



Office of Utility Regulation

Postal Quality of Service in Guernsey

Information Notice

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Contents

1. Introduction.....	2
2. Background	2
2.1. Postal Market In Guernsey.....	2
2.2. Postal Quality of Service Issues.....	3
2.3. Other Postal Work Items.....	3
3. Legal and Licensing Framework.....	4
4. Guernsey Post Quality of Service	5
4.1. Time sensitive delays	5
4.2. Delivery Problems	6
4.3. Measures to prevent recurrence	6
4.4. Customer information and complaint handling	6
4.5. Quality of Service Targets	7
5. Conclusion	7

1. Introduction

Towards the end of 2002, customers of Guernsey Post Ltd (“GP”) saw a reduction in postal service levels that has had a widespread impact on both private and business users of the postal services.

The Office of Utility Regulation (OUR) has been fully aware of these problems and has been in ongoing and frequent contact with the company in relation to these difficulties. While the OUR has received various assurances from the company as to the steps it has put in place to resolve the difficulties, the OUR believes that the failure to satisfactorily improve service by the end of 2002 is not acceptable.

Therefore OUR has initiated a range of formal investigative actions in relation to postal quality of service. The OUR is now publishing this information notice to provide users of the postal services with a single source of background information on the regulatory regime for postal services in Guernsey and the various work items that are currently underway as well as those planned in the future in relation to the Bailiwick’s postal sector.

2. Background

2.1. *Postal Market in Guernsey*

Commercialisation

Up to 1st October 2001, postal services in the Bailiwick of Guernsey were provided by the States of Guernsey Post Office Board. On 1st October 2001, the Post Office Board was dissolved and GP was established to take over the functions of the Board. GP is a wholly States owned company and the States of Guernsey is the only shareholder in the company. The company operates as a standard commercial organisation with a mandate from its shareholder to provide postal services to the Bailiwick of Guernsey.

Universal Service and Regulation

As the incumbent postal operator, GP is required to provide a universal service in accordance with States Directions (see section 3 below for more details) that involves daily delivery to, and collection from, addresses in the Bailiwick at a uniform price. In order to ensure that this service is provided and can be adequately funded, GP has a monopoly on the delivery of mail that is below £1.35 in value. This is known as the “reserved area” as provision of these services is reserved to GP only. All other areas of the postal market are open to competition and there are various courier and delivery companies in operation in Guernsey.

Given its dominant position in the market place, and the fact that customers do not have a choice of postal operator for reserved services, GP must provide its services in accordance with a licence issued by OUR on 1st October 2001. The licence and its conditions, which are publicly available, are addressed in more detail in section 3.

Key Developments

Since the major change in the postal market in October 2001, there have been several other developments of key importance from an operational perspective for GP. The first of these has been the move by the company to new premises and the mechanisation of much of its sorting operation. This change, planned before October 2001, took place in November/December 2002.

The second major issue is the evolving nature of the agreement between GP and the Royal Mail in the UK. Royal Mail is GP's major partner for the delivery and collection of mail outside the Bailiwick. The UK postal operator has been seeking to renegotiate the terms and conditions on which it collects and delivers mail to Guernsey, as well as other crown dependencies. Most recently Jersey Post announced price increases of over 25% in local mail to cover increased costs arising from its agreements with Royal Mail. GP has not yet concluded its commercial negotiations with Royal Mail.

2.2. *Postal Quality of Service Issues*

Since 1st October 2001, GP has been making various operational changes to the services it provides to take account of the developments described above. At the same time, OUR has been preparing to develop appropriate regulatory frameworks to apply to this new basis for providing postal services.

However, in the past four weeks, the significant degradation in the quality of postal services has prompted a number of new actions that OUR considers are necessary to address the problems encountered.

This information note sets out in one document, the various regulatory initiatives that are currently underway and are planned in relation to the quality of postal services. It also briefly refers to other OUR work items in the postal sector to provide a complete picture to interested parties of those issues that will arise in the coming 12 months.

This does not prevent OUR from amending, adding to or removing items from the work programme from time to time if that is considered necessary.

2.3. *Other Postal Work Items*

Separately from the issues addressed in this paper in relation to quality of service, OUR is planning to undertake a review of GP's cost base during 2003. This review has been planned to commence after GP has concluded its commercial negotiations with Royal Mail, as the terms of the agreement between Royal Mail and GP will have a significant impact on the cost base of the company.

That review will take into account changes in the company and its cost base since 1st October 2001 in the context of the costs that an efficient postal operator would incur. This work will inform any decisions that OUR may make on any applications by the company in relation to changes in postal charges.

3. Legal and Licensing Framework

GP holds a licence to provide postal services in the Bailiwick of Guernsey which was issued on 1st October 2001 in accordance with Part I of the Post Office (Bailiwick of Guernsey) Law, 2001 and States Directions to the Director General of Utility Regulation¹. According to that same Law, anyone may provide postal services without a licence, as long as those are not reserved postal services, which only Guernsey Post is permitted to provide.

Reserved services are defined in the Post Office (Reserved Postal Services) Order, 2001 and include all services priced at £1.35 or below. The effect of this is that normal letter post in particular is reserved to GP.

In conjunction with this monopoly on certain services, the States of Guernsey has directed that the company be required to deliver a universal postal service – that is a minimum set of services to all parts of the Bailiwick at a uniform price. This is set out in States Resolution XIII of 26th September 2001 as follows:

“Universal Service in Post

The following universal postal service shall be provided by at least one licensee 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.*

In providing these services, the licensee shall ensure that the density of access point and contact points shall take account of the needs of users.

“access point” shall include any post boxes or other facility provided by the Licensee for the purpose of receiving postal items for onward transmission in connection with the provision of this universal postal service.”

