



**Consultation on Citipost DSA Ltd's Application  
for a Class 1 Postal Operator's Licence**

**8 April 2009**

## **INTRODUCTION**

The JCRA has recently received an application for a Class I Postal Licence from Citipost DSA Ltd (“Citipost DSA”) to provide postal services in Jersey. In particular, Citipost wishes to provide postal services for Jersey-based fulfilment companies, to deliver on behalf of those companies goods purchased from them to the purchasers.

The receipt of this application means that the JCRA must issue an initial notice under Part 5 of the Postal Services (Jersey) Law 2004 (the “Law”), either proposing to grant a licence to Citipost DSA (with or without conditions) or refusing to grant a licence. That decision is guided by the considerations listed in Article 8 of the Law. The purpose of this consultation is to inform the JCRA whether the grant of a postal licence to Citipost DSA would be consistent with the Article 8 considerations and, if so, the scope of the licence and any conditions attached thereto.

This consultation paper is comprised of two main parts. The first is a background section that provides information on Citipost DSA, its licence application, fulfilment services, and Article 8 of the Law. The second sets forth the JCRA’s primary consideration of this matter under Article 8 of the Law, and lists the consultation questions.

## **BACKGROUND**

### ***1. Citipost DSA***

Citipost DSA is a division of Citipost (formerly Alternative Mail and Parcels Limited), a privately owned company that is a global specialist mail distributor. Its headquarters are in the UK and it also has offices in Europe, Middle East, Africa, the Americas and Asia-Pacific. It employs over 400 people across 22 sites globally and offers a wide range of services including local and international, parcel delivery, express and economy mail services. Over the past 20 years, Citipost has grown to be a major provider in global business-to-business mail, and it now annually delivers over 50 million items worldwide. In 2005, it reported an annual turnover of £35 million.

Citipost is split between four divisions, namely:

- Citipost AMP – operates specialist catalogue and directory fulfilment and distribution services
- Citipost Direct Distribution – operates specialist foreign newspaper and magazine fulfilment and distribution services
- Citipost DSA (the licence applicant) – recently created to provide mailing solutions to leverage the opportunities of the full postal market deregulation in the UK
- Citipost International – provides priority and economy international mailing to and from and between all commercial centres of the world

## **2. The Current Licence Application**

Citipost DSA has applied to the JCRA for a Class 1 Postal Licence to convey on behalf of bulk mail producers based in Jersey unsorted mail and packets up to 2 kilograms to UK addresses. This will be on behalf of fulfilment companies on the Island. A copy of the public version of Citipost DSA's licence application is attached as Annex A.

## **3. Fulfilment Services**

Fulfilment services are essentially services provided by a company that "fulfils" its offer to package and send a person an item or product that it has in stock which that person has ordered and purchased from the company.

The items may be ordered by telephone, post, or via the internet. The fulfilment provider processes the purchase order; the goods are then dispatched by post from central stock or, if not in stock, specifically ordered and then posted on to the purchaser in order to fulfil that order. The success of Jersey's fulfilment industry is predicated upon the existence of an EU tax relief called Low Value Consignment Relief (LVCR) which means that goods the value of £18 or less that are exported from offshore jurisdictions are VAT free. In addition to Jersey, the jurisdictions which also benefit from this rule and therefore compete for fulfilment business with Jersey include Guernsey, Hong Kong, and Switzerland.

Items sent as fulfilment goods typically include DVDs and CDs and, more recently, printer cartridges, computer spares and peripherals, camera spares and other low-value high-volume goods. These goods commonly cost less than the £18 LVCR threshold. If imported into the UK from one of the Channel Islands, they are exempt from VAT under the LVCR regulations as currently applied by the UK Government. With the growth of the internet, the practice of fulfilment companies setting up in the offshore jurisdictions to take advantage of the EU tax relief has become a growth industry.

As a result, Jersey has become a major platform for the provision of fulfilment services. The JCRA estimates the industry generated in 2008 about £25m in Gross Value Added ("GVA") and contributed approximately 0.6% to Jersey's overall GVA. It employs some 750-850 people in Jersey.<sup>1</sup> Currently, Jersey Post ("JP") is the only provider of postal services to fulfilment companies in Jersey.

Fulfilment services are a growing component of postal services. A report in the UK recently estimated that while the overall volume of letters is declining by as much as 5-7% per year, the fulfilment sector was growing by approximately 15% per year.<sup>2</sup> In Jersey, according to its 2007 Annual Report, JP's 7% growth in turnover was "attributed to new business, most noticeably from our bulk packet export (fulfilment) customers, and price increases."<sup>3</sup>

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<sup>1</sup> *States of Jersey Statistics Unit – 2008 Jersey Economy Digest*

<sup>2</sup> *See Modernise or decline, policies to maintain the universal postal service in the United Kingdom* at p. 8-9 (18 Dec. 2008).

<sup>3</sup> Jersey Post International Limited, Annual Report 2007 at p. 7.

## **CONSIDERATIONS & CONSULTATION QUESTIONS UNDER ARTICLE 8**

### ***1. Summary of considerations the JCRA must take into account***

Article 8 of the Law lists the factors the JCRA must consider in the exercise of any function under the Law. The JCRA's functions include the determination of whether or not to grant a new licence and, if so, whether to make that licence conditional. The relevant legal text of Article 8 may be found at Annex B. This section of the paper summarises the relevant considerations the JCRA must take into account in assessing Citipost DSA's licence application.

