



Commission for  
**Communications Regulation**

## Consultation Paper

### **Quality of Service Target 2004**

#### **Single Piece Priority Mail**

|                     |                        |
|---------------------|------------------------|
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All responses to this consultation should be clearly marked:-  
“Reference: Submission re ComReg **04/08**” as indicated above,  
and sent by post, facsimile, e-mail or on-line at [www.comreg.ie](http://www.comreg.ie)  
(current consultations), to arrive on or before **1700, Friday 12  
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## 1 Foreword

The quality afforded to the single piece priority mail is a particular concern to ComReg. Single piece mail generates 51% of An Post's revenue from domestic mail. Prices have increased substantially over the last two years but there has been no discernible improvement in quality.

If An Post, the designated Universal Service Provider, was operating in a free market there would be no requirement to set a quality of service target as market forces in the form of competition would prevail. This is not the case and a number of political decisions have been taken both at EU and national level to guarantee the provision of a universal postal service, and secure improvements in the quality of services, especially in respect of next day delivery services within the State.

A Notice from the Commission on the application of the competition rules to the postal sector and on the assessment of certain State measures relating to postal services OJ C 39 6.2.98 p 2 Section 2.7 Duties of dominant postal operators warned that *“another type of possible abuse involves providing a seriously inefficient service”* and expresses concern about *“ the possibility that, where they are granted special or exclusive rights, postal operators may let the quality of the service decline and omit to take necessary steps to improve service quality”*

In ComReg's view the target set should take account of all those factors that impact quality, allowing a reasonable percentage for unforeseeable circumstances in addition to a percentage for exceptional factors that make it uneconomic for An Post to provide a 100% next day service, whilst considering what are reasonable customer expectations. A planned approach to how improvement will be achieved is key to reaching any target set.

This consultation paper invites all interested parties to respond by 12 March 2004.

**John Doherty,**  
**Chairperson, Commission for Communications Regulation.**

## 2 Executive Summary

The setting of Quality of Service targets is based on National and European law. To date the quality of next day delivery of priority single piece mail that An Post offers customers is below the targets set.

Postal Quality of Service targets are of importance to both the Customer and the Operator. The view of the Customer is typically a “top down approach” and should take into account the main factors that influence quality, the price for which the service is being offered and the level of service the customer enjoys from its Postal Service Provider.

The Operator viewpoint, on the other hand, is more of a “bottom up approach” which identifies the current status of the Operator in terms of ongoing work to improve quality, and the constraints - some of which are within An Post’s control and some outside. The major strategic review of An Post that is currently underway, headed by its new management team, presents a great opportunity to consider precisely what needs to be done.

ComReg invites responses to this consultation paper from all parties and welcomes in particular views of customers for whom the targets are especially important, but also from those who do not need next day delivery and can therefore free up resources for those that do. It is important to highlight that the list of factors included in this paper as impacting quality is not exhaustive. Therefore ComReg invites An Post to identify the other factors that impact quality, the improvement that is achievable and a timeframe to which An Post are working to provide an improved quality of service to all single piece mail customers.

ComReg is of the opinion that it would be useful to make an assessment of the impact that setting a target might have and has asked respondents particular questions in relation to a regulatory impact assessment.

This consultation will run to Friday 12 March 2004 during which time the Commission welcomes written comments on any of the issues raised in this paper. It is ComReg’s intention to publish a response to consultation by April 2004.

### 3 Introduction

The scope of this consultation paper on the Quality of Service Target for next day delivery of single piece priority mail is:

- to set a Quality of Service Standard in respect of the transit time for single piece priority mail.
- to establish a deadline and set milestones for achieving this Standard.
- to ensure that the Standard can be enforced by adopting the steps in accordance with ComReg's legal obligations.

It is important to note that the Consultation does NOT extend to:

- the system for measuring performance against the Standard – this has been established by CEN, the European Standards authority, and approved by the Postal Directive Committee of the EU.
- setting a Quality of Service Standard for “Bulk Mail”.
- setting a Quality of Service Standard for other services, e.g. Parcels, Registered, Non-Priority.

#### 3.1 Legal Basis

The EU “Postal Directive” establishes a harmonised regulatory framework for postal services throughout the European Union and for securing improvements in the Quality of Service provided, and defines a decision-making process regarding further opening of the postal market to competition. It was transposed into national law by the European Communities (Postal Services) Regulations, 2000, S.I. No.310 of 2000, which have now been revoked and replaced by the European Communities (Postal Services) Regulations, 2002, S.I. No.616 of 2002 (“the Postal Regulations”).

