



Office of Utility Regulation

Guernsey Post Limited: Quality of Service

Report on the Consultation, Decision Notice and Direction

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Postal Quality of Service

Report on the Consultation, Decision Notice and Direction

Contents

1	Introduction.....	2
2	Quality of Service Indicators	3
2.1	QoS 1: Delivery and Reliability Indicators.....	4
2.2	QoS 2: GPL Internal Efficiency.....	8
2.3	QoS 3: Key Performance Indicators (KPIs).....	10
3	Target Levels for GPL	14
3.1	Targets for Standard Mail	14
3.2	Targets for Bulk Mail.....	23
3.3	Internal Efficiency of GPL's own Operations	23
3.4	Targets for KPIs.....	25
4	Monitoring, Enforcement and Compensation.....	30
4.1	Responsibility for measuring Quality of Service.....	30
4.2	Publishing of Results	30
4.3	Enforcement	31
4.4	Compensation	31
5	Next Steps and Implementation	34
5.1	Direction from Director General.....	34
5.2	Next Steps and Implementation	35
6	Conclusion	36

1 Introduction

As the sole provider of standard letter post services in the Bailiwick, Guernsey Post Limited (“GPL”) operate under a licence granted by the Office of Utility Regulation (“OUR”). The licence includes certain specific conditions relating to quality of service which are designed to ensure that the company meets quality of service targets and enable the Director General of Utility Regulation (“the Director General”) to receive sufficient information to monitor compliance.

In January 2003 the OUR published a consultation paper¹ entitled “Guernsey Post: Quality of Service”. In advance of the publication of the paper the OUR held a workshop for users of bulk mail and an open public meeting for all interested parties to raise awareness of the consultation and to receive views on the scope of issues that should be covered in the consultation.

The paper provided background information on the legal, policy and licensing framework within the Bailiwick, described GPL’s postal network and considered:

- Which performance indicators best reflect the Quality of Service (“QoS”) 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.

This report sets out the Director General’s conclusions on the issues raised in the consultation following detailed consideration of the responses received.

Section 2 of this report presents the Director General’s conclusions regarding the types of QoS indicators which should be set for GPL;

Section 3 contains the Director General’s Decisions regarding the QoS target levels that will apply to GPL;

Section 4 includes the Director General’s Decisions and conclusions concerning the monitoring, enforcement and compensation regime that will accompany the GPL’s QoS levels; and

Section 5 sets out the next steps in implementing the Director General’s Decisions and a Direction to Guernsey Post Limited.

OUR received six responses to the consultation as listed below:

- GPL;
- Trading Standards Services (“TSS”);
- Mr Stephen John;
- Generali International (“Generali”);
- Healthspan; and
- Royal Mail.

¹ Document OUR 03/04

GPL also provided a supplementary response to the consultation following further clarification. As GPL's supplementary response supersedes some of the comments made in its first response, this relevant comments made in the earlier response are not addressed in detail in this report.

The Director General wishes to thank those who have responded to this consultation paper for their contributions and in accordance with the Director General's policy on consultation set out in Document OUR 01/01 – "Regulation in Guernsey; the OUR Approach and Consultation Procedures", non-confidential responses to the consultation are available for inspection at the Office of Utility Regulation in normal working hours.

2 Quality of Service Indicators

In document OUR 03/04, the Director General discussed various types of QoS indicators and divided them into three distinct groups namely:

QoS 1 – which focused on end to end delivery times and reliability of the mail from the customers' perspective with targets set using the **J+n** formula, measured using test mail. This measure of service is considered the most significant and of greatest interest to the majority of customers;

QoS 2 – which examined the efficiency of the GPL in handling mail from the time that it comes within the company's control to the time that it leaves the company'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 GPL networks, e.g. if GPL 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 company's control for underlying reasons; and

QoS 3 – a category comprising key customer facing functions which can be monitored using individual Key Performance Indicator ("KPI's").

The consultation paper sought views on whether respondents agreed that these three categories (i.e. QoS1, QoS2 and QoS3) of quality of services indicators capture all areas where QoS targets should be considered for GPL.

Comments Received

Both respondents commenting on this issue agreed that the three categories were appropriate for the setting of QoS targets for GPL. GPL itself initially believed QoS1 and QoS3 were sufficient for monitoring GPL's QoS and considered that QoS2 comprised *internal management measures* that were inappropriate to be used for external targets. Following clarification, GPL has in fact supported all three types of measures, subject to specific comments as to their use (see sections 3.1.4 and 3.1.6 where GPL's comments on Bailiwick to UK and UK to Bailiwick mail are addressed).

Director General's Position

The support for the original proposals is welcomed as is GPL's acceptance of the use of all three categories. This is particularly important given that the service measures that GPL currently commits to in its Customer Charter are in fact within this category, i.e.:

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

Furthermore, the importance of internal efficiency measures is clear when it is considered that over 70% of all mail handled by GPL either is either posted or delivered in another postal operator's network. Hence internal measures would be important in isolating and monitoring the actual effectiveness of GPL's own operations and the impact of the actions of its third party partners on its capability to deliver end to end QoS. Thus the QoS2 internal efficiency measures are therefore complementary to the end to end measures of service delivery and not in place of them. From the above, it is clear that QoS cannot be captured in a single measure and there is therefore a need for a range of measures that reflect the complexity and diversity of the services provided by GPL.

Therefore the Director General concludes that QoS1, QoS2 and QoS3 categories of quality of services indicators currently capture those areas where QoS targets should be considered for GPL.

2.1 QoS 1: Delivery and Reliability Indicators

The consultation paper proposed that delivery times (i.e. J+n)² should be the first indicator of quality of service for which targets should be set and proposed to introduce QoS targets for delivery and reliability (i.e. what percentage of mail arrives within J+n) of the mail.

Respondents were asked to indicate their preference and order and priority for introducing QoS indicators for individual products offered by GPL and to state separately the reasons for their preferences and priorities. Respondents were also asked to indicate what types of targets should be set (e.g. J+1 day, +2 day etc) for the various products and services offered by GPL, and how they should be measured.

Comments Received

In its response GPL stated that service targets should be set by product range based on service specification. On request, GPL clarified that it considered there to be a case for differentiating different classes of mail, for example first class, second class and mailsort. However, GPL did not provide a detailed prioritised list. GPL did not agree that delivery times themselves should be the first indicator of QoS for which targets should be set as the company believed greater emphasis should be placed on the date of the item delivered and the overall service to its customers.

² Where **J** is the date of deposit or day of posting by latest posting time and **n** is the number of working days which elapse between that date and delivery to the addressee.

Generali agreed that QoS indicators should be set for letters and also suggested target levels should be set for private boxes (all mail cleared and available by 9.30am), parcels (J+7 for GPL/Royal Mail and J+2 for intra Bailiwick) and redirection of mail (95% of all mail to be correctly redirected).

Healthspan believed that targets should also be set for Inward Freepost (handled as second class mail from UK) and the Business Reply Service (handled as first class mail from UK) due to their importance to the Bulk Posters within the Bailiwick.

Director General's Position

Research in other jurisdictions such as the UK demonstrates the importance to customers of the delivery and reliability of the mail and the OUR has received no information to suggest that a different approach is appropriate in Guernsey. With regard to differentiating different mail streams, GPL's comments are noted and the OUR is open to suggestions in this regard. However, no proposals have been received in this consultation to support a change from the proposed position of global targets.

In terms of setting targets for private boxes and redirection of mail, the suggestions made are welcomed and are considered within the Key Performance Indicators QoS category (QoS3) in section 3.4.5.

Inward freepost and business reply mail from the UK are treated as first class mail by GPL and hence these mail streams would be included in the targets for inward first class mail from the UK.

Delivery and reliability targets for parcels would be measured using the standard J+n formula, but at the current time the OUR does not have sufficient information available on the volumes of this mail type in order to determine whether the benefits of measuring these mail streams separately justifies the costs associated with the regime. However, as with other issues raised, this will be kept under review.

