



# Consultation on Measures of the Quality of Postal Services in the Channel Islands

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## Channel Islands Competition and Regulatory Authorities

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## 1. Introduction

The quality of the services provided by postal operators is closely linked to the price postal customers pay for these services. A reduction in service quality while prices stay constant is equivalent, in fact, to a rise in postal prices. Regulators of postal services tend, therefore, to regulate the quality of postal services at the same time – and for the same reasons – as they regulate postal prices. There also is the fact that customers may find it difficult to assess postal quality of service.

In the Channel Islands, the Jersey Competition Regulatory Authority (**JCRA**) and the Guernsey Competition and Regulatory Authority (**GCRA**) each regulate the quality of the services provided by Jersey Post Limited (**JP**) and Guernsey Post Limited (**GPL**) respectively. The regulators have broadly similar duties under their respective enabling legislation and, among other objectives, must further the interests of consumers and economic well-being in the Channel Islands. The regulators believe that a joint approach to regulating quality of postal services will benefit the Channel Islands. Accordingly, the proposal in this consultation document is for service quality regulation by means of a common set of performance measures, which would be recorded in the same way and would provide fully comparable results.

There are a number of benefits in regulating both operators jointly. Such an approach enables management, regulators and customers to compare the performance of each postal operator against the other by providing a fair benchmark. It also provides a useful stimulus to each operator to improve its performance as if they were in competition with one another.

For the purpose of this document the JCRA and the GCRA are together referred to as the Channel Islands Competition and Regulatory Authorities, or **CICRA**, and all references in this document to CICRA should therefore be read as references to each of the JCRA and the GCRA, unless the context otherwise requires.

This consultation follows discussions CICRA has had with JP and GPL, which have helped inform this consultation document. CICRA is grateful for the time these two organisations have given it. Once CICRA has analysed responses to this consultation, it plans to issue a decision later this summer so that the new measurement regime can become operational as soon as possible.

## 2. Structure of the Consultation

The consultation document is structured as follows:

Section 3:	This section references the legal bases for CICRA's role (with the JCRA and the GCRA having their own separate legal bases in each jurisdiction) in regulating the quality of postal services in the Channel Islands.
Section 4:	Explains the purposes to which CICRA would put quality of service measures for the postal sector.
Section 5:	Describes the quality of service measurements that CICRA proposes JP and GPL should use.
Section 6:	Proposes the targets that CICRA should set for JP and GPL.
Section 7	Sets out the next steps.

Interested parties are invited to submit comments to CICRA in writing or by email on the matters set out in this paper to either of the following addresses:

Guernsey Competition and Regulatory Authority Suites B1 & B2 Hirzel Court St Peter Port Guernsey GY1 2NH Email: <a href="mailto:info@cicra.gg">info@cicra.gg</a>	Jersey Competition Regulatory Authority 2 <sup>nd</sup> Floor, Salisbury House 1-9 Union Street St Helier Jersey JE2 3RF Email: <a href="mailto:info@cicra.je">info@cicra.je</a>
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All comments should be clearly marked "Consultation on Measures of the Quality of Postal Services in the Channel Islands" and should arrive by 9.00 am on Monday 23 July 2012.

In line with CICRA's consultation policy, the regulators intend to make responses to the consultation available on the CICRA website, the combined website of the GCRA and JCRA. Any material that is confidential should be put in a separate annex and clearly marked as such so that it may be kept confidential. CICRA regrets that it is not in a position to respond individually to the responses to this consultation.

### 3. Legislative and Licensing Background in the Channel Islands

The legislative base for this consultation is provided in Jersey by the *Competition Regulatory Authority (Jersey) Law 2001* and the *Postal Services (Jersey) Law 2004*. In Guernsey, applicable legislation is *The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001*, *The Guernsey Competition and Regulatory Authority Ordinance, 2012* and the *Post Office (Bailiwick of Guernsey) Law, 2001*. In addition, there is scope for the States of Guernsey and States of Jersey to give directions to the GCRA and the JCRA respectively.

Any decision resulting from this consultation will be based on the relevant laws and duties of both the GCRA and the JCRA respectively.