ComReg's obligations under S.I No 616 of 2002 in relation to Quality of Service are as follows:

- under Regulation 12 (1) to set and publish quality of service standards in relation to the universal service.
- under Regulation 4 (3) (b) to issue directions to An Post “in respect of the quality of the postal service to be provided”.
- under Regulation 18 (2) to enforce compliance with such a Direction.

For full details of the legislative basis see Appendix A of this paper.

## 3.2 Why is ComReg involved in setting Quality Targets

### 3.2.1 Legal Obligation

ComReg has a legal obligation to set quality of service targets for An Post:

*“Quality-of-service standards in relation to the universal service, paying attention in particular, to routing times and to the regularity and reliability of services, shall be set and published from time to time by the Regulator, having taken into account the views of interested parties, in the case of national services.”<sup>1</sup>*

### 3.2.2 European Level

In 1997 the EU Postal Directive set out “*common rules for ... the improvement of quality of service*”. In particular it emphasises the need to improve and enhance the quality of service:

*“Whereas consideration should be given to the interests of users, who are entitled to services of a high quality; whereas, therefore, **every effort must be made to improve and enhance the quality of services provided at Community level**; whereas such improvements in quality require Member States to lay down standards, to be attained or surpassed by the universal service providers, in respect of the services forming part of the universal service”<sup>2</sup>*

A notice from the Competition Directorate of the EU warned that “*another type of possible abuse involves providing a seriously inefficient service*” and expresses concern about “*the possibility that, where they are granted special or exclusive rights, postal operators may let the quality of the service decline and omit to take necessary steps to improve service quality*”.<sup>3</sup>

### 3.2.3 Irish Government’s Core Policy Goals

The core policy goal of Government policy for the postal sector, as set out in the Statement of Strategy 2003-2005 for the Department of Communications, Marine and Natural Resources, is:

*“To ensure Irish industry and domestic customers enjoy competitively priced, high-quality postal services on a par with the highest quality standards in key comparator economies elsewhere in the EU. . . and to develop the Irish postal*

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<sup>1</sup> Regulation 12(1) of the Postal Regulations.

<sup>2</sup> Recital 30 to EU Directive 97/67/EC

<sup>3</sup> Notice from the Commission on the application of the competition rules to the postal sector and on the assessment of certain State measures relating to postal services OJ C 39 6.2.98 p 2 Section 2.7 Duties of dominant postal operators.

*sector in such a way that it will underpin the key economic objective of Ireland becoming a knowledge economy.”*

A direction under section 13 of the Communications Regulations Act 2002 requires ComReg to have regard to this objective.

#### 3.2.4 Quality to be independently verified using standardised methods

A European Standard EN 13850 has been developed to ensure that the transit time of single piece priority mail is monitored on a standardised basis, and its use is mandatory in respect of such services provided by USPs throughout the EU. The Irish Postal Regulations<sup>4</sup> require that this function should be undertaken by ComReg. ComReg has appointed TNS mrbi to carry out the measurement of single piece priority mail in the Irish domestic market and ComReg publishes regular quarterly reports.<sup>5</sup>

### 3.3 Targets Set and Actual Performance Achieved

This is described in detail at Appendix B and is summarised in this table:

| Year                | Document Ref  | Target - National (D + 1) | Actual Performance                      | Measurement Sys  |
|---------------------|---------------|---------------------------|---|--|
| <b>2002</b>         | ODTR 01/73    | 92%                       | 90% incl. Dec as per An Post Annual Acs | An Post commissioned system, not in accordance with EN 13850 – also includes bulk mail |
| <b>2003</b>         | ComReg 02/119 | 94%                       | Mid 70's% (ComReg)                      | ComReg Sys EN 13850  |
| <b>2004 Interim</b> | ComReg 03/150 | 94%                       |   |  |

<sup>4</sup> Regulation 12(3)

<sup>5</sup> ComReg 03/58, 03/107 and 03/135.



#### **4 Two Distinct Approaches to Setting The Target**

While ComReg has the specific responsibility for setting a target for the quality of service standards for An Post, it has to do so within the guidelines set out in European and National legislation. Furthermore it has to monitor performance against those standards using a measurement system in compliance with the European and Irish Standard EN13850.

The most important point to be borne in mind therefore is that the target is to be set in the form of:

- D+1<sup>6</sup> measuring the percentage of single-piece priority mail delivered on the working day after injection into the system (REGULARITY), and
- D+3<sup>7</sup> measuring the percentage of single-piece priority mail delivered within three working days of injection into the system (RELIABILITY).

In particular it should be noted that the option of setting a target that allows An Post to plan its operations on the basis that letters will only be delivered within two working days is not open to ComReg.

Nor is it possible to combine the target (and the measurement system) with a target for the delivery of bulk mail.

