payable is £27	No compensation payable.
FLOWER PACKETS	If item is confirmed as not received, then cost of postage and flowers is payable as compensation	No compensation payable	If item was addressed correctly but was delivered after the fifth working day then cost of flowers is payable as compensation
SPECIAL DELIVERY	If item is confirmed as not received, compensation payable depends on contents. Maximum payable £2500 depending on insurance level taken out + postage cost	If the damage has been confirmed and packaging was, then Maximum payable is £2500 depending on insurance level taken out	If the delay has been caused by the post office then the postage fee is payable. Flowers – Compensation for cost of flowers and postage payable after three working days.
RECORDED DELIVERY	If item is confirmed as not received, compensation payable depends on contents arrange compensation. Maximum payable £27 + postage cost	If the damage has been confirmed and packaging, then Maximum payable is £27	No compensation payable
PARCEL INLAND	If item is confirmed as not received, compensation payable depends on insurance level. Maximum payable £500 + postage cost. If no insurance taken out then £27.00 is maximum payable.	If the damage has been confirmed, then Maximum payable is £500 depending on insurance level taken out. If no insurance taken out then £27.00 is maximum payable	No compensation payable

³⁰ Full details of GP's compensation scheme should be obtained directly from Guernsey Post.

Type of Item Sent	Not Received	Damaged	Delayed
PARCEL INTERNATIONAL	If item is confirmed as not received, compensation payable depends on contents. Maximum payable £500 plus postage cost. If no insurance taken out then £150 is maximum payable	If the damage has been confirmed, then Maximum payable is £500 depending on insurance level taken out. If no insurance taken out then £150 is maximum payable	No compensation payable
SWIFTAIR EXPRESS AIRMAIL	If item is confirmed as not received, compensation payable depends on contents. Maximum payable £26 + postage cost	If the damage has been confirmed and packaging was sufficient then Maximum payable is £26	No compensation payable
SWIFTAIR PLUS REGISTERED	If item is confirmed as not received, compensation payable depends on contents. Maximum payable £2200 depending on insurance level taken out + postage cost	If the damage has been confirmed and packaging was sufficient then Maximum payable is £2200 depending on insurance level taken out.	No compensation payable
SWIFTAIR PLUS RECORDED	If item is confirmed as not received, compensation depends on contents. Maximum payable £28 + postage cost	If the damage has been confirmed and packaging was sufficient for that item, then Maximum payable is £28	No compensation payable
INTERNATIONAL RECORDED	If item is confirmed as not received, compensation payable depends on contents. Maximum payable £28 + postage cost	If the damage has been confirmed and packaging was sufficient for that item, then Maximum payable is £28.	No compensation payable

Type of Item Sent	Not Received	Damaged	Delayed
INTERNATIONAL REGISTERED	If item is confirmed as not received, depending on contents arrange compensation. Note that you must consult the Royal Mail International Registered Guide to determine how much compensation is payable for items being sent to that country as the levels vary. Maximum payable £2200 depending on insurance level taken out + postage cost	If the damage has been confirmed and packaging was correct to our requirements for that item. Note that you must consult the Royal Mail International Registered Guide to determine how much compensation is payable for items being sent to that country as the levels vary. Maximum payable £2200 depending on insurance level taken out	No compensation payable

ANNEX 6 Benchmark of Compensation Payments with respect to Standard Mail

Royal Mail Survey 2001

International Comparisons

	Legal liability for compensation Lost Letters	Legal Liability Damaged Letters	Legal Liability Delayed Letters	Offer Compensation for Consequential Loss
USA	No	No	No	No
France	No	No	No	No
Finland	Yes 50 Euro (£33)	Yes 50 Euro (£33)	Yes 50 Euro (£33)	No
Spain	No	Yes	No	No
Germany	No	No	No	No
Italy	No	No	No	No
Canada	No	No	No	No
Ireland	No	No	No	No
Holland	No	No	No	No
UK	No Voluntary scheme upto £27	No Voluntary scheme upto £27	No	No

	Average annual spend per customer	Compensation Available	Compensation as % of annual spend
Water	£245	£10-£1,000 Maximum payable in exceptional circumstances e.g. sewerage flooding in house	8.2%
Telephone	£324	£10-£1,000 Maximum payable in exceptional circumstances e.g. appointment missed for 100 continuous days	4.0%
Gas	£261	£10-£20	3.8% to 7.6%
Electricity	£237	£20-£50	8.4%
Royal Mail	£17	£27 (100 x 27p)	158.9%