The relevant obligations of the dominant operators in Jersey and Guernsey – JP and GPL respectively – are contained in their licence conditions as well as in primary legislation. On 1 July 2006, the JCRA issued a Class II Licence to JP under Article 15 of the *Postal Services (Jersey) Law 2004*. Condition 15.7 of JP’s licence states:

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

In Guernsey, GPL was issued a licence on 1 October 2001, which provides, in Condition 14.8, that:

*The Licensee shall comply with any directions issued by the Director General<sup>1</sup> from time to time, regarding any quality of service indicators and measurement methods for Postal Services and shall, as and when required, supply to the Director General in a form specified by her, the results of its measurements of actual performance against any quality of service indicators and measurements so specified and the Director General may publish or require publication of such information as she considers appropriate.*

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<sup>1</sup> With the GCRA having assumed the functions of the Director General under the *Guernsey Competition and Regulatory Authority Ordinance, 2012*, the references in GPL’s licence to the Director General shall be read as references to the GCRA.

#### 4. Role of Quality of Service Monitoring for CICRA

CICRA believes that its regulatory tools need to include a system of quality measurement and targeting for the services that are provided to customers. This is reflected in the licences of the two main postal operators in the Channel Islands. However, CICRA does not think that bulk mailers need the same regulatory protection as small customers since they are able to negotiate special arrangements with postal suppliers and can have some choice between suppliers and, possibly, between jurisdictions.

For customers other than bulk mailers, CICRA believes that a regulatory system of postal quality measurement and targeting is needed for the following reasons:

- **Captive customers** – Unlike bulk mailers, individual customers and small businesses have very little choice outside the standard postal service. Alternative services provided by courier and express companies are often considerably more expensive and electronic communications may be an insufficient substitute. Without quality of service regulation, monopoly postal operators could reduce their service and their costs to maximise their profits in the same way as they have incentives to increase prices when unchecked.
- **Quality information** – Individual customers find it difficult to assess the quality of the service provided as they experience a small sample only – and perhaps infrequently – of the products provided by a postal operator. They need an external trustworthy independent source of information to be able to assess the characteristics of the services that they purchase.
- **Uniform service provision** – JP and GPL have an obligation to provide the same service at the same price throughout their jurisdictions. Without checks on quality of service, there is a risk that JP and GPL might provide services that vary too much in quality.
- **Management incentives** – Unlike operators in competitive markets, where information about competitors' activities provide powerful incentives for improved operations, JP and GPL lack objective information about how they compare with other operators. A joint quality of service system, which is run independently, of which results are available publicly and which produce comparable information between JP and GPL, will encourage them to sharpen their operational and customer facing activities.

CICRA believes quality of service measurements and targets have a number of benefits:

- they help focus management on its primary duty to postal customers, as would occur in a competitive industry, and spur it to greater efficiency because

operations that are tightly managed for reasons of quality of service are also efficient ones;

- they provide regulators with a way to assess the performance of a regulated company and, for instance, compare it with other operators;
- they alert regulators to issues of concern to customers or on which they may need to develop new policies; for instance, JP's and GPL's dependence on Royal Mail's or HMRC's own quality of service is relevant to the end-to-end quality of the service customers receive when sending mail outside the Islands; and
- they provide reassurance to postal customers that the service they receive is of a certain standard.

*Respondents are invited to comment on the above statements and, in particular, to state whether the above provides a sufficient justification for the proposal to monitor and target postal quality of service across the Channel Islands.*

## 5. Features of a Quality of Service System

### Measurement

A system of measurement and targets for quality of service needs to have certain features, which are usually and generically summarised by the SMART acronym (specific, measurable, actionable, relevant and timely). A quality measurement system implemented in the postal sector would draw on SMART principles. Quality measures would be:

- controllable by the postal operator concerned;
- relevant to customers – this requirement, usually, implies that end-to-end quality is measured but, as much of the Islands' mail depends on Royal Mail for its final delivery or its origination, end-to-end quality is not entirely within the control of JP or GPL;
- measurable and independently measured – both operators rely on the measurement services of a consultancy, Research International, which is remunerated directly by the operators but which CICRA believes is independent and recognised as such;
- comparable – which is why CICRA is proposing to use the same measures in Jersey and Guernsey;
- enforceable – the main means of enforcement is the publication of the results on an annual basis, which should introduce an element of competition between the two postal operators and, if necessary, provide an opportunity for 'naming and shaming'.