Therefore for the time being the Director General has concluded that end to end targets using J+n should be limited to standard mail items within the Bailiwick, standard mail to and from Jersey, inward first class mail from the UK and standard Bailiwick mail to the UK. Other categories will be kept under review as the regime for standard mail items develops.

2.1.1 Delivery targets for Standard Mail Items

Types of Mail

The OUR considered the various different processes and parties that are involved in handling different types of mail items and proposed to set QoS targets for the delivery of mail items according to origination and destination namely: Bailiwick to Bailiwick mail; Bailiwick to Jersey mail; Jersey to Bailiwick mail; Bailiwick to UK mail; and UK to Bailiwick mail.

Comments Received

Three respondents agreed that delivery standards for standard mail should be monitored, with one of these adding that measurement should not be limited to standard letter post items.

One respondent - Royal Mail - expressed the view that OUR could not set end to end targets for mail flows outside Guernsey or involving postal operators other than Guernsey Post as it believed that this was outside the *vires* of the Director General. In particular Royal Mail pointed out that its own quality of service is regulated in the UK by the Postal Services Commission (Postcomm) and the quality of service targets in its Licence do not extend to mail to / from Guernsey, as they are limited to domestic UK mail.

Director General's Position

The general support for the proposals for delivery standards for standard mail is welcomed. The comments from Royal Mail are noted. OUR recognises the relationship between Royal Mail and Postcomm. However, the Director General does not agree with Royal Mail's assertion. By setting targets for standard mail from the Bailiwick to the UK and from the UK to the Bailiwick, the Director General is simply setting targets for GPL to achieve. GPL, in accordance with its licence, is in turn responsible for mail to, from and within the Bailiwick and the company has the responsibility to secure back to back quality of service agreements with Royal Mail or other partners to provide the required service levels. This is common practice in other industries where operators rely on service guarantees from other operators to provide end to end service, e.g. in telecommunications or electricity.

The Director General therefore concludes it is appropriate to set QoS targets for the delivery of standard mail items according to origination and destination namely: Bailiwick to Bailiwick mail; Bailiwick to Jersey mail; Jersey to Bailiwick mail; Bailiwick to UK mail; and UK to Bailiwick mail.

Types of Measure

The following quality of service standards for standard mail deliveries reaching its destination were proposed for measurement;

- for next day delivery (**J+1**); and
- delivery within three working days (**J+3**).

Responses

GPL agreed that the delivery target within the Bailiwick should be J+1 and in a further clarification GPL confirmed that it also accepted a measure for the tail of the mail.

Royal Mail noted that references were made in the OUR's original consultation paper to J+3 target of 99.9% and commented that there is no first class letter target for J+3 performance. The tail of mail target of 99.9% refers to delivery within three days of due date of delivery, which is J+4 for first class products.

Both Mr John and Generali agreed that standards should be set for J+1, but both thought that J+3 was too lenient and targets should be set at J+2.

Director General's Position

The support for the proposal to set targets for J+1 and the tail of the mail is welcome. The OUR is grateful for Royal Mail's clarification regarding its own measurement of tail of the mail.

Setting a target for J+3 does not represent a more lenient approach than setting J+2 as the salient issue is the levels at which the J+1 and J+3 targets are set as this will determine the performance to be achieved. Furthermore, at this stage of the development of the monitoring and measurement regime, the need for simplicity is recognised and it is considered that the use of a number of sequential targets, e.g. for J+1, J+2 and J+3 does not necessarily add significant value and may complicate the results unnecessarily. In fact in order to be consistent with international best practice and GPL's main business partners, and to allow appropriate comparisons with relevant benchmarks, the Director General has concluded that it would be more appropriate to use J+4 for the tail of the mail measure for mail handled by GPL's main business partners (i.e. Jersey Post and Royal Mail) and set the targets at an appropriate level.

Director General therefore concludes that she will set J+1 and J+4 delivery standards for standard mail where appropriate. This will be kept under review and further measures may be introduced if that is considered appropriate as the regime matures.

Ways of Measuring

Having considered the advantages and disadvantages of using both live mail and test mail to assess QoS, the OUR proposed 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.

Comments Received

The three respondents who responded to this question all agreed that test mail should be used to measure the quality of service with respect to deliveries.

Director General's Position

The support for the proposal is welcome and the Director General concludes that end to end delivery and reliability for standard letter mail will be measured using test mail.

2.1.2 Delivery Targets for Bulk Mail

Types of Mail and Measure

Having regard to the different characteristics of bulk mail services within the Bailiwick, the consultation paper proposed to measure QoS of bulk mail to the following destinations: Bailiwick to UK; Bailiwick to rest of Europe; and Bailiwick to all other destinations

The QoS measures proposed for these services were **J+3** for the majority (specified in section 3.2) of the mail and **J+5** for the tail of the mail. Respondents were asked if they agreed that bulk mail should be monitored in this way and if not, to explain reasoning and offer any alternative proposals

Comments Received

GPL agreed that bulk mail should be monitored separately, although it initially queried the measure for the tail of the mail. However GPL believed that the Bailiwick to all other destinations would not be meaningful in that the target for Royal Mail's mail for the "Rest of the World" varies depending upon destination and GPL is dependent on Royal Mail to provide this service to it. GPL argued that the proposal would be both excessive and unnecessary for what amounts to a very small amount of mail.

Generali agreed with the OUR's proposal in its entirety.

Director General's Position

The Director General notes that the measurement of the tail of the mail is standard and is already being undertaken by GPL and therefore will retain this measure. However the Director General notes GPL's point with respect to targets for other destinations namely that the proposed level of disaggregation would be unnecessary for the relatively small volumes of mail to destinations outside the UK. This issue was raised at the bulk mailer workshop prior to the publication of the consultation where there was some indication of interest. However, there was no support for the proposed separate measures from the bulk posters in response to the consultation. Under these circumstances, the Director General will only set delivery and reliability targets for bulk mail from the Bailiwick to the UK for J+3 and J+5.

Ways of Measuring

With respect to monitoring the delivery times and reliability of bulk mail, the paper stated the belief that it would be 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 GPL and reported directly to the bulk mail customers.

Comments Received

GPL wished to continue with the current system for bulk mail measurement, which uses live mail. Generali also agreed with the proposal.

Director General's Position

The Director General welcomes the support for the proposal and concludes that end to end measurement for bulk posters mail should be undertaken using live mail and presented directly to affected customers.

2.2 QoS 2: GPL Internal Efficiency

The OUR consultation paper set out the importance of assessing the internal efficiency of GPL's operations and proposed that five mail streams should be measured to track internal efficiency:

- **Intra Bailiwick Mail** – the time taken for GPL to process standard mail from the moment it enters Envoy House to the moment it leaves for delivery;
- **Mail received from Jersey Post** – the time taken for GPL to process standard mail from the moment it is handed over to GPL from Jersey Post;

- **Mail received from Royal Mail** – the time taken for GPL to process standard mail from the moment it is handed over to GPL from Royal Mail;
- **Mail transferred to Jersey Post** – the time taken for GPL to hand standard mail over to Jersey Post from the moment it is accepted at Envoy House;
- **Mail transferred to Royal Mail** – the time taken for GPL to hand standard mail over to Royal Mail from the moment it is accepted at Envoy House;

Respondents were invited to comment on whether they agreed that these five internal processes should be measured to monitor the internal efficiency of GPL's operation and to suggest any alternative measures.

Comments Received

Mr John and Generali agreed with the proposal while Royal Mail believed that OUR should only set targets for the mail that is within GPL's control i.e. up to the point of handover of outbound mail and from the point of receipt of inbound mail.

Initially, GPL expressed its disagreement with the measurement of these five internal processes as the company believed monitoring should focus on end to end service only. Following a request for clarification, GPL in fact supported the use of these measures for Bailiwick to UK and UK to Bailiwick mail for an interim period (see section 3.3 below), but maintained its opposition to the other measures. GPL provided no alternatives measurements that would isolate the impact of third parties on its operations.