The primary consideration the JCRA must take into account in this matter is that set out in Article 8(1)(a). Article 8(1)(a) requires the JCRA to perform its functions in such a manner as it considers is best calculated to ensure that (so far as in its view is reasonably practicable) postal services (as defined<sup>4</sup>) are provided between Jersey and the rest of the world as satisfy all current and prospective demands for them, wherever arising. In determining whether this primary consideration is satisfied, Article 8(3) requires the JCRA to have regard to:

- the rapidity, speed, quality and reliability of postal services;
- the affordability and accessibility of the services to the highest practicable number of users;
- the demands of the highest practicable number of users being met in terms of time, place and method;
- the ability of users to express their views about postal services; and
- any objectives of the States prescribed by regulation.

In the latter regard, regulations concerning the provision of a Universal Service Obligation ("USO") and the provision of services at a uniform tariff are most relevant. To this end, on 1 February 2005, the Economic Development Committee issued Directions and Guidance to the JCRA under Article 9 of the Law.<sup>5</sup> This contains guidance to the JCRA on the parameters of the USO in Jersey and the provision of certain USO services at uniform prices.

In addition, so far as is consistent with the primary consideration in Article 8(1)(a), Article 8(2) requires the JCRA to perform its functions in a manner best calculated to:

- (a) protect the interests of users, where appropriate by promoting competition;

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<sup>4</sup> "Postal services" are defined in the Law as the conveyance of postal packets, the incidental services of receiving, collecting and sorting and delivering postal packets, and any other services that relates to any of these services and is provided in conjunction with any of them.

<sup>5</sup> States of Jersey Directions and Guidance to the Jersey Competition Regulatory Authority under Article 9 of the Postal Services (Jersey) Law 2004 – 26 January 2005.

- (b) promote efficiency, economy and effectiveness in the provision of postal services;
- (c) further the economic interests of Jersey;
- (d) impose a minimum of restrictions on the provision postal services; and
- (e) ensure that persons providing postal services have sufficient financial and other resources.

## **2. Article 8(1)(a) – satisfaction of demand for fulfilment postal services**

As noted above, Citipost DSA intends to provide postal services to the fulfilment industry in Jersey. Citipost DSA’s application clearly indicates, at least in Citipost DSA’s opinion, that there is current and prospective demand for those services. As stated above, the fulfilment sector has been marked by recent growth both in Jersey and abroad, which suggests continuing prospective demand for this type of service. We understand that Citipost DSA intends to offer its postal services at rates below those currently offered by JP to fulfilment companies in Jersey, which would be consistent with the consideration of affordability listed in Article 8(3)(a).

On the other hand, it may be argued that current and prospective demand for fulfilment postal services is being, and will be, satisfied by JP alone without the need for a new licensee.

*Question 1: is there current or prospective demand for the introduction of a new provider of postal services to fulfilment companies in Jersey, or should that demand be satisfied by JP alone without the need for a new licensee? In answering this question, responders may want to consider the factors listed in Article 8(3) of the Law, i.e., the effect (if any) of a grant of a licence to Citipost DSA on the accessibility, reliability, quality, and affordability of postal services in Jersey.*

## **3. Article 8(1)(a) – satisfaction of demand for all postal services**

The scope of Article 8(1)(a), however, is not limited to the current or prospective demand for the services that Citipost DSA would offer under a licence. In addition, the JCRA must also consider what effect, if any, the grant of a licence to Citipost DSA would have on existing licensees to satisfy the demands of postal services they are currently offering in Jersey. Principally, this concerns the effect, if any, of a grant of a licence to Citipost DSA would have on JP’s ability to provide the USO services in Jersey. These services are listed in Condition 12 of JP’s Licence, and for reference are listed in Annex C to this consultation.

As matters currently stand, the JCRA understands that JP uses revenues derived from the provision of postal services for fulfilment companies in Jersey to help offset the cost of providing the USO. Indeed, Condition 12.2 of JP’s Licence requires JP to defray the costs of providing the USO from profits generated from provision of its licensed services. Condition 24 of JP’s Licence further allows it to cross-subsidise its USO from non-USO services such as fulfilment. Thus, losing business in the

fulfilment sector could potentially have a negative effect on JP's ability to provide the USO services.

The JCRA, in cooperation with JP, has attempted to estimate the cost to JP of providing its USO services. The last cost estimate agreed between JP and the JCRA was based on JP's Regulatory Accounts for 2007, which showed a net cost of the USO in 2007 was [£100,000 - £150,000].<sup>6</sup> JP has produced estimates of the net avoidable costs of the USO through to 2010; however, the JCRA does not agree with these estimates. In the circumstances, currently the best available evidence regarding the cost of the USO is the 2007 Regulatory Accounts.

The JCRA observes that the 2007 agreed cost estimate of [£100,000-£150,000] represents only the "net cost" to JP of providing the USO services, which is calculated by deducting the costs of providing the USO services from the revenues gained there from. It does not consider the benefit JP may or may not derive in Jersey from being the USO provider. The benefits of being the USO provider have been recognised in the UK in relation to Royal Mail and have been recognised elsewhere, such as in New Zealand and Ireland.<sup>7</sup> These benefits include ubiquity, well known brand recognition, and the opportunities afforded the USO provider to market other non-USO services to the ubiquitous receivers of USO services. The JCRA has not, to date, attempted to measure these benefits, if any, to JP.

