

JERSEY COMPETITION REGULATORY AUTHORITY

INITIAL NOTICE TO JERSEY POST LIMITED

CONCERNING PROPOSED MODIFICATIONS TO JERSEY POST'S LICENCE

Under Articles 19 and 24 of the Postal Services (Jersey) Law 2004

In this Initial Notice, the Jersey Competition Regulatory Authority ("JCRA") proposes to modify, pursuant to Articles 19 and 24 of the Postal Services (Jersey) Law 2004 (the "Law"), the Class II Public Postal Operator's Licence (the "Licence") issued to Jersey Post Limited ("JP") by removing Conditions 2.12 and 2.13, for the reasons set out below.

Background to the Proposed Licence Modifications

The JCRA issued the Licence to JP under Article 15 of the Postal Services (Jersey) Law 2004 ('the Law') on 1 July 2006.

Condition 2.12 of the Licence states that:

"The Licensee's directors shall not declare or recommend a dividend, nor shall the Licensee make any other form of distribution of profits permitted under the Companies (Jersey) Law 1991, unless the JCRA determines otherwise. The rate of interest on any loan, debenture or other financial instrument paid by the Licensee to any Associated Company or to the States of Jersey shall be subject to the JCRA's prior written approval. This condition shall cease to have effect on the date set forth in Article 8(5) of the Law."

Condition 2.13 of the Licence states that:

"The Licensee shall not do anything by act or omission which may lead it to having insufficient financial resources to discharge its liabilities under securities issued by the company to the States of Jersey. This Condition shall cease to have effect on the date set forth in Article 8(5) of the Law."

Conditions 2.12 and 2.13 were included in JP's Licence to reflect Article 8(1)(b) of the Law. Specifically, Article 8(1)(b) placed a primary duty on the JCRA to ensure that JP has sufficient funds to repay its financial liabilities to the States of Jersey. This primary duty related to a loan the States of Jersey gave to JP upon its incorporation on 1 July 2006 for the purpose of financing the company's pension liabilities.

Reasons for the Proposed Licence Modifications

On 30 May 2008, JP informed the JCRA that the balance of its loan to the States of Jersey was paid back in full. In light of this, on 6 August 2008, JP formally requested that the JCRA amend its Licence to remove Conditions 2.12 and 2.13.

Grounds for the Proposed Licence Modifications

The legal grounds for this Initial Notice and the proposed modifications set out herein are Article 19 (concerning licence modifications) and Article 24(1) (concerning Initial Notices) of the Law.

The JCRA has preliminarily concluded that the proposed modifications are consistent with its duties listed in Article 8 of the Law. Specifically, Conditions 2.12 and 2.13 appear no longer necessary to further the primary duty set out in Article 8(1)(b), since this obligation appears to have been effectively nullified by JP's repayment in full of the States loan. Furthermore, the proposed modifications appear to further the secondary duty set out in Article 8(2)(d) of the Law, "to impose a minimum of restrictions on persons engaged in commercial activities connected with postal services in Jersey."

Date when the Proposed Modification would take effect

The proposed licence modification will take effect on 18 October 2008, unless the JCRA receives written representations or objections about the proposal prior to that date, in which case the effective date will be specified in any final notice issued by the JCRA under Article 24(5) of the Law.

Documents Giving Effect to the Proposed Modifications

The documents that would give effect to the proposed modification are attached. Specifically, Annex 1 is a copy of the licence conditions before modification, while Annex 2 is a copy in draft form of the licence conditions as modified. These documents also are available for inspection at the JCRA's offices and on its website (www.jcra.je).

Period for Written Representations or Objections

Any written representations or objections in respect of the proposed licence modifications may be made by **midnight on 18 October 2008** to the JCRA at:

Jersey Competition Regulatory Authority
2nd Floor, Salisbury House
1-9 Union Street, St Helier
Jersey JE2 3RF

or by email to p.hamilton@jcra.je or by fax to 01534 514991.

15 September 2008

By Order of the Board of the JCRA