Director General's Position

The internal measures are essential to capture performance of those elements of the network over which GPL had total control. Hence this information would be complementary to the end to end measurement of QoS described in section 2.1, not in place of them. Given that these are core processes of the business, the information required for monitoring performance should be readily available at minimal incremental, if any, cost to GPL. Therefore the Director General is of the view that these measures are essential.

However, it is accepted that the first of the five measures listed (**Intra Bailiwick Mail** – the time taken for GPL to process standard mail from the moment it enters Envoy House to the moment it leaves for delivery) may not be necessary as it does not involve mail going outside the control of GPL. Therefore the measurement of this activity will not be required at this stage. However, if it proves appropriate to introduce this at a later stage, for example if it proves necessary to measure differentials between the mail service to and from different parts of the Bailiwick, then the Director General reserves the right to reintroduce this measure.

The Director General concludes therefore that the following processes should be measured to monitor GPL's internal efficiency:

- **Mail received from Jersey Post** – the time taken for GPL to process standard mail from the moment it is handed over to GPL from Jersey Post;
- **Mail received from Royal Mail** – the time taken for GPL to process standard mail from the moment it is handed over to GPL from Royal Mail;
- **Mail transferred to Jersey Post** – the time taken for GPL to hand standard mail over to Jersey Post from the moment it is accepted at Envoy House; and

- **Mail transferred to Royal Mail** – the time taken for GPL to hand standard mail over to Royal Mail from the moment it is accepted at Envoy House.

Measures for monitoring these processes are described in section 3.3 below.

2.3 QoS 3: Key Performance Indicators (KPIs)

The third set of QoS indicators were those focusing on customer facing functions of GPL's business which reflect on the QoS perceived by its customers.

2.3.1 Misdelivery of correctly addressed postal items

The OUR proposed that GPL be required to measure the number of complaints relating to the misdelivery of correctly addressed mail³ by postal delivery routes so that problem areas can be addressed and improvements tracked over time. Respondents were asked if they agreed with this and if not to state reasons and offer any alternative measures.

Comments Received

GPL stated that the company does already monitor these complaints. Both Mr John and Generali agreed with the proposal. Mr John suggested that an 0800 free phone number should be made available for customers to report misdelsiveries to GPL, as he was of the opinion that recipients, rather than incur the cost of telephoning GPL to report these incidents, will either deliver them personally if the correct address is near by or alternatively put them back in the post box.

Director General's Position

The support for the proposal is welcomed and the OUR notes that GPL already monitors these complaints. However it is acknowledged that while GPL is aware of misdelivered mail items that are returned to a letter box, the company is reliant on customers informing them of misdelsiveries of mail when the customers themselves deliver them personally to the correct address.

The Director General will therefore require GPL to monitor the number of complaints regarding misdelsivery of correctly addressed mail items. GPL will also be required to set up and notify customers of procedures for alerting the company of misdelsiveries of correctly addressed mail.

2.3.2 Completion of Delivery Rounds by 1pm

The consultation paper proposed that GPL should be required to monitor the completion of delivery rounds by 1pm six days a week. Respondents were asked if they agreed with this and if not to explain why and offer alternative measures.

Comments Received

GPL stated that the company does monitor this performance indicator.

TSS agreed with the proposal and believed that this should be included in GPL's Customer Charter. TSS further commented that if a delivery round cannot be

³ NB correctly addressed mail comprises correct house name / number, street name, parish and postcode.

completed by 1pm, then GPL should commit to complete the round on that day. Generali commented that due to weather delays and bulk mailing impacting on delivery times, it would be better to guarantee completion of all mail day for day.

Mr John agreed with the Director General's proposal.

Director General's Position

The support for the proposals is welcomed. With regard to the suggestion that there should be a guarantee of daily deliveries rather than 1pm delivery target, this commitment (to a daily delivery) is in fact already a requirement on GPL arising from the States of Deliberation issuing Directions⁴ to the Director General in September 2001 relating to the universal service obligation which would apply to GPL. The Direction from the States requires that GPL provides 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, inter alia;

“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;”

In the context of a number of Directions issued to GPL at the beginning of March 2003 (see document OUR 03/09), the Director General has already required GPL to monitor and report to her office on its compliance with this obligation. The consultation was addressing the more precise target of delivery by 1pm, particularly in the light of GPL's own commitment to meet this target.

The Director General concludes that GPL shall be required to monitor the incremental target of completion of delivery rounds by 1pm six days a week, in addition to current monitoring of deliveries each day.

2.3.3 Handling of Complaints

The OUR proposed that GPL should monitor its handling of complaints to ensure it meets its targets in this respect as set out in its customer charter and respondents were asked if they agreed with the proposal.

Comments Received

GPL stated that the handling of complaints is covered in the company's Customer Charter, Generali and Mr John agreed with the proposal. TSS believed the wording in GPL's Customer Charter is unclear on this issue and assumed that within the monitoring of complaint handling it is implicit that GPL will analyse those complaints in order to assess where problems exist and what might need to be done to rectify them.

⁴ States Resolutions 2001, pages 78-80 (item no 14)

Director General's Position

The Director General welcomed the support for the original proposals and concludes that GPL will be required to monitor its handling of customer complaints. The lack of clarity in the Customer Charter is noted and interested parties are reminded that all comments on GPL's Customer Charter should in the first instance be directed to the company itself. In this instance the issue is addressed later in this report and GPL may need to amend its Customer Charter accordingly.

2.3.4 Clearing of Post Boxes

Respondents were asked if they considered that that GPL should be required to monitor the clearance of all post boxes by published times on the boxes and if so to describe how this should be measured and monitored.

Comments Received

GPL stated that the company is introducing a new control system to ensure that all boxes are cleared no earlier than advertised and in time to connect with the key despatch sorting time window. GPL however offered no view on the proposal in the consultation paper.

Generali agreed with the proposal suggested using test mail to identify when it was posted and the franking impression would indicate when it was processed. TSS referred to a system used in the UK, but no longer applied in Guernsey whereby a person using a post box knows whether the box has actually recently been cleared or is about to be cleared by means of a small label which is changed at the time of clearance which indicates the time of the next collection.

Mr John agreed with the proposal.

Director General's Position

The Director General welcomes support for the original proposals and notes the suggestions from respondents to the consultation. The Director General has concluded that GPL will be required to monitor the clearance of all post boxes by published times on the boxes.

2.3.5 Other Customer Facing KPIs

Respondents were invited to suggest any other KPI's that they believe GPL should be required to monitor and asses against targets.

Comments Received

GPL did not think there should be any other KPIs beyond those included in its Customer Charter.

TSS noted that GPL's Customer Charter does not mention the minimum opening hours of retail facilities and that whilst opening hours can be expected to reflect customer demand, GPL's retail facilities located at supermarkets are closed during some of the highest usage periods of the supermarkets themselves.

Generali expressed the view that QoS indicators should be set for the time taken for customers to be served at a counter within GPL's outlets and the opening times of Smith Street private boxes each morning.

Respondents suggested a number of other customer facing KPIs, including customer satisfaction surveys, collections from private boxes and redirection services in response to other questions in the consultation and these are addressed in section 3.4.5 below.

Director General's Position

Royal Mail is required to monitor the queuing times at counters within its retail outlets. Targets are set at 95% of customers waiting less than 5 minutes in a post office for postal services⁵. However, OUR does not at this time have sufficient evidence to show that queuing times within GPL's outlets are currently unacceptable and need to be reduced. Actually putting in place a monitoring regime to measure queuing times at each of GPL's retail outlets would require a sampling programme using mystery shoppers and may entail unnecessary incremental costs for GPL which could have to be recouped through its charges to its customers. At the current time therefore there does not appear to be sufficient evidence to demonstrate the added value in monitoring this QoS indicator, but this issue will be kept under review by the OUR.

With regard to the opening hours of GPL's retail network, the Director General notes the points made. In October 2002 when GPL published its customer charter, it invited comments on that charter and the matters that should be included in it. The OUR considers that the issue of opening hours should in the first instance be referred to GPL for consideration in this context. The OUR will keep developments on this matter under review with a view to considering whether the issue should be monitored in the future.