Another relevant matter for consideration is Condition 12.2 of JP's Licence provides, in part, that if the provision of the USO can be demonstrated to represent an "unfair burden" on the Licensee, the JCRA may introduce a mechanism for other licensed operators to contribute to the net cost of the USO. To date, the JCRA is not satisfied that the provision of the USO services represents an unfair burden on JP, largely for the reasons that the [£100,000-£150,000] agreed net cost for 2007 does not, in its opinion, impose an unfair burden on JP. However, should this opinion change, and as Condition 12.2 allows the JCRA to establish a USO funding mechanism, JP's continuing ability to provide the USO may be safeguarded.

*Question 2: would or would not the grant of a licence to Citipost adversely affect JP's ability to satisfy all current and prospective demands for postal services provided under the USO? If so, how should the JCRA best manage this risk? In answering this question, responders may want to consider the factors listed in Article 8(3) of the Law, i.e., the effect (if any) of a grant of a licence to Citipost on the accessibility, reliability, quality, and affordability of postal services in Jersey.*

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<sup>6</sup> Precise figure confidential.

<sup>7</sup> See, e.g., *Modernise or decline, policies to maintain the universal postal service in the United Kingdom* at p. 96 (18 Dec. 2008); LECG, *Ensuring that consumers benefit from the opening of postal markets to competition* at p. 97 (10 Oct. 2007); *Questioning the monopoly supported USO – Charles Kenny*, *The World Bank* at p. 10 (Jan 2006).

#### **4. Article 8(2)(a) – promotion of competition where appropriate**

As mentioned, Article 8(2)(a) requires the JCRA to protect the interests of users by, where appropriate, promoting competition. The introduction of a competitor through granting a licence to Citipost DSA would clearly promote competition. As noted above, Citipost DSA has stated that it intends to offer its services at prices lower than those currently offered by JP. Customers for these services in Jersey would thereby stand to benefit – both from the lower prices offered by Citipost DSA and, potentially, lower prices JP may offer in response. In this respect, the JCRA observes that in the UK increased competition for postal services has led to a reduction in prices, greater choice in services, and improved quality in services, for large businesses.<sup>8</sup> The JCRA also observes that Citipost DSA intends to direct its postal fulfilment services to ‘large bulk mail businesses’ (in a Jersey sense).

The JCRA must ensure, however, that such competition would not conflict with the achievement of the primary aim of satisfying of all current and prospective demands for postal services (as discussed above). In this respect, the JCRA observes that an independent review of the UK postal services sector recently commented that while “competition brings benefits for consumers . . . in particular circumstances in the future, competition may also pose a threat for the universal service.”<sup>9</sup> As discussed above, this potential threat to the provision of the USO may come from increased competition in postal fulfilment services caused by the grant of licence to Citipost DSA reducing the revenue available to JP to fund the costs of providing the USO.

*Question 3: would or would not the grant of a postal licence to Citipost DSA, and the increased competition that results, appropriately protect the short-term and long-term interests of users of postal services in Jersey?*

#### **5. Article 8(2)(b) – promotion of efficiency**

Article 8(2)(b) requires the JCRA to exercise its functions in the way it considers is best calculated to promote efficiency, economy and effectiveness in commercial activities connected with postal services in Jersey. As the JCRA has observed previously, “[i]t is generally recognised that competition serves to increase productive, dynamic and allocative efficiencies, thereby promoting the objectives referred to in Article 8(2)(b).”<sup>10</sup> Similarly, in the UK it was recently observed that “[c]ompetition has brought clear benefits and is encouraging Royal Mail to provide a more efficient service that consumers want.”<sup>11</sup>

On the other hand, however, it has been recently noted in the UK that “some forms of competition may be inefficient if they simply exploit the constraint placed on Royal Mail to provide the universal service.”<sup>12</sup>

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<sup>8</sup> See *Modernise or decline, policies to maintain the universal postal service in the United Kingdom* at p. 37-38 (18 Dec. 2008).

<sup>9</sup> *Ibid* at p. 15.

<sup>10</sup> JCRA, *Initial Notice of the Proposed Grant of an Interim Class I Postal Operator’s Licence to Hi-Speed Freight Services*, ¶ 9 (9 Oct. 2008).

<sup>11</sup> *Modernise or decline, policies to maintain the universal postal service in the United Kingdom* at p. 31 (18 Dec. 2008).

<sup>12</sup> *Ibid.* at p. 96.

Citipost DSA states that it is prepared to collect unsorted bulk mail from the fulfilment companies. Currently, JP requires certainly the larger bulk mail fulfilment customers to presort their mail according to the UK's 136 different postcodes. Citipost DSA claims that its proposed service would be more efficient for the fulfilment companies and save them the labour costs of sorting the mail.