### Targets

Targets depend on the quality measures that are put in place. Determining targets is a regulator's responsibility because of the possible positive correlation between costs and targets. For a given level of efficiency, higher targets imply higher costs. It would not do for postal operators to offer, for instance, a 'gold-plated' service if it cost more to customers than they thought it was worth and customers would be more satisfied with, say, a slower and cheaper service.

In competitive markets, customers can choose the best price-quality combination for their needs but for postal services, the only choice, usually, is between standard or very expensive express or similar services. It is the role of the regulator to strike the balance that it thinks appropriate, on average, for standard services offered to the group of customers for which it is responsible.

### Proposed system

CICRA proposes to use measurement and targets that cover a selection of the services provided by JP and GPL. The proposed system would measure quality of service for:



- standard letters within Jersey (JP) or within Guernsey (GPL), between Jersey and Guernsey (both), and to/from the UK (both);
- Recorded/Registered/Express letters within Jersey (JP), within Guernsey (GPL), and to/from the UK (both);
- Certain internal measures – these are in use now already and have various purposes, including that of identifying the respective roles of the local operator (JP or GPL) and of other postal operators in end-to-end quality of service measures;
- A few other indicators of relevance to customers, such as mis-deliveries.

It is proposed that quality should be measured by an independent organisation to be appointed by the postal operators on the basis of a common specification. CICRA should be consulted on the terms of the specification.

The consultants should report at least annually. However, it is proposed that the data should be compiled monthly, so that the annual report provides an indication of performance trends over the course of the year.

JP and GPL would be required to send the consultants' reports to the JCRA/GCRA respectively and to publish the report on their websites, where they should leave it until superseded by a new one. The postal operators would be free to request – and publish if they wish – more frequent reports.

CICRA would also publish annual quality of service targets, and the consultants' reports, on its website.

*Respondents are invited to comment on the above section. In particular, comments are sought on the services that CICRA proposes to monitor, whether there should be more or fewer of them and whether the use of SMART principles is appropriate here.*

## 6. Targets proposed by CICRA

This section proposes a set of targets for JP's and GPL's quality of service. CICRA proposes to use them for the full 2013 year. While, de facto, they will be in place for the rest of 2012, CICRA accepts that they will be less relevant in 2012 as the month of December typically has a significant and negative impact on achieved quality of service, due to the vast increase in the volume of mail handled by the operators.

At this stage, CICRA is not proposing to set targets for other desirable measures of service quality, such as mis-deliveries, but plans to keep them under review.

### Targets for 2013

Targets, generally, are set in terms of which proportion of mail should arrive within one, two, three or more working days from the day it is posted. The posting day is referred to as 'J' day and a target of 'J+1' is a target for the proportion of mail that should be delivered the working day (Monday to Friday) after it has been posted. A target for 'J+3', say, allows two full working days between the day of posting and the day of delivery.

The target for Special Delivery mail is set at 100% because it is mail for which a customer pays an additional amount to ensure that it is delivered and not lost. For Recorded Delivery in Guernsey – equivalent to Signed For in Jersey – the target is set as for standard mail for J+1 but at 100% at J+3, since it is assumed that a customer has paid a small premium to ensure the dependability of letter delivery more than its speed.

The targets proposed below, essentially, are the targets that were last given to JP (JCRA Direction of 7 February 2009) and GPL (OUR Information Notice of January 2007). To put these targets in context, the current targets for standard mail on similar routes in the Isle of Man, Northern Ireland, Ireland and Great Britain are also recorded.