It would appear to be relatively straightforward for GPL to monitor the times when customers could collect from private boxes at both Smith Street and Envoy House and monitor the number of complaints relating to misdeliveries of redirected mail and therefore the Director General agrees that GPL should be required to monitor its QoS with respect to clearing private boxes and its mail redirection service.

⁵ Consignia Minimum Scheduled Service Targets

3 Target Levels for GPL

3.1 Targets for Standard Mail

3.1.1 Real or Adjusted Targets

Effects of the Weather

Comments were invited on the best approach in setting target levels and measuring performance and whether respondents believed that the target or the actual measurement should be adjusted to take account of the external effects of the weather.

Comments Received

All respondents who commented on this agreed that the effects of the weather should be taken into account. GPL expressed a preference for actual performance to exclude days affected by weather and other external factors beyond GPL's control i.e. for the data to be "cleaned" of anomalies and the targets should therefore exclude any allowance for weather effects. Mr John suggested that for those days when the mail does not arrive due to bad weather, these days are removed from the calculation to give a "clean figure" for QoS.

TSS believed that it would be appropriate to measure the actual performance and uplift this for poor weather, but recording how often this uplifting occurs.

Director General's Position

The view that actual results should be adjusted to take account of the impact of the weather either by excluding from the analysis those days when the postal operations have been affected by the weather or inflating the actual results to allow for the impact of the weather would mean that targets should be set at higher levels than those proposed in the consultation paper.

It would also mean that targets would be set at a level higher than the actual service that customers could expect to receive, thus creating unrealistic expectations (i.e. if customers perceive that they should get 90% next day delivery when in fact, taking account of the weather, there is only 70% next day delivery, publishing the 90% target will raise unrealistic expectations as to the likelihood of next day delivery).

Furthermore, manipulation of the data could prove expensive and is likely to make the process of arriving at results more complex and thus less reliable. It would also mean that the measurements would not be comparable to appropriate benchmarks.

Therefore the Director General considers that actual performance should be measured without making any adjustments to the results in order to:

- provide transparent realistic customer expectations
- ensure the integrity of the results particularly during the early stages of the process;
- ensure results can be benchmarked; and
- minimise the costs of introducing the monitoring regime, particularly in the early stages.

In addition the internal performance measures described in section 2.2 will in fact give a measure of the company's actual performance which accounts for weather effects on GPL's network and this information will be used to keep the monitoring regime under review over time.

Therefore the Director General concludes that targets will be set at levels which are both challenging and achievable by taking into account the dependence of the network on weather conditions.

Other Adjustment Factors

Respondents were asked to suggest any other external factors that should be treated this way and if so why.

Comments Received

GPL believed that airport opening times, aircraft and boat failures, power failures and customs needed to be factored into the setting of any targets for mail delivery and reliability.

Director General's Position

The airport opening times will be addressed in considering the impact of the weather on the ability of aircraft to land and take-off within the Bailiwick and will therefore already be taken into account when setting the targets. With regard to customs, the OUR has been led to believe by GPL that with the move to Envoy House and the provision of facilities for customs inspection on site, the impact of customs on daily deliveries has been greatly reduced. Furthermore, as all businesses are exposed to potential power cuts or failures it would not seem appropriate to make general exceptions for these events.

GPL have not provided any data to demonstrate the impact of these factors and the degree to which any targets should be adjusted to accommodate them. Nor has the OUR received any suggestions as to how the statistical data should be managed to address this. The Director General's approach to determining appropriate targets for GPL comprises identifying the most comparable benchmark and making any necessary adjustments to the benchmark figures to take into account differences in the characteristics of the Bailiwick and the benchmark jurisdiction. These other jurisdictions are also exposed to power, aircraft and boat failures and therefore appears at the present time no reason to make any further adjustments for these factors.

3.1.2 Intra Bailiwick Mail

The following targets were proposed for mail posted for delivery within the Bailiwick:

Table 1: 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%

Respondents were invited to state whether they agreed with this approach.

Comments Received

GPL initially stated that a target should only be set for J+1 and that at the current time it was unable to recommend any specific targets and would produce these as soon as possible. In a further clarification, GPL stated that it agreed with the proposed targets but suggested the following changes:

- That the figures be rounded up or down for ease of understanding; and
- That these targets exclude the effects of the weather on transport between the islands of the Bailiwick, technical breakdown or accident of such transport and power failures beyond the control of GPL.

Generali suggested that the year 3 target should be achievable in year 2 and Mr John believed that these targets were too lenient and that the targets should be tightened after six monthly intervals, rather than yearly.

Director General's Position

The Director General accepts the suggestion of simplifying the targets by rounding at this stage, but considers that as measurement becomes more precise, it may be appropriate to re-introduce more precision.

With regard to the suggestion that the measurement should exclude the effect of the weather and technical failure on the transport links between the islands in the Bailiwick, GPL has not proposed higher targets to reflect the exclusion of these external factors. Taking account of the fact that the combined population of Alderney, Herm and Sark account for less than 5% of the Bailiwick's population, from a sampling perspective intra Bailiwick mail will be less susceptible to weather effect, hence the proposed targets are both realistic and challenging and there does not seem to be any justifiable reason for adjusting them.

With regard to power interruptions, a blanket exclusion of this nature is not considered appropriate. All businesses are subject to variations in power supply and must take sensible precautions against interruption in the form of backup supply. In principle therefore the Director General does not consider that special allowances should be made for GPL. However, she will consider exceptional events on a case by case basis.

As explained in section 2.1.1 the Director General does not consider it is necessary to have a number of sequential targets, e.g. for J+1, J+2 and J+3 and therefore targets will simply be set for J+1 and J+3.

Decision 1

The following targets will be applied to Intra Bailiwick standard mail for the following time periods.

J+n	Oct 03 to Sept 04	Oct 04 to Sept 05	Oct 05 to Sept 06
J+1	86.0%	90.0%	93.0%
J+3	99.9%	99.9%	99.9%

These targets will be reviewed in the light of actual performance and experience with the monitoring regime.

3.1.3 Jersey to Bailiwick

Comments were invited from respondents on the following targets for Jersey to Bailiwick mail:

Table 2: 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%

Comments Received

Again GPL initially believed that J+1 should be the target but provided no suggestions on the actual target levels. GPL also noted that the sample sizes used in the calculation of the service level are extremely small and further work was being undertaken to assess the impact of the sample size. GPL was also assessing the impact of bad weather on inter island flights. In a clarification of their response GPL later stated that it accepted the targets and that it was working with Jersey Post to underpin these with QoS agreements but suggested the following changes:

- That the figures be rounded up or down for ease of understanding, although it agreed that 99.9% should be retained for the tail of the mail figure as established through international best practice; and
- That these targets exclude the effects of the weather on transport between the islands, technical breakdown or accident of such transport and power failures beyond the control of GPL or JP.

Generali suggested that the year 3 target should be achievable in year 2.

Director General's Position

The respondents comments are noted and as before the targets have been amended to include J+4 i.e. mail to be delivered within three days of the due date to reflect international best practice, allowing for comparisons with international benchmarks. The number of targets has also been reduced for simplicity and targets will only be set for J+1 and J+4 at this stage. This will be kept under review.

With regard to the issues of rounding and effects of weather and power failures, the Director General's position is as expressed in section 3.1.2 above in relation to intra-Bailiwick mail.

Decision 2

The following targets will be applied to Jersey to Bailiwick standard mail for the following time periods.

J+n	Oct 03 to Sept 04	Oct 04 to Sept 05	Oct 05 to Sept 06
J+1	60.0%	75.0%	90.0%
J+4	97.0%	98.0%	99.9%

These targets will be reviewed in the light of actual performance and experience with the monitoring regime.