Against this background it is proposed to discuss the quality of service target from two distinct viewpoints:

- The Customer's viewpoint
- The Operator's viewpoint

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<sup>6</sup> The quality standards for domestic mail in the State are established in relation to the time limit for routing measured from end to end for postal items of the fastest standard category according to the formula D+n, where D represents the date of deposit and n the number of working days which elapse between that date and that of delivery to the addressee. D + 1 represents 1 working day from the date of deposit to delivery to the addressee

<sup>7</sup> D + 3 represents 3 working days from the date of deposit to delivery to the addressee

## 5 The Customer's viewpoint

### 5.1 Background

Single piece mail represents the “normal” postal service given to private individuals / households and businesses that post mail at street letterboxes, over the counter at post offices or pay for postal pick ups at their offices. It represents 42% of all domestic letterpost by volume, and 51% by value. These figures are high by European standards, e.g. in the Netherlands the percentages are 21% by volume and 38% by value.

#### Recent Price Increases

Basic Prices have increased substantially over the last two years:

- POP Envelope      38c to 48c      26%
- Larger Envelope    44c to 60c      36%
- Packets              44c to 96c      118%<sup>8</sup>

**but as described in section 3.3 / Appendix B there has been no discernible increase in quality.**

### 5.2 Main factors that influence Quality of Service

It is reasonable to expect that the universal service provider should organise its operations so as to provide next day delivery for all **single-piece priority mail**. However in the execution of that operating plan it is inevitable that unforeseeable circumstances will arise and there will be exceptional factors that make it uneconomic for An Post to provide a 100% next day delivery service. Both will mitigate against achieving a 100% target. For customers who demand a guarantee of next day delivery An Post and other holders of Postal Service Authorisations provide a number of “day certain” services. But for other customers the lower price charged compensates for the risk that the postal item might be delayed as a result of unforeseeable circumstances.

This section of the report examines the factors that might legitimately be taken into account in setting a target against which to measure An Post's performance.

#### 5.2.1 Geographical limitations

This factor relates to the actual dispersal of the country's population in regions that are isolated, with poor roads and transport services, making it difficult if

<sup>8</sup> Some prices for heavier items in each format have been reduced while others have increased at different rates e.g. Ordinary envelope up to 50g 44c to 48c = 9%, up to 100g 57c to 48c = -16%, Large envelope up to 100g 57c to 60c 5%, packets up to 100g 57c to 96c = 68%

not impossible to make daily deliveries. In Ireland, An Post makes daily deliveries to all areas of the country, except for nine off shore islands off the south and west coast representing 0.02% of the total population<sup>9</sup>. In other European countries such as Sweden, Italy and even Northern Scotland the extent of isolated areas where the postal operators are obliged to provide services are much greater.

On the basis that all mail for such areas will be delayed by a day and that the volume of mail for these areas is in line with the national average the maximum permissible impact on the quality target would be **minimal** (i.e. less than 0.02%)

### 5.2.2 *Spatial dispersal of Economic Activity*

In some countries, e.g. Britain, there is significant spatial dispersal of economic activity which makes it difficult to provide a next day delivery service for a proportion of mail, e.g. for mail posted in the North of Scotland for delivery in Devon or Cornwall. In the case of Ireland, however, the main economic centre of the country remains in Dublin, although the Government's Spatial Plan and its proposals to decentralise the civil service might have some impact in the future. The consequence of this is that the majority of single-piece mail is either posted or delivered in Dublin. Of the remainder around half is for local delivery, ie within the same administrative county. Only around 20% has to make relatively complex "cross-country" routings, such as mail posted to utility companies etc, with headquarters in the Limerick/Ennis/Shannon Estuary area. Furthermore An Post's operating plan is designed to afford next day delivery to such mail and therefore the effect on the quality of service measurement should be **minimal**<sup>10</sup>.

### 5.2.3 *Exceptionally inclement weather*

Exceptional weather conditions such as ice and snow and flooding can cause difficulties in the provision of postal services, either because postpersons cannot make deliveries or the transport of mail between sorting centres and delivery offices is disrupted. However the reality is that in Ireland the incidence of such extreme weather conditions is extremely limited. Furthermore such extreme conditions are often confined to part of the country only, and the volume of mail effected is reduced because there is also an impact on the originators of mail.

If mail deliveries were impacted for one day a year, on average, throughout the country the impact of quality of service would be **0.4%**.

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<sup>9</sup> Cape Clear, Clare Island, Dursey Island, Hare Island, Inisbofin, Inisturk, Long Island, Tory Island, Whiddy Island

<sup>10</sup> ComReg 03/135 Quality of Service shows that on average this mail receives a better service than mail posted in the Provinces and delivered in Dublin.