### *Local Mail*

It is proposed that JP and GPL should be required to achieve the following targets for local mail:

	Standard Mail	Rec/Signed for	Special D
J+1	95%	95%	100%
J+3	99%	100%	

Targets for local mail to be delivered the working day after posting (J+1) in other jurisdictions are:

Isle of Man	Northern Ireland	Ireland	Great Britain
98%	93%	94%	93%

### ***Mail between Jersey and Guernsey – either way***

It is proposed that JP and GPL should be required to achieve the following targets for standard mail between Jersey and Guernsey:

	Standard Mail	Rec and Reg	Express
J+1	82%	95%	100%
J+3	97%	100%	

### ***Mail from Jersey or Guernsey to UK and vice versa***

It is proposed that JP and GPL should be required to achieve the following targets for standard mail between the UK and each of the Islands:

	Standard Mail	Rec and Reg	Express
J+1	82%	95%	100%
J+3	97%	100%	

Targets for mail between the Isle of Man and the UK, in either direction, are for 98% of mail to be delivered on J+1.

### ***Internal Target***

JP and GPL should be required to achieve the following targets for the internal processing of mail items received from the UK or sent to the UK:

<b>Mail from UK</b>		<b>Mail to UK</b>	
1 <sup>st</sup> Class mail <b>(D+0)</b>	98%	All mail <b>(E+0)</b>	98%
1 <sup>st</sup> Class mail <b>(D+1)</b>	100%		
2nd Class mail <b>(D+0)</b>	98%		

Where:

- D is the time of receipt by JP or GPL of mail coming from the UK at their main sorting centre. The target applies to the number of days before clearance to a delivery postman; for instance, D+0 means mail is processed and cleared to a delivery postman on the day of receipt.
- E+0 means that all mail collected on day E before the last collection time has to be taken to the airport or the harbour ready for transport to the UK mainland on the same day as when it is collected.
- 1<sup>st</sup> Class mail includes Presstream 1 and Mailsort 1, namely mail sent from the UK to the Channel Islands where the letter originator has paid for the mail to be treated as 1<sup>st</sup> class post.

***Complaint handling***

JP and GPL are required to acknowledge 99% of all complaints within two working days of being received and logged by the company. JP and GPL are required to resolve 95% of all complaints within 10 working days.

JP and GPL are required to monitor and record their performances against these targets.

*Respondents are invited to comment on the proposed targets and on whether they believe they should be set for a full year of measurement, and not for the rest of 2012. Respondents are also invited to suggest targets for other measures of service quality.*

## 7. Next Steps

Subject to the responses CICRA receives to this consultation, it plans to issue directions to JP and GPL in respect of postal quality of service in August.

CICRA expects that, in anticipation of its directions, JP and GPL will revise their contracts with the independent research company they now use to determine changes to the contractual terms, if necessary. In association with CICRA and following its directions, they will complete the specification of their contracts so that the new measurement regime can become operational in September 2012, in time to collect data for a few typical months in 2012.

In February 2013, it is proposed that the first joint quality of service reports would be published in Jersey and Guernsey.

*Respondents are invited to comment on the above proposed sequence of actions and timetable.*

## Annex A – Licence Condition and Existing Targets in Jersey

### **Licence Condition**

JP is licensed by the JCRA in Jersey. The licence condition relevant to quality of service (Condition 15 - Development of Postal Facilities and Services) provides as follows:

- 15.1 The Licensee shall develop and operate the Postal Facilities so as to progressively achieve standards in line with international best practice during the Term, and in particular, the Licensee shall achieve and comply with such established international standards and benchmarks as the JCRA may direct from time to time.*
- 15.2 In order to meet the objectives set out in Condition 15.1, within three (3) months of the Licence Commencement Date, the Licensee shall submit to the JCRA a plan setting out the target levels it will achieve for Postal Services, together with specific quality of service Information requested by the JCRA (to be known as the “Postal Development Plan”) and a service monitoring plan (to be known as the “Postal Monitoring Plan”) which provides for accurate measurement of each of the target levels set out in the Postal Development Plan (together, the “Plans”).*
- 15.3 The Plans will describe:*
- (a) how actual performance will be monitored;*
  - (b) the process for the collection and analysis of suitable data; and*
  - (c) the procedures for internal review and performance improvement planning by the Licensee.*
- 15.4 The JCRA may direct the Licensee to update and resubmit the Plans from time to time.*
- 15.5 The JCRA may direct the Licensee as to matters to be included in the Plans and may amend or replace such Direction from time to time.*
- 15.6 Within forty five (45) days of the end of each six (6) month period during the Term, the Licensee shall provide the JCRA with a written report in a form required by the JCRA on its achievements under the Postal Development Plan during the preceding six (6) month period, as set out in Condition 15.2.*
- 15.7 The Licensee shall comply with any Directions issued by the JCRA from time to time regarding any other quality of service indicators and measurement methods for Postal Services and shall, as and when required, supply to the JCRA, in a form specified by the JCRA, the results of its measurements of actual performance against any quality of service indicators and measurements so specified, and the JCRA may publish or require publication of such Information as it considers appropriate.*