3.1.4 UK to Bailiwick

The following targets were proposed for UK to Bailiwick mail:

Table 3: 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%

Comments Received

GPL stated that the Royal Mail distant destinations figures presented in the OUR's Consultation Paper are not appropriate comparators for a number of reasons including

- the figures quoted in the OUR document relate to the July - September 2002 period which is traditionally the period of the year when the impact of bad weather is minimised;
- the summer tends to be the period when traffic levels are lowest and consequently failures on the transport network and delivery are smallest due to lower volumes;
- the reported figures are cumulative **all** mail delivered figures and include locally (i.e. the equivalent to intra Bailiwick mail) posted and delivered items which increase the overall service level. A more appropriate comparison should be against long distance mail posted in England and Wales and delivered in ZE, KW and HS; and
- Royal Mail's KW postcode comprises a large area of mainland Scotland and in effect only KW 14-15 are comparable to Guernsey.

In further clarification GPL proposed that pending the outcome of ongoing discussions with Royal Mail that it accepts targets for first class mail for that part of the UK to Guernsey process that lies fully under its control i.e. from the arrival of the mail plane at Guernsey Airport at 0600 hours to clearance to the delivery postman. GPL's proposed targets being as follows:

	Year 1	Year 2	Year 3
J+0	95.0%	96.0%	97.0%
J+1	99.9%	99.9%	99.9%

Where **J** = day of receipt at Guernsey airport via 0600 mail plane

Notwithstanding that Royal Mail did not accept that OUR could set end to end targets for mail flows outside Guernsey or involving postal operators other than Guernsey Post (see section 2.1.1) it did not accept that its performance for outlying postcode areas (i.e. Kirkwall, Hebrides and Lerwick⁶) was an appropriate benchmark or precedent for mail flows between the UK and Guernsey. Whilst acknowledging that there may be some similarities, Royal Mail considers that a key difference is that Royal Mail and GPL do not operate a single integrated postal network so it is not a like for like comparison to compare mail flows between the UK and the Bailiwick. Royal Mail believed it more appropriate to consider the UK as an international destination for mail from the Bailiwick.

Royal Mail reiterated GPL's point about the performance figures for HS, KW and ZE based on the 2002/3 second quarter performance reported to Postcomm and recommended that OUR used trends of performance over a period of time rather than a snapshot of performance when benchmarking with Royal Mail as quarterly or even annual results may be subject to seasonal and statistical variation⁷.

Royal Mail commented the year three targets are inconsistent with Royal Mail's own targets and in particular they are higher than Royal Mail's national target for first class mail and intra postcode area mail. Royal Mail also noted that the UK target was higher than the Jersey – Bailiwick mail and intra Bailiwick mail.

Generali suggested that the year 3 target should be achievable in year 2.

Director General's Position

The points of clarification and comments on the proposed targets are welcome and the final targets in this section have been adjusted to take these into account.

For the avoidance of doubt the Director General does not accept that she is not entitled to set delivery targets for mail from and to the Bailiwick. The Director General's functions include the inclusion of licence conditions in licences to provide utility services. The GPL Licence entitles GPL to provide mail to, from and within the Bailiwick of Guernsey. Therefore the company has the responsibility to secure back to back quality of service agreements with its main business partners to provide the required service levels. As already noted this is common practice in other industries where operators rely on service guarantees from other operators to provide end to end service.

The interim targets proposed by GPL, which the company acknowledges are not end to end measures, are in effect measures of internal efficiency and have therefore been addressed in section 3.2. The Director General welcomes the commitment by GPL to meet these targets and agrees that they are of value. The levels of these targets are addressed in section 3.3 on QoS 2 later in this paper.

⁶ KW, HS, ZE respectively

⁷ Annual data on posted first class performance is also available from Royal Mail's Report and Accounts. These annual reports are in fact more accurate as the quarterly reports to Postcomm are based on preliminary figures which are subsequently verified

Therefore the Director General considers it entirely appropriate to include final end to end delivery targets for first class mail from the UK to the Bailiwick within GPL's licence. However, to take into account the statistical refinement of the measurement and the conclusion of negotiations with Royal Mail, these targets will be set as provisional targets to be included in GPL's licence from October 2003. In the meantime GPL will be required to measure end to end delivery times for UK to Bailiwick first class mail and these will be assessed against the provisional targets for year 1 set out below. The final targets that will come into affect on 1st October may be adjusted in light of the actual results over the next four months.

In light of the comments provided by respondents to the consultation and further research by the OUR, the Director General has revised the UK Bailiwick targets and these provisional targets will be reviewed by 1st October 2003. As before the Director General has amended the targets to include J+4 i.e. mail to be delivered within three days of the due date to reflect international best practice which is consistent with the approach adopted by Royal Mail.

Decision 3

The following provisional targets will be applied to UK to Bailiwick first class mail for the following time periods

J+n	Oct 03 to Sept 04	Oct 04 to Sept 05	Oct 05 to Sept 06
J+1	60.0%	70.0%	85.0%
J+4	95.0%	99.0%	99.0%

These provisional targets will be reviewed in the light of actual performance and experience with the monitoring regime.

3.1.5 Bailiwick to Jersey

The following targets were proposed in the consultation paper for Bailiwick to Jersey mail:

Table 4: 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%

Comments Received

GPL broadly agreed with the year one and two targets and in a clarification of their response GPL later stated that it accepted the targets and that it was working with Jersey Post to underpin these with QoS agreements. As with Jersey to Bailiwick mail, GPL suggested rounding of targets and exclusion of factors that it claims are outside the control of GPL and Jersey Post. Generali suggested that the year 3 target should be achievable in year 2.

Director General's Position

The Director General notes the responses to the consultation. For the reasons set out earlier, the targets will be reviewed in light of actual experience and as before the tail

of the mail measure has been amended so as to be consistent with measures in other jurisdictions. In addition, the rounding is accepted and the position in relation to weather and other external factors is as described in section 3.1.1.

Decision 4

The following targets will be applied to Bailiwick to Jersey standard mail for the following time periods

J+n	Oct 03 to Sept 04	Oct 04 to Sept 05	Oct 05 to Sept 06
J+1	65.0%	83.0%	90.0%
J+4	99.5%	99.7%	99.9%

These targets will be reviewed in the light of actual performance and experience with the monitoring regime.

3.1.6 Bailiwick to UK

The targets originally proposed for Bailiwick to UK mail were as follows:

Table 5: 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%

Comments Received

GPL believed that as with the delivered figures, the Royal Mail's figures quoted in the OUR's Consultation Paper are misleading and should not be used as benchmarks for GPL for a number of reasons including:

- wherever possible within the UK surface routes are used rather than air and these are less susceptible to the impact of bad weather;
- if there are delays in the transporting of the relief despatches there is time to recover and still achieve service;
- the last range of rail services are more susceptible to delay due to the impact of commencing overnight engineering maintenance work on the rail network; and
- the departure of the flight from Guernsey at 19.30 and arrival at Gatwick, meant that only the final despatch network can be used

As described in section 3.1.4 GPL proposed that targets should be set only for those processes within the direct control of GPL from collection at roadside boxes to the mail plane at London Gatwick Airport as follows:

	Year 1	Year 2	Year 3
J+0	95.0%	97.0%	98.0%
J+1	99.9%	99.9%	99.9%

Where **J** = day of receipt from roadside boxes.

Royal Mail's comments on UK to Bailiwick mail targets described in detail in sections 2.1.1 and 3.1.4 also apply in this instance namely: questioning the OUR's ability to impose targets on Royal Mail, questioning the appropriateness of Hebrides, Kirkwall and Lerwick postcode areas as comparable benchmarks; and the need to use time series data rather than snapshots.

In particular Royal Mail believed that the more appropriate benchmark to use would be mail posted from the Scottish islands to other distant areas (i.e. as a more appropriate comparator for Bailiwick to UK) and provided references to the following information.

Table 6: Mail Posted from Hebrides, Kirkwall and Lerwick to Distant Areas within Royal Mail's Network with respect to J+1

	Hebrides	Kirkwall	Lerwick
2000/01	78%	77%	78%
2001/02	77%	78%	83%
Targets for 2002/03	79%	79%	79%

Generali agreed with the Director General's proposal.