*Question 4: would or would not a grant of a postal licence to Citipost DSA promote efficiency, economy and effectiveness in commercial activities connected with postal services in Jersey?*

#### **6. Article 8(2)(c) – economic interests of Jersey**

Article 8(2)(c) requires the JCRA to consider the economic interests of Jersey. The promotion of competition has been generally recognised as a key driver of economic growth and wealth in market-based economies like that of Jersey. Therefore, a key issue for consideration is whether the promotion of competition in the provision of postal services to fulfilment companies in Jersey would further Jersey's economic interests.

Should the grant of a licence to Citipost DSA result, through competition, in lower prices for postal services to existing providers of fulfilment services, this could potentially enable them to cut their costs and become more competitive against fulfilment companies located in other jurisdictions. More diverse postal fulfilment services may also attract new providers of fulfilment services to Jersey. Finally, greater competition in the provision of postal services to fulfilment companies may also benefit Jersey by giving incentives to current providers of fulfilment services in Jersey to stay located in this jurisdiction. The JCRA has observed in the past that while JP currently holds a monopoly for the provision of fulfilment services in Jersey, Jersey itself faces competition from other offshore jurisdictions (such as Guernsey and Switzerland) as a platform from which to provide such services.<sup>13</sup> As has been publicly reported, at least one company, Memory Bits International, has relocated from Jersey to another jurisdiction (Switzerland), with a loss of 15 locally employed staff, because of inadequate choice in postal services. The business's owner was reported as saying that "the States took some of the blame, as there was no competition in the postal market that would have allowed his company to use other delivery options."<sup>14</sup>

On the other hand, as discussed above, the grant of a licence to Citipost DSA may be contrary to the Article 8(2)(c) consideration if it would materially damage JP's ability to provide the USO.

*Question 5: would or would not the grant of a postal licence to Citipost DSA further the economic interests of Jersey?*

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<sup>13</sup> JCRA, *Final Notice to Jersey Post Limited Concerning Price Control* (22 Nov. 2007).

<sup>14</sup> Harry McRandle, *Jobs are lost at 'pick and pack' operation*, *Jersey Evening Post* at p. 7 (17 Jan. 2009).



### **7. Article 8(2)(d) – minimum of restrictions**

Article 8(2)(d) requires the JCRA to impose minimum restrictions on persons engaged in commercial activities connected with postal services in Jersey. This consideration raises two potential issues: (1) the scope of the licence, if granted, and (2) any conditions attached thereto.

Concerning the scope of the licence, to date the JCRA has granted two licences under the Law to providers of postal services in Jersey other than JP: to Regency Holdings Limited (“Regency”) and to Hi-Speed Freight Services Limited (“Hi-Speed”). Both Regency and Hi-Speed differ from Citipost DSA in that these licensees provided postal services within the licensable area prior to the Law coming into effect; whereas Citipost DSA would represent an entirely new entrant into the provision of postal services in Jersey. The scope of the licences to Regency and Hi-Speed were narrowly drafted to cover only the services they were currently providing, for which they needed a licence. On the other hand, in the UK when Postcomm has granted licences to companies other than Royal Mail to provide postal services, it has issued broad licences to provide postal services, which leave it to the discretion of the licensee which services to provide.

*Question 6: if the JCRA were to grant a licence to Citipost DSA, should the scope of the licence be defined narrowly to cover only the licensable services it intends to provide, or should it be a broad licence to simply provide postal services?*

In addition, if the JCRA were to grant a licence to Citipost DSA, it must consider under Articles 16 and 17 of the Law which conditions, if any, should be attached thereto. The JCRA would likely use as a starting point the conditions currently contained in the licences to JP, Regency, and Hi-Speed, as potential templates for the conditions that may be applicable to Citipost DSA.

*Question 7: if a licence were granted to Citipost DSA, should it contain conditions? If conditions are appropriate, what should those conditions relate to?*

### **8. Article 8(2)(e) – sufficient financial resources**

Article 8(2)(e) of the Law requires the JCRA to ensure that persons engaged in commercial activities connected with postal services in Jersey have sufficient financial and other resources to conduct those activities. The JCRA is currently discussing with Citipost DSA the sufficiency of its financial position and other resources which is clearly commercially sensitive and confidential information. However, there may be a risk that the JCRA does not have access to all available relevant information in this process.

*Question 8: are interested parties aware of any financial information or information relating to Citipost DSA that may be relevant to the JCRA’s consideration of its licence application?*

## **REQUEST FOR SUBMISSIONS**

The JCRA welcomes responses from all interested parties to this consultation paper and the questions contained therein. It would make the task of analysis easier for the JCRA if comments are referenced to the relevant question numbers from this document. Should parties consider that other issues are relevant, then comments are also welcome on those issues.

The final submission date for comments is no later than **5PM on 22 MAY 2009**.

Submissions should be clearly marked '**Comments on Citipost DSA Ltd's application for a Class 1 Postal Licence - Consultation Paper**' and may be supplied either in hard copy or electronically, addressed (as appropriate) to:

Paul Hamilton  
Postal Case Officer  
Jersey Competition Regulatory Authority  
2<sup>nd</sup> Floor, Salisbury House  
1-9 Union Street, St Helier, Jersey, JE2 3RF  
E-mail: [p.hamilton@jcra.je](mailto:p.hamilton@jcra.je)

The JCRA reserves the right to publish on its website any submissions to this or other consultations.