### Existing Targets

The JCRA published a consultation (Consultation Document 2008-P1) on Jersey Post's Quality of Service on 25 June 2008. In light of the points made by respondents, the JCRA adopted the following Direction to Jersey Post on quality of service:

1. The J+1 (next working day delivery, where 'J' is the day of posting) formula shall apply in setting of quality of service targets as specified in Paragraphs 4, 5 and 6 below.
2. The quality of service targets are based on J+1, are annualised and apply to fully-paid mail. They shall be set according to 5 end-to-end routes below:
  - a. Local-Local
  - b. UK-Jersey (applies to Royal Mail first class mail)
  - c. Jersey-UK
  - d. Jersey-Guernsey
  - e. Guernsey-Jersey
3. The 'tail of the mail' (portion of the mail that is delivered late) target for all mail for the above 5 routes is set at J+3 (delivery within 3 working days, where 'J' is the day of posting).
4. A 95% target is set for the Local-Local route with the 'tail of the mail' set at 99%. This shall be implemented with immediate effect.
5. An 82% target is set for UK-Jersey and Jersey-UK routes, with the 'tail of the mail' set at 97%. This shall be implemented with immediate effect.
6. An 84% target is set for the Jersey-Guernsey and Guernsey-Jersey routes with the 'tail of the mail' set at 97%. This shall be implemented with immediate effect.
7. An 87% target of J+3 is set for the bulk mail priority product to the UK with the 'tail of mail' set at 90% for J+5 (delivery within 5 working days, where 'J' is the day of posting). This is to be implemented no later than 1 July 2009.
8. Jersey Post's internal efficiency for both delivered<sup>2</sup> and dispatched mail<sup>3</sup> shall be 98%. This shall be implemented with immediate effect.

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*2 Internal efficiency for delivered mail means mail that is received before the latest acceptance times, to be sent on delivery on the due date, and which is measured by the percentage of items still on hand after deliveries have left the sorting office.*

*3 Internal efficiency for dispatched mail means mail that is posted by the latest acceptance times, due for dispatch on the due date, and which is measured by the percentage of items still on hand following dispatch.*

9. Jersey Post shall appoint an independent research company which will measure on Jersey Post's behalf the quality of service performance for end-to-end routes identified in Paragraphs 4 to 7 above.
10. Jersey Post shall provide a Compensation Scheme ('the Scheme') to postal users, at 100 times the cost of a stamp for the minimum weight step for lost and damaged mail, subject to the conditions set out in the Scheme. The Scheme shall also cover Articles for the Blind. No compensation is required for bulk mail products. This Scheme will require approval by the JCRA and is to be implemented by no later than 1 April 2009.
11. Jersey Post shall publish its quality of service performance for end-to-end targets at Paragraphs 3 to 7 above at the same time as the report is submitted to the JCRA. The report shall also detail the amount of compensation (if any) JP has paid under the Scheme set out in Paragraph 10. The report shall be in a format acceptable to the JCRA and shall be published in accordance with Condition 15.6 of Jersey Post's Class II Public Operator's Licence.
12. The JCRA reserves the right to review Jersey Post's quality of service targets at the end of each year.



