



Office of Utility Regulation

**Direction to Guernsey Post Ltd regarding  
Compliance with Quality of Service  
Standards  
Statutory Notification of Direction**

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**Notice of a Direction to Guernsey Post Ltd under  
Section 31 of the Post Office (Bailiwick of Guernsey)  
Law, 2001**

**Document No: OUR 05/07**

**March 2005**

**Office of Utility Regulation**  
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# 1. Introduction

Document OUR 05/01 gave notice<sup>1</sup> of a proposed direction to Guernsey Post Ltd (“GPL”) for a licence breach with respect to a J+3 Quality of Service (“QoS”) target for bulk mail to the UK. The proposed notice of the direction was in accordance with section 31 of the Post Office (Bailiwick of Guernsey) Law, 2001 and the Director General invited interested parties to submit written representations and objections on the proposed direction.

The Director General (“DG”) received one response to the statutory invitation to comment, that being a formal submission from GPL.

The DG wishes to thank GPL for its response and in helping to inform the DG’s consideration of the issue. In line with OUR standard practice, with the exception of any information marked as confidential, written comments are available for inspection at the OUR’s office and are also published on the OUR’s website [www.regutil.gg](http://www.regutil.gg).

This paper is structured as follows:

**Section 2** presents the responses that were received from interested parties and, in light of consideration of those comments, the DG’s response to the comments received.

**Section 3** sets out the direction to GPL following the consideration of the written representations and objections.

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<sup>1</sup> Direction to Guernsey Post Ltd regarding Compliance with Quality of Service Standards Statutory Invitation to Comment Notice of Proposal to issue a Direction to Guernsey Post Ltd under Section 31 of the Post Office (Bailiwick of Guernsey) Law, 2001

## **2. Consideration of Responses**

### **2.1. *Written Representations and Objections***

GPL responded in considerable detail to the statutory invitation to comment. These comments were not limited to the proposed direction and included issues such as:

- the statistical tolerances of the measurement systems
- the appropriateness of targets to one decimal place
- the absence of targets in Jersey and
- the lack of publication of independent results in Jersey.

GPL's full response and discussion of these issues are available on the OUR's website ([www.regutil.gg](http://www.regutil.gg)).

In response to the proposed direction regarding the QoS failure for the bulk mail J+3 target, GPL stated that all bulk mail left Guernsey on schedule and that subsequent delays were incurred within Royal Mail's ("RM") Offices of Exchange ("OEs"). GPL say that these delays in unsorted mail are wholly beyond its control. GPL states that it has taken this matter up with RM at a high level to improve its service and despite a number of meetings with RM's senior management in recent months no significant improvement had materialised.

GPL do not believe it to be appropriate for the OUR to direct the company to achieve a target for J+3 bulk mail across the pre-sorted and unsorted products. GPL believes the OUR should consider introducing individual targets for both pre-sorted and unsorted bulk mail. In any event, GPL state that it is not now going to be possible to achieve the bulk mail target of 92.5% for J+3 for the year ending September 2005, based on RM's performance in the period since October 2004.

GPL note that the UK regulator sets targets for intra UK mail and that it is unreasonable for GPL to have legally enforceable targets for mail delivery across borders (i.e. for both mail to/ from Jersey and to/from the UK). In conclusion GPL does not believe it appropriate for the OUR to direct the company to achieve legally enforceable targets for cross border mail and that the setting of such targets would be unreasonable, unworkable, disproportionate and possibly ultra vires.

### **2.2. *Director General's Response***

The DG notes GPL's comments on certain elements of the existing QoS targets which were not directly relevant to the proposed direction. The OUR's published work programme (which is available on the OUR's website) includes a proposed public consultation on the existing QoS regime and the issues raised by the company will be addressed in that consultation. The OUR would welcome any comments any interested parties may wish to make on this to assist in framing the consultation.

In view of the fact that over 70% of the mail handled by GPL either originates or is delivered in other postal networks (primarily the RM in the UK), the DG firmly believes it important for there to be delivery service targets for mail entering and leaving Guernsey. Targets for mail to the UK are particularly important to all business and residential users in the Bailiwick, in particular the bulk mail sector

whose primary market is the UK. For these companies, reliable and timely postal services are essential requirements to allow them to compete in what is a competitive market.