Director General's Position

The comments and clarifications from respondents are welcomed and these have been taken into account in setting provisional targets. For the time being final targets to come into effect from 1st October have not been set and the Director General will review the provisional targets in the light of actual performance over the next four months.

As before the Director General has amended the targets to include J+4 i.e. mail to be delivered within three days of the due date to reflect international best practice which is consistent with the approach adopted by Royal Mail.

The Director General also welcomes GPL's commitment to measure that part of the process within GPL's control and this is addressed in section 3.3 on QoS 2 later in this paper.

Decision 5

The following targets will be applied to Bailiwick to UK standard mail for the following time periods

J+n	Oct 03 to Sept 04	Oct 04 to Sept 05	Oct 05 to Sept 06
J+1	60.0%	70.0%	80.0%
J+4	95.0%	99.0%	99.9%

These targets will be reviewed in the light of actual performance and experience with the monitoring regime.

3.2 Targets for Bulk Mail

The consultation paper proposed that the targets for bulk mail should be as follows:

Table 7: Proposed Bulk Mail Quality of Service Standards for GPL

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

Respondents were invited to comment on these proposed targets for GPL's bulk mail quality of service indicators.

Comments Received

GPL agreed with the J+3 target but argued that as these mail items were being delivered in the UK it was not possible for GPL to propose targets until the end of May 2003. Generali agreed with the Director General's proposals.

Director General's Position

Given current practice of monitoring and meeting targets for bulk mail the Director General does not accept that it is necessary for GPL to wait until the end of May 2003 to propose targets and will therefore set targets now based on the actual performance of GPL.

Decision 6

The following targets will be applied to Bulk Mailers Bailiwick to UK mail for the following time periods

J+n	Oct 03 to Sept 04	Oct 04 to Sept 05	Oct 05 to Sept 06
J+3	90.0%	92.5%	95.0%
J+5	99.0%	99.5%	99.9%

These targets will be reviewed in the light of actual performance and experience with the monitoring regime.

3.3 Internal Efficiency of GPL's own Operations

As set out in section 2.2 internal efficiency refers to the handling of mail by GPL from the time it is within the company's control to the point where it hands it over to other operators. The consultation paper invited respondents to comment on the following targets:

Table 7: Proposed Internal Efficiency Targets for GPL 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%

Comments Received

GPL disagreed with the principal that external targets should be set for internal management processes, and provided no comments on the actual target levels that

were proposed in the consultation paper. GPL stated on a number of occasions in its response that targets should reflect the standards stated in the product specification. In many instances GPL's own product specification is expressed in terms of GPL's own internal efficiency.

In its later supplementary clarification GPL suggested the use of these targets for UK to Bailiwick and Bailiwick to UK mail, pending the development of end to end targets and suggested the following targets.

For UK to Bailiwick Mail (Inward mail – first class)			
	Year 1	Year 2	Year 3
J+0	95.0%	96.0%	97.0%
J+1	99.9%	99.9%	99.9%

For Bailiwick to UK Mail (Outward Mail)			
	Year 1	Year 2	Year 3
J+0	95.0%	97.0%	98.0%
J+1	99.9%	99.9%	99.9%

Generali agreed with the Director General's proposals.

Director General's Position

The Director General welcomes the support for her proposals and has disaggregated the targets to reflect the differential service standards for the product specifications provided by GPL in its later submission to OUR.

Internal targets have therefore been set for the following inward mail items (i.e. mail received from Jersey Post and Royal Mail for delivery within the Bailiwick): 1st Class mail (including a measure for tail of mail), 2nd Class mail, Mailsort⁸ 1, 2 and 3 and Press stream 1 and 2. These targets have been set using the expression D_i+n where D_i is the time of receipt by GPL at Envoy House and n is the days to clearance to the delivery postman i.e. D_i+0 means processed and cleared to delivery postman on the day of receipt.

For outward mail (i.e. posted within the Bailiwick for delivery outside GPL's network) a target has simply been set for all mail using the expression D_o+n , where D_o is the latest collection time from any facility and n is the time taken for it to be at Guernsey Airport or harbour ready for transportation to either Jersey or the UK mainland.

⁸ Mailsort is a generic name for a range of services provided by Royal Mail for customers producing large volumes of mail for delivery within UK and Guernsey. Presstream is a specific product exclusively for publications.

Decision 8

The following targets will apply for processing mail items:

Postal Service	Oct 03 to Sept 04	Oct 04 to Sept 05	Oct 05 to Sept 06
Inward Mail:			
1 st Class mail (D_i+0)	95.0%	96.0%	97.0%
1 st Class mail (D_i+1)	99.9%	99.9%	99.9%
2nd Class mail (D_i+0)	92.0%	95.0%	97.0%
Mailsort 1 (D_i+0)	95.0%	96.0%	97.0%
Mailsort 2 (D_i+3)	95.0%	96.0%	97.0%
Mailsort 3 (D_i+7)	95.0%	96.0%	97.0%
Presstream 1 (D_i+0)	95.0%	96.0%	97.0%
Presstream 2 (D_i+3)	95.0%	96.0%	97.0%
Outward Mail:			
All mail (D_o+0)	95.0%	97.0%	98.0%

These targets will be reviewed in the light of actual performance and experience with the monitoring regime.

3.4 Targets for KPIs

3.4.1 Misdelivery of correctly addressed postal items

Respondents were asked to comment on the Director General's proposal that GPL should record the number of complaints regarding misdelivery of correctly addressed mail by delivery round to enable performance to be monitored over time so that remedial action can be taken where appropriate to ensure improvements in the quality of service.

Comments Received

Both Generali and GPL agreed with the Director General's proposals regarding the misdelivery of correctly addressed postal items.

Director General's Position

Decision 9

GPL will be required to monitor the misdelivery of correctly addressed mail and whilst no targets will be set, the Director General will monitor performance on a time series basis to ensure that as a minimum quality does not deteriorate and that GPL takes steps to improve the quality of service over time. The Director General reserves the right to set formal targets in the future.

3.4.2 Completion of Delivery Rounds by 1pm

The Director General proposed that GPL 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. Given the potential need for staff training to eliminate these service failures, the Director General proposed, at the end of an initial

monitoring period of six months, to formalise this target and introduce regular reporting and monitoring. Respondents were asked if they agreed with this approach.

Comments Received

Generali recognised that reporting and monitoring are essential but due to the variety of circumstances that can prevent on time delivery believe this will not be consistently achievable. GPL stated that the company now had the necessary systems to monitor movements of staff.

Director General's Position

The Director General notes the responses to the consultation, particularly the potential impact of exogenous factors (such as the weather delaying arrival of the mail plane) on GPL's operations and will proceed with the original proposals and have regard to these factors during the monitoring period.

Decision 10

GPL will be required to monitor the completion of delivery rounds by 1pm each day and report to OUR on a monthly basis until the end of October 2003. Performance will be reviewed and consideration given as to how to adjust for adverse weather conditions and other exogenous factors. Following the initial period of monitoring the Director General will formalise a target and introduce regular reporting and monitoring for this KPI.

3.4.3 Handling of Complaints

Respondents were asked if they agreed with the Director Generals proposal that GPL 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 GPL's service within 10 working days.

Comments Received

GPL stated that the company's Customer Charter only referred to resolving customers' claim for compensation within certain time frames, not general complaint handling.

GPL agreed in principle with the target for "claim management" as outlined in customer charter i.e. target of acknowledging 99% of claims within two working days. GPL suggested the 95% target for claim resolution within time-bound processes should be extended to indicate the range of product and destination specific timelines outlined therein i.e. different resolution times would apply depending upon the product in question (e.g. first class or mail sort) and whether mail was handled by an operator other than Royal Mail and Jersey Post (e.g. An Post or Deutsche Post). GPL however provided no suggestions as to what the resolution times should be under this proposal.

Generali agrees but believes that problems should be resolved within five working days.