#### 5.2.4 *Capacity of Sorting Machines and Alignment of Staff to Work*

It is a key challenge to any company to manage resources to meet demands. Failure to match demands to reflect known variations can have a severe impact on quality.

The same numbers of letters are not posted every day. There are significant variations in mail volume patterns between the days of the week, the week in the month and the month in the year. For example for every four letters posted on the quietest day of the week there are five letters posted on the busiest day. And, of course most people are aware of the surge in mail volumes every December caused by Christmas Cards and other seasonal items.

The resources deployed must therefore be managed very carefully. So far as labour resources are concerned these can be flexed in a number of ways, eg flexible shift patterns including annual hours contracts, overtime, casual staff,. It does not, however, make economic sense to invest in expensive equipment that will only be used for a few days in the year.

The variations in workload by day of the week and by season of the year are well documented within An Post and therefore should be taken into account in the deployment of resources. In setting a quality of service target the only allowance that should be made is for those days on which the volume of single-piece priority mail exceeds the capacity of the sorting equipment and other infrastructure on the basis that the volume is not inflated by the inclusion of non-priority items (eg Greetings Cards) for which no non-priority service is offered.

If 20% of mail was affected on 25 days a year, the impact on quality of service performance would be **2%**.

#### 5.2.5 *Exceptional staff absence*

In deploying staff against the work to be done, management need to take account of the fact that staff are entitled to holidays, sick leave. .Holidays have to be taken so that everyone is not off duty at the same time. Reserve staff have to be employed so that such absences can be covered. In rural areas this can pose problems because the lack of unique addresses demands significant “local knowledge” on the part of the delivery postperson. Overtime can be another way of covering such absences but it does mean that mail is delivered late in the day, inconveniencing customers but nevertheless complying with the letter if not the spirit of the delivery obligations.

Nevertheless there can be exceptional absences due to epidemics, either local or national. Last October on one Monday 10 delivery routes in Dun Laoghaire could not be covered because nine postmen were off sick and one was on compassionate leave. It is reasonable to make some allowance for exceptional absences such as this.

If each delivery route was not covered for one day each year the impact on quality of service would be **0.4%**.

#### *5.2.6 Unforeseeable variations in volume*

While the day to day variations in the level of work to be undertaken can usually be predicted very accurately sometimes something happens that impacts the ability of the post to process all the work, e.g. a major financial institution may have to write to each of its clients.

If 5% of all mail is not processed on 5 days per annum in circumstances such as this the impact on quality would be **0.1%**.

#### *5.2.7 Reliability of Sorting Machines*

It could also be expected that there should be a system of preventative maintenance so that sorting machines are always available. In practice this may not always be possible.

If, on average, 25% of machines are not available at peak times on one day per annum this would impact quality by **0.1%**

#### *5.2.8 Machine and Human Error*

Despite everyone's best efforts mistakes will be made, eg a letter sorted by error to the wrong delivery office or a letter given to the wrong delivery postperson or delivered to the wrong address. The sorting equipment installed by An Post has to operate with no more than **1%** of errors and it is a reasonable target for An Post to aim to keep human errors to double this level at 2% ie total impact **3%**.

#### *5.2.9 Christmas Cards*

In normal day to day circumstances it is possible to minimise the peaks and troughs in demand by providing a range of non-priority services that enable the processing or delivery of such items to be deferred to another day or to off-peak times. In many countries including Ireland such non-priority services are only offered to customers posting mail in bulk.

At Christmas time however different considerations apply as it is the single-piece mail posted by private individuals that represents the peak. In the Netherlands it is estimated that half of all private mail is posted in the period leading up to Christmas.

In the past An Post have advised ComReg that the degradation of service in December as a result of the volume of Christmas Cards reduces quality of service by an average of 2.0% over the whole year.

To overcome these problems the universal service providers in Finland and the Netherlands offer a special discounted service to ordinary customers at

Christmas time enabling cards to be processed separately from the normal mail which still receives the normal service.

### 5.3 European Norms

#### 5.3.1 Single Piece Mail Targets set for other Countries

The 2004 targets for single-piece priority mail notified to the European Commission by all member states are as follows:

| Targets for 2004            |       |
|-----------------------------|-------|
| <b>Denmark</b>              | 97%   |
| <b>Netherlands</b>          | 95%   |
| <b>Luxembourg</b>           | 95%   |
| <b>Finland</b>              | 95%   |
| <b>Austria</b>              | 95%   |
| <b>Ireland</b>              | 94%   |
| <b>Portugal</b>             | 93.2% |
| <b>Britain</b>              | 92.5% |
| <b>Belgium</b>              | 92%   |
| <b>Italy</b>                | 87%   |
| <b>Sweden<sup>11</sup></b>  | 85%   |
| <b>Greece</b>               | 85%   |
| <b>France</b>               | 84%   |
| <b>Germany<sup>11</sup></b> | 80%   |

The interim target for Ireland of 94% is around the European average but below the targets set in Denmark, the Netherlands, Finland and Austria.