Any commercially sensitive information that a stakeholder may wish to submit as part of a response should therefore be clearly marked as such. Please note that you do not need to complete all questions if you do not feel it necessary to do so.

Finally, please note that it is offense under Article 71 of the Law to knowingly or recklessly provide materially false or misleading information to the JCRA in response to this consultation.

# **ANNEX A**

## **Citipost Licence Application Form**

### **Non-Confidential Public Version**



## **Postal Licences**

# **Application Procedures & Application Form**

## **I APPLICATION PROCEDURE**

All applicants must complete an official application form.

### **1.1 Review of Application**

The JCRA will review applications received with a view to establishing that:

- the application, including the Competitive Impact Statement ('CIS'), if applicable and the declaration, is in due form and has been properly and fully completed;
- the service falls within the licence type applied for;
- the applicant is not disqualified from holding the licence concerned; and
- the appropriate application fee has been paid.

If the JCRA considers that the application has not been properly completed, or that the information provided by the applicant is insufficient to support the application, the JCRA shall contact the applicant within 56 days of the original application in order to seek further information or to request that the application be resubmitted. Please note that in such cases, the award of any licence to the applicant may be delayed.

### **1.2 Evaluation of Application**

In evaluating an application for a licence, the JCRA is required to meet its duties under Article 8 of the Postal Services (Jersey) Law 2004 ('the Law'). The JCRA will take into account, *inter alia*, whether the grant of a licence would help to ensure that:

- all current and prospective demands for postal services are provided both within Jersey and between Jersey and the rest of the world; and
- the short-term and long-term interests of postal users in Jersey are both furthered and protected.

(The full duties of the Authority under Article 8 of the Law are attached in Appendix 1).

### **1.3 Decision on Grant of Licence**

The JCRA will endeavour to deal with all applications as quickly as possible. In any event, the JCRA will aim to notify the Applicant of its decision in relation to the grant of a licence within 56 days of receipt of the licence application provided that the application is in due form and has been properly and fully completed.

If additional information is required after the original application has been submitted, it may be necessary to extend the 56 day period. A decision on the grant of a licence will then be issued, within 56 days of such time at which the JCRA considers the application to be in due form, properly and fully

completed, with sufficient information having been received. If sufficient information is not provided, it is likely to result in the refusal – automatic or otherwise – of the application.

In accordance with its duty under Article 24 of the Law, the JCRA will issue to the Applicant an initial notice of its proposal to grant or refuse a licence. It is a requirement of the Law to publish this notice in the Jersey Gazette, whereby the JCRA will seek comments on the proposal. The comment period is 28 days.

If no comments are received, the proposed action takes immediate effect at the end of the comment period.

If comments are received, the JCRA will consider them and issue a public final notice, stating whether or not it should proceed with granting a licence in light of any representations or objections that have been made. It will simultaneously issue the Applicant with a final notification of its decision.

#### **1.4 Exercise of Rights**

Provided the relevant application fee has been paid, an Applicant will be entitled to exercise the rights conferred by the relevant licence upon receipt of the final notification of the JCRA's decision to grant the licence.

## II POSTAL SERVICE OPERATOR'S LICENCE APPLICATION FORM

### (TO BE COMPLETED BY BOTH CLASS I AND CLASS II APPLICANTS)

#### GENERAL INFORMATION

- *This application form must be completed fully in type or block letters;*
  - *Applicants are expected to attach extra pages setting out the information required in Part 2 of this form, or wherever more space is required;*
  - *Any attached pages must be typed and A4-size. The information on extra pages must be presented clearly and numbered in accordance with this form;*
  - *Applicants are required to submit 2 full hard copies of the application, plus an electronic copy, including any attachment; and*
  - *Completed forms must be sent to: The Jersey Competition Regulatory Authority, 2<sup>nd</sup> Floor, Salisbury House, 1-9 Union Street, St Helier, Jersey, JE2 3RF, Channel Islands. Envelopes should be marked for the attention of the Executive Director.*
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#### PART 1: CONTACT AND BUSINESS DETAILS OF APPLICANT

##### 1.1 Details of Applicant Organisation

Name of Applicant <a href="#">Citipost DSA Ltd</a>
Address of Applicant <a href="#">Unit 24.3</a> <a href="#">Amber Business Centre</a> <a href="#">Greenhill Lane</a> <a href="#">Riddings</a> <a href="#">Alfreton</a> <a href="#">DE55 4BR</a>
Website of Applicant (if applicable) <a href="http://www.citipost.com">www.citipost.com</a>

##### 1.2 Trading name

Name under which Applicant proposes to trade <a href="#">Citipost DSA Ltd</a>
Registered office address (if different to that in 1.1)  <a href="#">16 Gunnery Terrace</a> <a href="#">Cornwallis Road</a> <a href="#">Royal Arsenal</a> <a href="#">London</a> <a href="#">SE18 6SW</a>

##### 1.3 For companies or other bodies corporate

#### 1.4 For overseas applicants only

Address in Jersey for service of process or other notices It is not the intention to have premises or an address in Jersey, however if this becomes necessary then Citipost DSA would make arrangements with a Customer or Customers for provision of premises and Jersey Address.
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#### 1.5 Details of designated contact person within Applicant Organisation

Name <b>Rob Bradford</b>
Position held in Applicant Organisation <b>Managing Director</b>
Address (if different from that in 1.1)
Telephone Number
Mobile Telephone Number
Fax number
E-mail address