Director General's Position

The responses indicate that the Customer Charter needs to be clarified and extended. In particular 99% of complaints, whether claims for compensation or other complaints should be acknowledged within two working days from the moment they have been received by the company. Complaints to GPL by letter or by email therefore need to be acknowledged as received by the company. Complaints by telephone to GPL staff, are by default recognised and acknowledged by the company during the conversation and logging of the complaint.

In terms of resolving complaints five working days would not appear to provide sufficient time to resolve all complaints, particularly having regard to the fact highlighted by GPL that some complaints may involve another operator e.g. posted mail in the Bailiwick which is delivered within Deutsche Post's network. Therefore the Director General considers that 95% of all complaints should be resolved within 10 working days. Having different complaint resolution times for different products as suggested by GPL may be desirable in the longer term, but at this stage is likely to be an inappropriate degree of sophistication. Therefore this position will be kept under review as the monitoring regime develops.

Decision 11

GPL shall be required to acknowledge 99% of all complaints within two working days of being received and logged by the company.

GPL shall resolve 95% of all complaints within 10 working days.

3.4.4 Clearing of Post Boxes

The consultation paper proposed that in order to identify any service failures, GPL should record the collection of mail from post boxes on a daily basis and at the end of an initial monitoring period of six months, should the data demonstrate that there are significant concerns and these have not been addressed by the company, then the Director General will reconsider this approach. Respondents were invited to comment on this approach.

Comments Received

Generali agreed with the Director General's proposal.

GPL stated that the company was already engaged in investigating the best way to monitor post box clearance on daily and ongoing basis. GPL was assessing the optimum system for Guernsey which once identified would be implemented. GPL sees the benefits of this reflecting in higher end to end service achievement and should not be the subject of a separate measure and target in its own right.

Director General's Position

The clearance of post boxes could potentially be an important driver of quality of service and is a factor that is highly visible to postal users. Therefore it is considered that this KPI should be measured separately at least initially to determine its impact. Therefore GPL will be required to monitor the daily collections until the end of October 2003 at which point actual performance will be assessed and targets considered.

Decision 12

GPL shall monitor the clearing of post boxes in accordance with advertised collection times and report to OUR on a monthly basis until the end of October 2003. Following the initial period of monitoring, GPL's performance will be reviewed and the Director General may formalise a target and introduce regular reporting and monitoring for this KPI.

3.4.5 Other Customer Facing KPIs

Respondents were invited to suggest any other KPIs for customer facing functions of GPL's business they believe that GPL should be required to monitor and assessed against targets.

Comments Received

GPL stated that the appropriate KPIs are those already contained in the company's Customer Charter and service specifications.

TSS suggested that GPL should be required to conduct regular surveys of customers' opinions and expectations, especially in relation to less tangible factors such as friendliness, helpfulness of staff and convenience of services.

In response to other questions in the consultation paper, respondents suggested targets should also be set for collections from private boxes at Envoy House and Smith Street and that 95% of all redirected mail should be redirected successfully.

Director General's Position

In terms of general surveys on customer satisfaction, this would appear to be a commercial and operational matter for the company in the first instance and therefore the Director General does not intend to set targets for these general measures of customer satisfaction.

The time for collections from private boxes at Envoy House and Smith Street (8.15am and 8.45am respectively) is synonymous with the commitment to complete delivery rounds by 1pm each day. Similarly, the opening times of the private boxes are clearly dependent upon the arrival times of the mail plane in the morning and such GPL's actual performance is to some degree dependent upon external factors. Therefore as with the 1pm delivery target the Director General will require GPL to monitor the opening times of the boxes on a daily basis so that the company's actual performance can be assessed. At the end of an initial monitoring period up until October 2003 the Director General may set a target and require GPL to conduct regular reporting and monitoring.

The Director General is aware that customer satisfaction may be enhanced if customers were made aware of the actual time that the private boxes were ready for opening as this would prevent wasteful trips to the GPL premises only to discover the mail was not ready for collection. Hence GPL may wish to consider how best to communicate operational information to the customers directly on a daily basis.

Decision 13

GPL will be required to monitor the opening of private boxes each day and report to OUR on a monthly basis until the end of October 2003. Performance will be reviewed and consideration given as to how to adjust for adverse weather conditions and other exogenous factors. Following the initial period of monitoring the Director General may formalise a target and introduce regular reporting and monitoring for this KPI. GPL will be required to consider ways of communicating private box opening times on a daily basis.

For GPL's redirection of mail service, the Director General does not believe it would be appropriate to set targets for the percentage of mail that is redirected successfully as this would require sampling using test mail for what is in effect a small volume of mail. The Director General does believe therefore that there is clear evidence at this time that the economic benefits of implementing this measure would justify the costs associated with introducing it.

In effect the failure to redirect mail successfully is similar to the misdelivery of correctly addressed mail. For the latter GPL is required to record the number of complaints regarding misdelivery of correctly addressed mail by delivery round to enable performance to be monitored over time so that remedial action can be taken where appropriate to ensure improvements in the quality of service. The Director General believes that a similar approach should be adopted for GPL's redirection service.

Decision 14

GPL will be required to monitor the number of complaints regarding the redirection of mail and whilst no targets will be set, the Director General will monitor performance on a time series basis to ensure that as a minimum quality does not deteriorate and that GPL takes steps to improve the quality of service over time.

4 Monitoring, Enforcement and Compensation

4.1 Responsibility for measuring Quality of Service

Respondents views were invited on the proposal that GPL should measure its quality of service in a manner approved by the OUR which would include regular audits of the result. If respondents disagreed, they were asked to offer alternative proposals.

Comments received

Generali agreed with the Director General's proposal. GPL believed that quality of service should be measured independently by a professional suitably experienced company.

Director General's Position

The Director General welcomes the support for the proposals.

Decision 15

GPL will be required to measure its quality of service in a manner approved by the OUR which would include regular audits of the results by the OUR. This will necessitate GPL providing the OUR with full documentation of the systems and procedures the company, or a third party company, will be using to measure its performance for approval by the OUR.

4.2 Publishing of Results

The consultation paper proposed that GPL provide the OUR with quarterly reports containing the results of the measurements for each of the quality of service indicators outlined in this consultation paper. The Director General also proposed that GPL would be required to publish its results every six months in a format approved by the Director General and that any amendments to these requirements will be solely at the discretion of the Director General and will, in part, be dependent on GPL's performance.

Respondents were asked if they agreed with this approach and if not, to offer alternative methods of reporting.

Comments Received

Both Generali and GPL agreed with the proposals.

Director General's Position

The targets set out in this Report will be incorporated as conditions within GPL's licence from 1st October 2003. In the meantime GPL will be required to monitor its performance against each of the QoS criteria set out in this paper against year 1 targets. The timetable and next steps for introducing these targets are described in section 5 of this report. Reports on performance will initially be published every six months, but as the monitoring and measurement mechanism becomes more robust, the Director General will consider requiring GPL to publish results on a quarterly basis to provide more frequent visibility to customers.

Decision 16

GPL will submit quarterly reports on its performance with respect to each of the QoS indicators included in this Decision Notice in a format to be determined by the Director General. GPL will also publish its performance at least every six months in a format approved by the Director General.

4.3 Enforcement

The consultation paper explained the enforcement powers and functions of the Director General under the legislation and noted that it is in line with those functions that the Director General will consider a range of factors and apply the penalty most appropriate having regard to the licence breach in question in each case.

4.4 Compensation

Compensation for Loss and Damage

Respondents were asked if they considered the levels of compensation for lost or damaged standard mail are appropriate at 100 times the value of the postage up to a maximum of £27 plus the cost of the postage.

Comments Received

Both Generali and TSS agreed. GPL agreed in principle but indicated that it required additional time to reply to the detail primarily due to the operational changes being undertaken by Royal Mail.

Director General's Position

Since the publication of the OUR's consultation paper at the end of January 2003, Postcomm (the UK Postal Regulator) has published its Decision Document on Royal Mail's Price and Service Quality Regulation⁹. The OUR notes that there has been no resolution of the debate around the inclusion of loss and damage in a mandatory scheme and will continue to monitor developments in the UK.