### 5.4 What do you see as being an acceptable standard?

ComReg suggests a Top Down Approach – starting at an ideal 100% and taking into account those known factors that impact quality. For example, the factors identified in section 5.2 impact on the achievement of a theoretical 100% quality of service for **single-piece priority mail** as follows, based on the assumptions shown:

<sup>11</sup> It should be noted that it is the targets not the results that Germany and Sweden achieve that are included in the above table. The actual results achieved are the equivalent of 95%.

| Factors   | Assumption   | Impact in Percentage Terms |
|---|--|----------------------------|
| Geographic limitations & Spatial dispersal of Economic Activity |  | Minimal                    |
| Exceptionally inclement weather                                 | On average deliveries disrupted one day per annum.   | 0.4%                       |
| Capacity of Sorting Machines and Alignment of Staff to Work     | 20% of mail not processed on 25 days a year  | 2.0%                       |
| Exceptional staff absence                                       | each delivery route not covered for one day each year  | 0.4%                       |
| Unforeseeable variations in volume                              | 5% of mail not processed on 5 days per annum   | 0.1%                       |
| Reliability of Sorting Machines etc                             | On average 25% of machines not available at peak times on one day per annum  | 0.1%                       |
| Machine and Human Error   | Sorting equipment installed by An Post should operate with no more than 1% of errors; it may be a reasonable target to allow for human errors at double this level, ie 2%) | 3.0%                       |
| Christmas Cards   | Separate service provided for non-priority items such as Christmas Cards   | -                          |
| <b>TOTAL</b>  |  | <b>6.0%</b>                |

ComReg also suggests that the target must be consistent with the objective of providing next day delivery except for “exceptional factors” and “unforeseeable circumstances”. The following questions about the level of service that a customer has a “right” to expect are therefore set out in this consultation:

- Q. 1. What service level in percentage terms should the Irish public expect to receive for the processing and delivery of single-piece priority mail?**
- Q. 2. What is a reasonable percentage to allow for exceptional factors that make it uneconomic for An Post to provide the service or that unforeseeable circumstances occur that impact all mail?**
- Q. 3. What in your view is the percentage service level below which An Post could no longer be described as offering “next day delivery”?**



## 6 Operator's viewpoint

### 6.1 Proposed Methodology- Bottom Up Approach

When looking at the issue from the operator's viewpoint ComReg envisages that a bottom up approach would be more desirable:

- Identify factors that impact on next day service when reviewing those outlined in section 5.
- Quantify the impact of each of those factors on current performance.
- Distinguish between factors within An Post management's control and those outside.
- Establish timelines for addressing factors within management control.
- Devise a remedial plan to address these factors and ask for quantified targets and milestones.

ComReg will take into account the details received from An Post in response to this consultation when setting a quality standard for next day priority mail and a deadline by which An Post should achieve it.

### 6.2 Current Strengths

#### 6.2.1 Automation Programme

The major initiative undertaken by An Post that addresses the issue of quality is the Automation Programme. This programme is a major change initiative undertaken by An Post. To date four main sorting hubs have been opened and are operational. However it appears that all aspects of the new mails network are not yet fully integrated and this contributes to the difficulties that An Post is experiencing in achieving the quality of service targets set. In ComReg's opinion the main change needed to improve Quality is to get all the elements of the Automation Programme working in synergy.

On a separate issue An Post have advised ComReg that:

*“By February 2004, 85 per cent of all letters and over 60 per cent of all flats will be automatically sorted leading to significant cost savings, higher sorting accuracy and reduced reliance on the in-depth knowledge of individual employees. . . Within this figure, 75 per cent of letters for Dublin and 21 other urban centres will be automatically sorted to the level of delivery route”*

While this is good news it must be recognised that, according to the 2002 Census, only 45% of the population live in Dublin and the 21 largest urban centres, whereas An Post's obligation is to provide a postal service to every location in the state.

### 6.2.2 *A new range of tariffs*

As part of An Post's recent proposals to increase the price of domestic postal services<sup>12</sup> a number of proposals were approved by ComReg that should enable An Post to improve the quality of service afforded to its customers. The steps include a deferred delivery service and an increase in the discount allowed for mail that is pre sorted (to 150 destinations) which should free up resources to give priority to fully paid mail.