The DG consulted in 2003 on both the types of targets and the level of those standards to which GPL submitted a comprehensive response. This response was supportive of the proposals at that time and the Bulk Mail targets established reflected GPL's own internal targets at that period. GPL stated at that time that:

*“GPL has already stated that it fully accepts and supports the need for measures and targets on its performance, independent or otherwise. GPL desires a simple and clearly focused quality measurement system which will ‘drive the right behaviours’ to achievement of agreed targets.”*

In particular, GPL recognised the importance of the Bulk Mail sector: It stated that:

*“[it] regards bulk mail as extremely important both to itself and the Island of Guernsey. GPL supports measures of service similar to those described and which are already in use by many island bulk mailers.”*

The DG notes that GPL's response to the Statutory Invitation to Comment expresses certain concerns with regard to the appropriateness of service standards for all mail leaving and entering the Bailiwick.

In the report on that consultation<sup>2</sup> the DG, whilst recognizing the relationship between Royal Mail and Postcomm, was of the opinion that it was entirely appropriate for standards to be set for GPL to achieve for standard mail from the Bailiwick to the UK and from the UK to the Bailiwick. GPL would in turn be responsible for mail to, from and within the Bailiwick and the company would have the responsibility to secure back to back quality of service agreements with Royal Mail or other partners (such as Jersey Post) to provide the required service levels. The DG noted that this was 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 DG therefore concluded it was 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.

The DG does not agree with GPL's view that it is inappropriate for the OUR to direct GPL to achieve enforceable quality of service targets across borders - and believes that, given his duties under the Regulation of Utilities (Bailiwick of Guernsey) Law 2001, it is entirely reasonable, proportionate and intra vires for the reasons set out above. However he does acknowledge that GPL has experienced deterioration in the quality of service it receives from RM. The DG is aware from other sources that this

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<sup>2</sup> Document OUR 03/12R Guernsey Post Limited: Quality of Service – Report on the Consultation, Decision Notice and Direction

is the case for the period in question. He is also aware of, and accepts, that efforts are being taken to address these issues.

The DG notes GPL's views on compliance with the proposed direction to achieve 92.5% for J+3 bulk mail for October 2004 to September 2005 given the performance in the first three months of the financial year. The DG therefore considers that it would be unreasonable to impose the proposed section 31 direction given the length of time that has now elapsed.

In the circumstances the DG believes it reasonable to reduce the target for the period 1<sup>st</sup> April 2005 to 30 September 2005 that is required under this direction. He has decided therefore to direct GPL to achieve the 91% J+3 for bulk mail to the UK for the period 1<sup>st</sup> April 2005 to 30<sup>th</sup> September 2005.

In the event that Guernsey Post does not comply with any Direction issued in accordance with Section 31 of the Post Office (Bailiwick of Guernsey) Law, 2001, the DG may impose any of the sanctions available under the Law.

However before invoking any of these sanctions the DG must follow the procedure set out in section 32 of the Law. In particular section 32(4) of the Post Office (Bailiwick of Guernsey) Law, 2001 allows for the DG not to impose a sanction if he is satisfied that:

- (a) a licensee is taking or has taken all such steps as may be necessary to secure compliance with the direction under section 31;
- (b) the imposition of a sanction would be inconsistent with the objectives set out in section 2 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001;  
or
- (c) the contravention of the direction under section 31 is not, in his opinion, material.

Any decision regarding a failure to comply with a section 31 direction in this instance would therefore take into account the factors allowed for in the law.

The DG believes that all possible steps should be taken to ensure that GPL has appropriate service level agreements with RM for inward and outward mail to ensure that the difficulties encountered to-date are addressed.

### **3. Direction**

In accordance with section 31(2) of the Post Office (Bailiwick of Guernsey) Law, 2001 Guernsey Post Ltd is hereby directed to take such actions as necessary to ensure that the company comes in compliance with the target set out below by 30<sup>th</sup> September 2005:

Guernsey Post Ltd is required to achieve the following target for bulk mail from the Bailiwick to the UK for the period 1<sup>st</sup> April 2005 to 30<sup>th</sup> September 2005:

<b>J+n</b>	<b>Target</b>
J+3	91%

(where **J** represents the date of deposit and **n** the number of working days which elapse between that date and delivery to the addressee)

**/END**