**1.6 If the Applicant is a company, partnership, co-operative or other body, please give the name(s) and private address(es) of each of the current directors, company secretary, partners, or members of the committee of management.** *(Applicants must provide the names and addresses of all relevant individuals. If more space is required please attach an extra page.)*

Name <b>Deleted</b>	Name <b>Deleted</b>
Position	Position



## **PART 2: SERVICE DETAILS**

The amount of information required from applicants for Part 2 depends on the Class of licence being applied for:

- Section A is to be completed by **Class I and Class II applicants**
- Section B is to be completed by **Class II applicants only**

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### **SECTION A - TO BE COMPLETED BY ALL APPLICANTS:**

#### **A.1 Information on Service Details and Charges**

A.1a	<p>Details of the products and services provided by the Applicant and the terms on which they are available, including:</p> <ul style="list-style-type: none"><li>• types of mail the applicant proposes to carry under this licence; Mail and packets up to 2 Kilo.</li><li>• targeted customer base; Bulk Mail Producers based on Jersey For Letters up to 100gm. A minimum 4000 items per posting.  For Large Letters and Packets from 100gm - 2Kilo. A minimum of 1000 items per posting</li><li>• likely geographical coverage; All UK addresses.</li><li>• proposed timescale for commencement of licensed operations; and Within one month of receipt of Licence.</li><li>• forecast of volume and revenue for the applicant's licensed postal services business for at least the first year and the basis upon which such forecasts have been prepared.</li></ul> <p>Deleted.</p>
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## A.2 Protecting the integrity of mail

A.2a	<ul style="list-style-type: none"><li>• please provide a copy of the applicant’s registration under the Data Protection (Jersey) Law 2005; and Not currently registered. Will register if it is deemed to be a requirement.</li><li>• please provide details on how the licensee proposes to comply with protecting the integrity of Mail (condition 14 of the licence).</li></ul> <p>Citipost DSA is an established provider of services in the UK.</p> <p>Processes are recognised and licensed by Postcomm</p> <p>Premises are secure and security monitored</p> <p>All collection and distribution processes are controlled by manifest</p> <p>Vehicles are satellite tracked.</p> <p>Final delivery will be undertaken by Royal Mail.</p> <p>Please see Business Flow Chart @ Attachment 2 Deleted</p>
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## A.3 Application of standard template licence conditions

A.3a	If the applicant believes any of the standard template licence conditions should not apply to it, please indicate which these are and provide reasons in each case. The standard templates may be downloaded from the JCRA website. (www.jcra.je/postal)
A.3b	Please indicate if there are any other conditions the applicant believes should be included in its licence.

## A.4 Information relating to customer service

A.4a	Details of quality of service targets supported by the Applicant. Delivery to end customer will be J+2/3 Target achievement will be 98% Targets will be agreed with Customers and embedded in SLA agreements
A.4b	Details of current contracts with all classes of customers (please provide copies). Citipost do not have contracts however please see attached a copy of Citipost’s Terms and Conditions @ Attachment 3 Deleted and an example of a Citipost Trading Agreement @ Attachment 4 Deleted

A.4c	<p>Details of measures adopted by the Applicant for the effective and fair resolution of complaints made by customers and other operators who are customers of the Applicant.</p> <p>Citipost DSA ltd will comply with the finally agreed regulations that emerge from the Postcomm consultation document of June 2008 concerning its proposals to create regulations setting out the requirements for complaint handling procedures to be adopted by all licensed postal operators in relation to licensed postal activities.</p> <p>However in the case of Jersey we shall have a contract with agreed service levels with any potential client (bulk poster) and any complaints will be dealt with through the normal business process.</p>
A.4d	<p>Details of measures adopted by the Applicant to ensure transparent publication of all terms and conditions including charges for services.</p> <p>Please see Copy of Terms and Conditions at Attachment 3 Deleted</p>
A.4e	<p>Details of any Code of Practice in relation to customers, including withdrawal of service from customers.</p> <p>Please see Terms and Conditions at Attachment 3 Deleted</p>

#### **A.5 Postal Services (Jersey) Law 2004 - Article 8**

A.5a	<p>Applicants should state how their proposal for conducting postal services activities satisfies the primary and secondary considerations, detailed in Article 8 of the Law. (Please refer to Appendix 1).</p> <p>Please see Attachment 5 Document Responses to Article 8 Requirements</p>
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#### **A.6 Other**

A.6a	<p>Please provide, in relation to any of the persons named in response to question 1.6 above:</p> <p>Full details of any disqualification orders or undertakings under The Bankruptcy (Désastre) (Jersey) Law 1990, the Companies (Jersey) Law 1991 or the UK Company Directors Disqualification Act, 1986.</p>
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**THE REST OF PART 2 APPLIES TO CLASS II APPLICANTS ONLY. CLASS I APPLICANTS SHOULD GO DIRECTLY TO PART 3.**