### 6.2.3 *Resource Planning*

Contrasting results of resource planning is evident from the handling of Christmas Mail in 2002 and 2003. In December 2002 mail was delayed due to insufficient resources to meet the demand, whereas during Christmas 2003 An Post had a plan in place that involved additional resources to handle the increased volumes that could be anticipated at Christmas time. The continued use of such techniques will be beneficial.

### 6.2.4 *Mail Addressing*

The address can impact the quality of service achieved in two ways.

One is where the postal address displayed on the envelope is incorrect. This may be due to the omission of a line in the address or an incorrect address being used. This is a particular problem due to the occurrence of non unique addresses in rural areas where there are a number of households with the same surname that have the same address. There are also a number of instances where An Post requires the use of a different address to the official address as adopted under the Local Government Act 1946.

The other is where a correct address is used but the quality of the address in terms of handwriting, font, location on envelope etc delays the processing.

To maximise the auto sort capability of machinery the correct format of the address has been outlined by An Post in the "Speed up Your Post" publication which is available from [www.anpost.ie](http://www.anpost.ie).

## **6.3 Constraints**

The current EN 13850 measurement system is not designed to identify or quantify the factors that contribute to non achievement of the target.

An Post's internal measurement system measures bulk and single-piece mail together. The relative CEN standards EN 14534 and EN 13850 explain why it is necessary to use different measurement systems and methodologies for bulk mail. An Post's system does not therefore comply with European Standards and cannot be relied upon. (see Appendix C)

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<sup>12</sup> See Reports on Consultant ComReg 03/95 and ComReg 03/100 An Post's Proposals to increase the price of Domestic Postal Services 2003

#### **6.4 Current Opportunity**

An Post has recently completed a major strategic review of its operations and is negotiating a major change programme with the Trade Unions representing its staff. It will therefore have identified and quantified the issues and values from the bottom up.

#### **6.5 What do you see as being an attainable standard?**

As stated at the beginning of this section ComReg envisages a Bottom Up Approach – starting at current performance levels for those known factors that impact quality. In this context An Post is requested to

- Q. 4. Communicate any additional factors to those identified in sections 5.2 / 5.4 that impact the quality of next day delivery of single piece priority mail items?**
  
- Q. 5. Indicate the percentage impact of each factor on current quality, the improvement that will be achieved to reach acceptable levels within the control of An Post and the projected timescale?**
  
- Q. 6. State how much of the remaining shortfall is influenced by factors outside of management's control?**

## **7 What target should ComReg set?**

### **7.1 Principles**

In considering what targets should be set following the response to this consultation ComReg will bear in mind the following points:

- It must be emphasised that the target is in respect of PRIORITY MAIL only. Priority mail is the fastest standard category of letter post service offered by universal service providers.
- Target must reflect reasonable expectations of customers.
- An Post Management must have a phased plan for bridging the gap between current performance and appropriate target.
- The interim target for Ireland of 94% is around the EU average but is less than the targets set in comparator countries such as Denmark, the Netherlands, Finland and Austria.

### **7.2 Enforcement**

On completion of the response to consultation a Formal Direction will be issued to An Post under Regulation 4 (1) (b). If An Post fail to comply, ComReg will have the option under Regulation 4(1) (b) to enforce the standard which may necessitate Court action.

ComReg must reserve the right to recommend to Government the suspension of An Post's "reserved area" in the event of continuing non-achievement of target.

## **8 Regulatory Impact Assessment**

ComReg's objective is to produce a target based on strategic objectives as required by legislation. While ComReg has no option but to set such a target it has some limited discretion in terms of the actual target set. ComReg is therefore of the opinion that it would be useful to make an assessment of the impact that setting a target might have. In order to complete such an assessment the views of respondents are sought on the following issues.

- Q. 7. How, in your judgment, will the setting of a target for An Post's quality of service impact on the provision of an affordable universal postal service?**
- Q. 8. How, in your judgment, will the setting of a target for An Post's quality of service impact on the Government's core policy goal for the postal sector of a high-quality service on a par with the highest quality standards in key comparator economies in the EU?**
- Q. 9. How, in your judgment, will the setting of a target for An Post's quality of service impact on the development of the Postal Sector?**
- Q. 10. How, in your judgment, will the setting of a target for An Post's quality of service impact on the Postal Directive objective of securing improvements in the quality of service?**

## 9 Submitting Comments

All comments are welcome, however it would make the task of analysing responses easier if comments were referenced to the relevant question numbers from this document.

The consultation period will run from **2 February 2004 to 12 March 2004** during which the Commission welcomes written comments on any of the issues raised in this paper.

Having analysed and considered the comments received, ComReg will review the 2004 Quality of Service Target and publish a report by April on the consultation which will, inter alia summarise the responses to the consultation.