The Director General therefore concludes that there is no need to change GPL's existing voluntary compensation scheme at the current time. However the compensation regime for loss and damages will be kept under review and the Director General will reconsider the scheme at a later date pending developments in the UK.

Compensation for Delay

Comments were also requested as to whether GPL should introduce compensation for delays in standard mail although it was noted that this was not common practice in other jurisdictions.

Comments Received

Generali believed that GPL should introduce compensation for delays in standard mail and that these should be based on developments in the UK. GPL required additional time to reply to the detail primarily due to the operational changes being undertaken by Royal Mail.

⁹ Review of Royal Mail Group Plc's Price and Service Quality Regulation, March 2003 Second Price Control, Quality Service Targets and Compensation – Licence Modification and Decision Document

Director General's Position

Postcomm published a Decision Notice¹⁰ on this topic in March 2003¹¹. At the current time Royal Mail pays between zero and up to 100 times the cost of a first class stamp (and on average £6) on a discretionary, goodwill, basis only for delay. Postcomm has announced that it intends to consult, in the absence of any agreement between Royal Mail and Postwatch (the postal user representative organisation) on a determination of a compensation scheme with a number of features including inter alia:

“1st and 2nd class stamped and metered mail and standard retail parcels – compensation of 12 first class stamps or £5, payment of £10 where delay is excessive. Royal Mail will be able to continue to provide payment (beyond the minimum levels set up by the scheme) upto 100 times the cost of a first class stamp in appropriate circumstances. Compensation would be paid only where Royal Mail is satisfied that the claim is justified.”¹²”

The Director General therefore concludes that it would be inappropriate for GPL to introduce a compensation for delays to standard mail at present. This position will be reviewed in light of developments in the UK and GPL's own performance with respect to delivery and reliability. In any event claims regarding inward mail from Jersey or the UK should be made by customers to Jersey Post and Royal Mail respectively. GPL would only be liable for compensation for mail that originated within its own network.

Compensation for products other than standard mail

Views were sought from respondents on GPL's existing compensation scheme for other products and services and whether these met customer's needs.

Comments Received

GPL stated that it needed additional time to reply to the detail primarily due to the operational changes being undertaken by Royal Mail.

Generali commented that for all International Priority services there is no proof available of signature obtained, therefore giving the customer no assurance of delivery to a particular individual, yet this service carries a substantial fee for very little enhancement.

Director General's Position

The Director General notes the comments from the respondents and will continue to monitor the company's compensation scheme. With regard to International Priority Services, it is noted that for the International Signed For and Swiftair Priority services the items are electronically tracked prior to departure from the UK and that the copy

¹⁰ Postcomm Review of Royal Mail Group Plc's Price and Service Quality Regulation, March 2003 Second Price Control, Quality Service Targets and Compensation – Licence Modification and Decision Document

¹¹ Postcomm has recently issued a supplementary consultation paper on a proposed determination on a proposed compensation regime for delays by Royal Mail focusing on amongst others evidence required for compensation. It is clear therefore that there are a number of issues which need to be addressed in the UK before Postcomm is going to formalise compensation requirements for delays.

¹² Ibid

of the signature taken on delivery cannot be supplied to the customer. The prices for these products reflect the product characteristics in each instance. GPL offers another product, Airsure which at premium electronically tracks a mail item all the way to the final delivery address which would appear to address directly the respondent's concerns.

5 Next Steps and Implementation

5.1 Direction from Director General

It is clear from the GPL responses to this consultation that there is insufficient tracking and monitoring of key measures in relation to QoS to ensure consistent and reliable monitoring and measurement, particularly in relation to the effect of external factors.

Therefore, the Director General intends to direct GPL to carry out a comprehensive monitoring and measurement programme in the months prior to 1st October 2003. That programme will be designed to fine tune the measurement and monitoring system as well as provide input on the end targets in some cases. Prior to 1st October 2003, the Director General will proceed to amend the GPL licence in accordance with the Laws to incorporate these targets into the licence. In the meantime, the company will be required to meet the year 1 targets (i.e. October 2003 to September 2004) as set out in this Report and Decision Notice.

Therefore the Director General, in accordance with section 5(1)(e) of the Regulation of Utilities (Bailiwick of Guernsey) Law 2001, directs Guernsey Post Limited in the terms set out below. This Direction is made under Condition 4 of Guernsey Post Limited's postal licence. Compliance with this Direction is required in order to enable the Director General to enforce condition 14.8 of GPL's Licence in relation to QoS,

Direction

The Director General hereby issues a direction under Section 5(1)(e) of the Regulation of Utilities (Bailiwick of Guernsey) Law 2001 to GPL to require Guernsey Post Limited to:

- Prepare detailed project plans outlining the main actions, responsibilities and deadlines for measuring each of the indicators within the QoS1, QoS2 and QoS3 categories set out in this paper by 16th May 2003;
- Set out the procedures and systems that will be put in place for measuring the QoS indicators within each category in a format approved by the Director General by 31st July 2003; and
- Collect data on the impact of external factors including weather conditions, and aircraft and boat reliability on end to end delivery from both the Bailiwick to UK and UK to Bailiwick mail to enable the Director General to finalise end to end targets for first class inward mail and standard class outward mail.

The Director General proposes that this direction shall take effect immediately. Furthermore, the Director General reserves the right to require the collation and measurement of additional information if that proves necessary.

5.2 Next Steps and Implementation

Notwithstanding the fact that these targets will be introduced as licence conditions within GPL's licence from 1st October 2003, GPL will be required to continue to monitor its own performance against the criteria within each QoS category with immediate effect wherever possible. A summary of the next steps and the implementation plan for these targets is shown in the table below.

GPL will be required to provide OUR with details of the monitoring procedures that the company will be using to measure its performance against each of the criteria listed in the table.

QoS Category	Criteria	Actions and Timetable
QoS1	Intra Bailiwick	<p>Targets into force with immediate effect, but not as licence conditions.</p> <p>GPL to continue with current monitoring regime.</p> <p>OUR to review methodology for monitoring performance.</p> <p>GPL to collect data on effect on external factors with particular emphasis on UK to Bailiwick (first class) and Bailiwick to UK mail as these targets may be adjusted prior to 1st October 2003.</p> <p>OUR to finalise all targets and modify GPL's licence accordingly prior to 1st October 2003.</p>
	Jersey to Bailiwick	
	UK to Bailiwick	
	Bailiwick to Jersey	
	Bailiwick to UK	
QoS2	Inward Mail	<p>Targets to come into force as soon as monitoring system has been put in place which should be no later than 31st July 2003.</p> <p>GPL to put in place systems and procedures for monitoring internal efficiency.</p> <p>OUR to review systems and procedures developed by GPL.</p> <p>Systems and procedures to be in place by 31st July 2003.</p>
	Outward Mail	
QoS3	Misdelivery of correctly addressed mail	<p>Targets to come into force as soon as monitoring system has been put in place which should be no later than 31st July 2003.</p> <p>GPL to put in place systems and procedures for monitoring KPIs within QoS3.</p> <p>OUR to review systems and procedures developed by GPL.</p> <p>Systems and procedures to be in place by 31st July 2003.</p>
	Handling of complaints	
	Clearing of post boxes	
	Opening of private boxes	
	Redirection of mail	

6 Conclusion

This report and decision notice sets out the framework for a robust and transparent measurement and monitoring process that will be designed to demonstrate to customers of GPL the level of service they receive and the true effect on that service of living in an island community. It offers the opportunity to GPL to demonstrate its commitment to customer service and to show clearly the outcome of its efforts to meet the needs of those customers.

The targets have been set at levels that the Director General believes are realistic but challenging, having regard to the information available. As information on which to base targets improves over time, these targets will be kept under review and may be adjusted.

The Director General wishes to thank again all those who participated in this consultation and to invite GPL to engage in a process that will build trust and openness with its customers and help it to demonstrate its commitment to best practice in postal services.

/ENDS