**SECTION B - TO BE COMPLETED BY CLASS II APPLICANTS ONLY:**

**B.1 Competitive Impact Statement**

A Competitive Impact Statement (CIS) must be completed in accordance with the instructions set out in the booklet entitled 'Competitive Impact Assessment' (ref: 2006/CIS), which is available from the JCRA on request or to download from the JCRA website (www.jcra.je/postal). *No application will be considered until a properly-completed CIS has been received. Applicants should begin their preparations for a CIS at the earliest possible stage in the application process and the JCRA encourages applicants to submit their CIS in advance of their application form.*

**B.2 General Information**

B.2a	<p>A business plan. The plan should outline any major assumptions used and should cover a period between five and ten years. The information provided should include:</p> <ul style="list-style-type: none"><li>• sources of funding, debt levels, equity and independent confirmation where appropriate;</li><li>• audited accounts, if available;</li><li>• balance sheet, if available, or projected balance sheet;</li><li>• profit and loss account, if available, or projected profit and loss accounts;</li><li>• cash flow projections; and</li><li>• market forecasts.</li></ul> <p><i>It may suffice here for applicants to refer to the business plan which will have been completed for Section 5 of the CIS, but <u>only</u> if that business plan is sufficiently detailed to cover all of the areas indicated above.</i></p> <p><i>Applicants may be assured that all commercially sensitive information will remain strictly confidential.</i></p>
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### **PART 3: DECLARATION**

*Please note: this declaration constitutes an agreement to abide by the condition of the licence, if awarded, as well as confirmation that the information furnished is complete and accurate in all respects. Where there is more than one signatory, each individual must fill out a separate declaration. Photocopies of the original form are acceptable.*

**All Applicants are to complete this declaration**, which must be signed:

- in the case of an individual, by the person in whose name the application is made;
- in the case of a partnership, by each of the partners;
- in the case of a company or other body corporate, by a director, company secretary or other authorised officer;
- in the case of a co-operative or other body, by the secretary of the co-operative or other body; and
- I enclose the licence application fee of £500 (Class I licence)

Name of Applicant <a href="#">Citipost DSA Ltd</a>
Full name of Signatory <a href="#">Rob Bradford</a>
Position held in Applicant Organisation <a href="#">Managing Director</a>

On behalf of the Applicant, I declare that:

- this application is made in accordance with the Postal Services (Jersey) Law 2004;
- the information provided in respect of this application is true, accurate and complete in all respects and is not misleading;
- all information that may be relevant to this application has been fully and properly disclosed to the JCRA; and

I am authorised to make this declaration on behalf of the Applicant named above.

**Signed:**

**Date:**

## APPENDIX 1

### **Article 8      Duties of Committee and Authority**

- (1) The Economic Development Committee and the Authority shall each have a primary duty to perform its functions under this Law in such a manner as it considers is best calculated to ensure the following:
  - (a) that (so far as in its view is reasonably practicable) such postal services are provided, both within Jersey and between Jersey and the rest of the world, as to satisfy all current and prospective demands for them, wherever arising;
  - (b) that the company, to the extent that it is or is to be licensed under this Law, has sufficient financial resources to discharge, during the period when this sub-paragraph is in force, its liabilities under securities issued by the company to the States.
  
- (2) In so far as it is consistent with paragraph (1), the Economic Development Committee and the Authority shall each have a duty:
  - (a) to perform its functions under this Law in such a manner as it considers is best calculated to protect and further the short-term and long-term interests of users within Jersey of postal services, and to perform them, wherever it considers it appropriate, by promoting competition among persons engaged in commercial activities connected with postal services in Jersey;
  - (b) to perform its functions under this Law, in such a manner as it considers is best calculated to promote efficiency, economy and effectiveness in commercial activities connected with postal services in Jersey;
  - (c) to perform its functions under this Law in such manner as it considers is best calculated to further the economic interests of Jersey;
  - (d) to perform its functions under this Law in such manner as it considers is best calculated to impose a minimum of restriction on persons engaged in commercial activities connected with postal services in Jersey;
  - (e) in performing its functions under this Law, to have regard to the need to ensure that persons engaged in commercial activities connected with postal services in Jersey have sufficient financial and other resources to conduct those activities; and
  - (f) in performing its functions under this Law, to have regard to any special needs of persons who are disabled or have limited financial resources or have particular needs.
  
- (3) The Economic Development Committee and the Authority shall in considering whether the postal services referred to in paragraph (1)(a) satisfy the demands referred to in that subparagraph, have regard to:

- (a) whether the services are rapid, of high quality and reliable;
  - (b) whether the services are affordable by and accessible to the highest number of practicable of business and domestic users;
  - (c) whether the services are provided at times, at places and in ways, that meet the demands of the highest number practicable of business and domestic users;
  - (d) whether users are able to express their views about the provision of the services; and
  - (e) any objectives that the States prescribe by Regulations, including, but not limited to:
    - i) the provision of a universal postal service, a social postal service or any form of subsidized postal service; and
    - ii) the provision of certain services at uniform tariffs or at subsidized tariffs.
- (4) In paragraph (1)(b)-
- “liabilities” means any liabilities, debts or obligations (whether present or future and whether vested or contingent);
- “securities issued by the company to the States” means securities issued by one company to another company, by the company to the States, or by the company to any body corporate wholly owned directly or indirectly by the States.
- (5) Paragraphs (1)(b) and (4), and this paragraph, shall cease to be in force on the tenth anniversary of the date when they come into force.