In order to promote further openness and transparency ComReg will publish the names of all respondents and make available for inspection responses to the consultation at its Offices.

**Please note** ComReg will publish all submissions with the Response to Consultation, subject to confidentiality.

ComReg appreciates that many of the issues raised in this paper may require respondents to provide confidential information if their comments are to be meaningful. Respondents are requested to clearly identify confidential material and if possible to include it in a separate annex to the response. Such information will be treated as strictly confidential.

## Appendix A – Legislation

### **EU Postal Directive**

One of the principal needs identified in the Postal Directive was the need to secure significant improvements in the quality of postal services. Recitals 5, 6 and 7 of the EU Postal Directive state:

(5) Whereas the current extent of the universal postal service and the conditions governing its provision vary significantly from one Member State to another; whereas, in particular, performance in terms of quality of services is very unequal amongst Member States;

(6) Whereas cross-border postal links do not always meet the expectations of users and European citizens, and performance, in terms of quality of service with regard to Community cross-border postal services, is at the moment unsatisfactory;

(7) Whereas the disparities observed in the postal sector have considerable implications for those sectors of activity which rely especially on postal services and effectively impede the progress towards internal Community cohesion, in that the regions deprived of postal services of sufficiently high quality find themselves at a disadvantage as regards both their letter service and the distribution of goods;

### **European Communities (Postal Services) Regulations 2002 - S.I. No 616 of 2002**

#### *Regulation 4 - Quality of the postal service*

ComReg has the power to issue directions to An Post the universal service provider in respect of the quality of the postal service to be provided after consultation with interested parties under Regulation 4 (1) (i) of S.I. no 616 of 2002.

#### *Regulation 12 – Set and Publish Quality of service standards*

ComReg is required to set and publish the quality of service standards in relation to the universal service under Regulation 12 (1) of S.I. no 616 of 2002 paying attention in particular to routing times and to the regularity and reliability of services, in order to achieve the improvement of quality of service required by the EU Postal Directive.

#### *Regulation 15 – Complaints and Dispute Resolution*

ComReg has the power to lay down guidelines as to procedures. The regulation provides as follows:

*“These procedures shall enable disputes to be settled fairly and promptly with provision, where warranted, for a system of reimbursement or compensation or both”*

*Regulation 16 Views of Interested Parties*

ComReg is obliged under Regulation 16 S.I. No 616 of 2002 to take into account the views of interested parties.

An Information Notice ODTR 01/09 published in 2001 sets out the procedures for taking these views into account and is available at [www.comreg.ie](http://www.comreg.ie)

*Regulation 18 – Directions and Compliance Order*

This Regulation outlines the procedure for issuing a direction. Where ComReg is of the opinion that An Post, the universal service provider, has not complied with a direction it may apply to the High Court for an order to direct the provider to comply with the direction.

**Communications Regulation Act 2002**

The Communications Regulation Act 2002 transfers the function of Postal Regulation to the Commission for Communications Regulation “ComReg”.



## Appendix B – Quality of Service – Targets and Performance

### Quality of Service 2002

#### Target Set

In April 2001 a consultation on the Quality of Service Standards to be achieved by An Post was launched in order to secure improvements in the quality of service as required by the EU “Postal Directive” (see ODTR 01/28). In September 2001 a decision notice and report on consultation was issued (see ODTR 01/73) that set the targets to be achieved by An Post for the delivery of domestic National and Local First Class letters during 2002 at:

| 2002              | National<br>(D + 1) | Local<br>(D + 1) | All Mail<br>(D + 3) |
|-------------------|---------------------|------------------|---------------------|
| <b>ODTR 01/73</b> | 92%                 | 94%              | 99.5%               |

A formal notification of the Quality of Service Targets for Domestic Mail was issued to the Secretary of An Post.

#### Result Achieved

An Post’s Quality of Service measurement system showed that in 2002 90% of letters were delivered the next working day after posting. The An Post measurement system uses a continuous sampling scheme that measures the performance of all mail, bulk and single piece, and is not therefore compliant with the European Standard EN 13850 on which the ComReg measurement system is based.

### Quality of Service 2003

#### Target Set

In December 2002 ComReg published a further Report (ComReg 02/119) that set the targets to be achieved by An Post for the delivery of domestic National and Local First Class letters during 2003:

| 2003                 | National<br>(D + 1) | Local<br>(D + 1) | All Mail<br>(D + 3) |
|----------------------|---------------------|------------------|---------------------|
| <b>ComReg 02/119</b> | 94%                 | 94%              | 99.5%               |

A formal notification of the Quality of Service Targets for Domestic Mail was issued to the Secretary of An Post.