There are a range of licence conditions in GP’s licence that are relevant in relation to quality of service, customer complaint handling and the investigation by the Director General of any aspect of the GP business. The full licence text is published on the OUR website but the conditions of most relevance in this case include, *inter alia*:

- **Condition 4** which addresses the provision of information by GP to the OUR and deals with investigations, examinations and audits.

¹ Full licence text and conditions are published in Document OUR 01/20 available from the OUR website at www.regutil.gg

- **Condition 14** which provides that the Director General may set out quality of service targets and require the company to meet these and report on its performance.
- **Condition 15** which addresses consumer protection and includes provisions requiring the publication of comprehensive terms and conditions, including prices for services, as well as a customer complaints handling process.

4. Guernsey Post Quality of Service

This section is divided into five parts dealing with the main actions that are currently being undertaken by OUR in relation to postal quality of services. This is not an exhaustive list of the OUR work in this sector and may be added to or amended from time to time in accordance with the Director General's functions in law.

The five areas that are addressed below in relation to quality of service are:

- First, and as a matter of urgency, the OUR is continuing and formalising its focussed investigation into the resolution of the time sensitive delays in the delivery of all mail which are causing immediate customer detriment.
- Second, related difficulties with deliveries such as misdelivered mail and later postal rounds are considered.
- Third, the OUR will conduct an investigation into the reasons for the difficulties as a basis for requiring the company to put in place remedies that aimed at ensuring that these specific problems do not recur.
- Fourth, OUR will consider the GP handling of customer complaints in this instance, as well as the provision of information generally to customers, and will require measures to be put in place to remedy any failures in this regard.
- Fifth the OUR will proceed with its planned consultation on and introduction of quality of service targets and associated terms and conditions.

4.1. *Time sensitive delays*

Since the beginning of December 2002, postal customers have been experiencing degraded service levels, with key concerns being:

- Delays in the delivery of Bailiwick to Bailiwick mail;
- Delays in the deliver of incoming mail from the UK and elsewhere; and
- Alleged late delivery of outgoing mail (to the UK and elsewhere)

Various individual cases have been raised with OUR which the Office is pursuing with GP. These individual cases also raise questions as to remedies for non delivery or late delivery and measures aimed at ensuring the problems do not recur. These latter issues are dealt with in later paragraphs in this section.

The OUR considers that it is essential at this time for GP to focus all available effort and manpower on resolving the current short term difficulties so as to alleviate the detriment to postal users as quickly as possible. To that end, the OUR has already required GP to report regularly on the status of the mail delivery and the amount of mail that is late, along with the measures being taken to remedy the situation. OUR has now formalised this with a requirement on GP to report daily on the amount of mail received, sorted, delivered and remaining undelivered so as to ensure that the focussing of effort is in fact achieving the resolution of the delays. This monitoring will continue until the existing delays have been adequately addressed

4.2. Delivery Problems

A number of postal users have reported another set of difficulties with their postal delivery which have been related by GP to the changes in working practices and delivery rounds and the fact that staff must familiarise themselves with the new rounds.

The main concerns are:

- Changes in timing of delivery of post, usually where post is being received late in the day, particularly by business users; and
- Misdirected or misdelivered mail.

To investigate these difficulties fully, OUR requires GP to report on the current delivery times on each of the GP rounds and will require regular and ongoing reporting from GP on the level of complaints it receives in relation to each delivery round, the measures being put in place to remedy any difficulties and the improvements on each round.

4.3. Measures to prevent recurrence

Having regard to the time and effort needed to resolve the immediate difficulties described in section 4.1, the OUR will, in due course require a full report from GP on the reasons that the difficulties occurred in the first instance. The company will be required to identify the actions that are needed to prevent a recurrence of the problem and to report to OUR on the implementation of appropriate actions.

4.4. Customer information and complaint handling

In the context of the current difficulties, the OUR is concerned that the GP's customer complaint handling process has not been adequate to deal with the customer complaints received to date. OUR will therefore initiate a review of the processes within GP and require appropriate actions to be undertaken to improve the service.

Furthermore, the communication of up to date and accurate information to postal users is a matter that the OUR considers essential, particularly where there are difficulties in the service being provided. OUR will require the company to propose measures to make such information available to customers on an ongoing basis.

4.5. Quality of Service Targets

Prior to the difficulties experienced in December 2002, the OUR had already announced its intention to carry out a consultation on quality of service targets for postal services in Guernsey. That consultation will address the quality of service indicators that postal users would like to see monitored, the measurement and monitoring systems that should be in place to track quality of service, how these can be implemented and what the target levels should be set at. The consultation will also address what measures should be in place in cases where there is a failure in services.

In order to ensure that the consultation addresses the items of most concern to postal users, there will be a public meeting on January 23rd at 7pm in the Colborne Room at the OGH at which the outline of the consultation will be presented. Views on the content of the consultation will be canvassed and the final consultation paper will be published at the end of the month. Following receipt of responses to that consultation, OUR will formulate formal quality of service targets which GP will be required to meet as part of its licence obligations.

5. Conclusion

This information note sets out the various steps that are currently underway in relation to quality of postal services in Guernsey. The OUR considers that all available effort should be focussed on addressing the failures that directly affect customers in the immediate term. However, the underlying causes of the quality of service difficulties encountered by Guernsey postal users must be addressed in a systematic and comprehensive way and this document sets out the steps that are being taken by OUR to achieve this.

The OUR consultation on quality of postal services will be published in January 2003 and the OUR invites all interested parties to respond to that consultation to assist in framing a regulatory regime that will address the concerns of postal users in Guernsey.

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