## Annex B – Licence Condition and Existing Targets in Guernsey

### Licence Condition

GPL is licensed by the GCRA. The relevant licence condition (Condition 14 – Development of the Postal Facilities and Services) is unchanged since it was first published in 2001. It says:

*14.1 The Licensee shall develop and operate the Postal Facilities so as to progressively achieve standards in line with international best practice during the Term, and in particular, the Licensee shall achieve and comply with such international standards and benchmarks as the Director General may direct from time to time.*

*(...)*

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

### Existing Targets

Measurements and targets were last set in OUR 07/02, an Information Notice that updated Direction (OUR 05/16) to take account of a change in GPL's financial year. It contained more measurements and targets than proposed now. The extract below is limited to the measures and targets that it is proposed to continue, even if targets have not been set for all measures.

#### ***Intra Bailiwick Mail***

GPL is required to achieve the following targets for Intra Bailiwick standard mail for the following time periods:

<b>J+n</b>	<b>Apr 07 – Mar 08</b>	<b>Apr 08 – Mar 09</b>	<b>Apr 09 – Mar 10</b>
J+1	95%	95%	95%
J+3	99%	99%	99%

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

#### ***Bailiwick to UK Mail***

GPL is required to report on its performance against the following targets for Bailiwick to UK standard mail for the following time periods:

<b>J+n</b>	<b>Apr 07 – Mar 08</b>	<b>Apr 08 – Mar 09</b>	<b>Apr 09 – Mar 10</b>
J+1	81%	82%	83%
J+3	97%	97%	97%

### ***UK to Bailiwick Mail***

GPL is required to report on its performance against the following targets for UK to Bailiwick first class mail for the following time periods:

<b>J+n</b>	<b>Apr 07 – Mar 08</b>	<b>Apr 08 – Mar 09</b>	<b>Apr 09 – Mar 10</b>
J+1	81%	82%	83%
J+3	97%	97%	97%

### ***Internal Target***

GPL is required to achieve the following targets for the internal processing of mail items:

<b>Inward Mail</b>	<b>Apr 07 – Mar 08</b>	<b>Apr 08 – Mar 09</b>	<b>Apr 09 – Mar 10</b>
1 <sup>st</sup> Class mail ( <b>D<sub>i</sub>+0</b> )	98%	99%	99%
1 <sup>st</sup> Class mail ( <b>D<sub>i</sub>+1</b> )	99%	99%	99%
2nd Class mail ( <b>D<sub>i</sub>+0</b> )	98%	99%	99%
Mailsort 1 & Presstream 1 ( <b>D<sub>i</sub>+0</b> )	98%	99%	99%
Mailsort 2 and Presstream 2 ( <b>D<sub>i</sub>+3</b> )	99%	99%	99%
Mailsort 3 ( <b>D<sub>i</sub>+6</b> )	99%	99%	99%
<b>Outward Mail</b>			
All mail ( <b>D<sub>o</sub>+0</b> )	98%	99%	99%

Where:

- D<sub>i</sub> is the time of receipt by GPL at Envoy House and n is the days to clearance to the delivery postman (i.e. D<sub>i</sub>+0 means processed and cleared to delivery postman on the day of receipt);
- D<sub>o</sub> 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.

GPL is required to monitor and record the number of “shut outs” at the airport and harbour in its six monthly QoS reports.

### ***Mis-deliveries***

GPL is required to monitor and record the mis-delivery of correctly addressed mail. Whilst no targets have been set at the current time, GPL must ensure that as a minimum, quality does not deteriorate over time and that GPL takes steps to improve the quality of service in this regard over time. The Director General reserves the right to set formal targets in the future.

***Complaint handling***

GPL is required to acknowledge 99% of all complaints within two working days of being received and logged by the company. GPL is required to monitor and record its performance against this target.

GPL is required to resolve 95% of all complaints within 10 working days. GPL is required to monitor and record its performance against this target.

***Post Boxes***

GPL is required to monitor and record the clearing of post boxes in accordance with advertised collection times. The Director General reserves the right to set formal targets in the future.

***Private Boxes***

GPL is required to monitor and record the opening of private boxes each day. The Director General reserves the right to set formal targets in the future.

***Redirection of Mail***

GPL is required to monitor and record the number of complaints regarding the redirection of mail. Whilst no targets have been set at the current time, GPL must ensure that as a minimum quality does not deteriorate over time and that GPL takes steps to improve the quality of service in this regard over time. The Director General reserves the right to set formal targets in the future.