#### Result Achieved

From January 2003 ComReg has engaged TNSmrb to undertake independent monitoring of quality of the next day delivery of single piece mail in accordance with the mandatory EU / Irish standard EN 13850. Results to

September 2003 that are currently available show 73% of all mail was delivered on the next working day.

The decline in the quality recorded between 2002 and 2003 is partly due to change in the measurement system<sup>13</sup> and partly due to operational changes made by An Post in the fourth quarter of 2002, the considerable backlog that An Post had to deal with in January 2003 arising from the non delivery of mail at Christmas 2002 and the delayed opening of the new Cork Mail Centre, which came on stream in the third quarter of 2003.

A repetition of the delays experienced during Christmas 2002 was avoided by the deployment of extra resources during Christmas 2003 – in particular the recruitment of casual staff and setting up parallel manual sorting processes.

### Interim Quality of Service 2004

Pending completion of the current consultation the following targets to be achieved by An Post for the delivery of domestic National and Local First Class letters were set for 2004 in document ComReg 03/150 published in December 2003:

| 2004                     | National<br>(D + 1) | Local<br>(D + 1) | All Mail<br>(D + 3) |
|--------------------------|---------------------|------------------|---------------------|
| <b>ComReg<br/>03/150</b> | 94%                 | 94%              | 99.5%               |

A formal notification of the Quality of Service Targets for Domestic Mail was issued to the Secretary of An Post.

<sup>13</sup> In particular, in accordance with the EU standard the new (2003) system does not measure mail posted by businesses in bulk.

## Appendix C – European Standardised Measurement Systems

The European Committee for Standardization has a number of standards for the measurement of the quality of postal services:

|                |   |
|----------------|---|
| EN 13850:2002  | Postal services – quality of service - Measurement of the transit time of end-to-end services for single piece priority mail and first class mail           |
| EN 14012:2002: | Postal services – Quality of services – Measurement of complaints and redress procedures  |
| EN 14508:2002: | Postal services – quality of service – Measurement of transit time of end to end services for single piece non-priority mail and 2 <sup>nd</sup> class mail |
| EN 14534:2003: | Postal services – quality of service – Measurement of transit time of end to end services for bulk mail   |
| EN 14137:2003: | Postal services – quality of service – Measurement of loss of registered mail and other types of postal service using a track and trace system              |

The only mandatory requirement to implement these standards is in respect of EN 13850:2002. However if measurement of other activities is undertaken it is necessary to use the standards.

Section 1 Scope of EN 13850:2002 makes it clear that Bulk Mail requires different measurement systems and methodologies compared with single piece mail.

The introduction to EN 14534:2003 emphasises the differences between the single piece and bulk mail standards. The main reasons to support a separate standard for the measurement of bulk mail include the fact that most bulk mail will be subject to a contract and explains why it is not possible to combine the measurement of single-piece and bulk mail in a single system, as the measurement system implemented by An Post attempts to do.

ComReg, following a consultation and public procurement process, engaged TNSmrb to measure the quality of service for single-piece priority mail in accordance with the European and Irish Standard. EN 13850;2002. Quarterly interim results have been published by ComReg during 2003 to provide information about the quality of service offered by An Post for single-piece priority mail.

## Appendix D – Consultation Questions

### List of Questions

- Q. 1. What service level in percentage terms should the Irish public expect to receive for the processing and delivery of single-piece priority mail?..... 15
- Q. 2. What is a reasonable percentage to allow for exceptional factors that make it uneconomic for An Post to provide the service or that unforeseeable circumstances occur that impact all mail?..... 15
- Q. 3. What in your view is the percentage service level below which An Post could no longer be described as offering “next day delivery”?..... 15
- Q. 4. Communicate any additional factors to those identified in sections 5.2 / 5.4 that impact the quality of next day delivery of single piece priority mail items? 18
- Q. 5. Indicate the percentage impact of each factor on current quality, the improvement that will be achieved to reach acceptable levels within the control of An Post and the projected timescale?..... 18
- Q. 6. State how much of the remaining shortfall is influenced by factors outside of management’s control?..... 18
- Q. 7. How, in your judgment, will the setting of a target for An Post’s quality of service impact on the provision of an affordable universal postal service? .....20
- Q. 8. How, in your judgment, will the setting of a target for An Post’s quality of service impact on the Government’s core policy goal for the postal sector of a high-quality service on a par with the highest quality standards in key comparator economies in the EU? ..... 20
- Q. 9. How, in your judgment, will the setting of a target for An Post’s quality of service impact on the development of the Postal Sector? .....20
- Q. 10. How, in your judgment, will the setting of a target for An Post’s quality of service impact on the Postal Directive objective of securing improvements in the quality of service? .....20