**Attachment 1**

Deleted

**1. Attachment 2**

Business Process

Deleted

**2. Attachment 3**

**3. (response to section A 4 b, d and e) Terms and Conditions**

TERMS AND CONDITIONS

Deleted

**(a) CITIPOST DSA TERMS AND CONDITIONS OF CONTRACT**

Deleted

**4. Attachment 4**

**(Response to section A4a and b) Example of Trading Agreement**

Deleted

## Attachment 5

### Response to Article 8      Duties of Committee and Authority

- (1) The Economic Development Committee and the Authority shall each have a primary duty to perform its functions under this Law in such a manner as it considers is best calculated to ensure the following:
  - (a) that (so far as in its view is reasonably practicable) such postal services are provided, both within Jersey and between Jersey and the rest of the world, as to satisfy all current and prospective demands for them, wherever arising;
  - (b) that the company, to the extent that it is or is to be licensed under this Law, has sufficient financial resources to discharge, during the period when this sub-paragraph is in force, its liabilities under securities issued by the company to the States.

#### No longer applicable

- (2) In so far as it is consistent with paragraph (1), the Economic Development Committee and the Authority shall each have a duty:
  - (a) to perform its functions under this Law in such a manner as it considers is best calculated to protect and further the short-term and long-term interests of users within Jersey of postal services, and to perform them, wherever it considers it appropriate, by promoting competition among persons engaged in commercial activities connected with postal services in Jersey;

The products to be provided will encourage competition among persons engaged in commercial activities connected with outbound postal services

- (b) to perform its functions under this Law, in such a manner as it considers is best calculated to promote efficiency, economy and effectiveness in commercial activities connected with postal services in Jersey;

The products to be offered will be of economic value to the commercial users of Postal Services and will significantly effect their ability to be competitively priced in order to protect or grow market share.

- (c) to perform its functions under this Law in such manner as it considers is best calculated to further the economic interests of Jersey;

The benefits indicated at (b) above will be important contributors to the maintenance of businesses and jobs for Mail Producers in Jersey.



Without options of this nature there will be incentives for producers to seek alternative solutions in other locations than Jersey e.g. Guernsey, Switzerland, USA or indeed UK mainland.

- (d) to perform its functions under this Law in such manner as it considers is best calculated to impose a minimum of restriction on persons engaged in commercial activities connected with postal services in Jersey;
  - (e) in performing its functions under this Law, to have regard to the need to ensure that persons engaged in commercial activities connected with postal services in Jersey have sufficient financial and other resources to conduct those activities; and
  - (f) in performing its functions under this Law, to have regard to any special needs of persons who are disabled or have limited financial resources or have particular needs.
- (3) The Economic Development Committee and the Authority shall in considering whether the postal services referred to in paragraph (1)(a) satisfy the demands referred to in that subparagraph, have regard to:
- (a) whether the services are rapid, of high quality and reliable;  
The services to be offered are rapid (comparable to any existing service provider) and Citipost DSA has a track record of high quality and reliability.  
Full Service Level Agreements will be entered into with the Clients
  - (b) whether the services are affordable by and accessible to the highest number of practicable of business and domestic users;  
The products to be offered are competitively priced and will be accessible to all business users
  - (c) whether the services are provided at times, at places and in ways, that meet the demands of the highest number practicable of business and domestic users;  
The services to be offered will be tailored to meet the requirements of all business users
  - (d) whether users are able to express their views about the provision of the services; and  
Customers of Citipost DSA will have opportunity to express views on the service provision via the processes set out in Service Level Agreement Documents
  - (e) any objectives that the States prescribe by Regulations, including, but not limited to:
    - i) the provision of a universal postal service, a social postal service or any form of subsidized postal service; and
    - ii) the provision of certain services at uniform tariffs or at subsidized tariffs.
- (4) In paragraph (1)(b)-  
“liabilities” means any liabilities, debts or obligations (whether present or future and whether vested or contingent);

“securities issued by the company to the States” means securities issued by one company to another company, by the company to the States, or by the company to any body corporate wholly owned directly or indirectly by the States.

- (5) Paragraphs (1)(b) and (4), and this paragraph, shall cease to be in force on the tenth anniversary of the date when they come into force.

## **ANNEX B**

### **FACTORS THE JCRA MUST CONSIDER WHEN EXERCISING A REGULATORY FUNCTION**

## Article 8 of the Law

Article 8 of the Law lists the factors the JCRA must consider in the exercise of any function under the Law. The JCRA's functions include the determination of whether or not to grant a new licence and, if so, whether to make that licence conditional or subject to conditions. Specifically, Article 8 provides, in relevant part:

8(1) The Minister for Economic Development and the Authority shall each have a primary duty to perform its functions under this Law in such manner as it considers is best calculated to ensure that (so far as in its view is reasonably practicable) such postal services are provided, both within Jersey and between Jersey and the rest of the world, as satisfy all current and prospective demands for them wherever arising.

8(2) In so far as it is consistent with paragraph (1), the Minister for Economic Development and the Authority shall each have a duty –

- (a) to perform its functions under this Law in such manner as it considers is best calculated to protect and further the short-term and long-term interests of users within Jersey of postal services, and to perform them, wherever it considers it appropriate, by promoting competition among persons engaged in commercial activities connected with postal services in Jersey;
- (b) to perform its functions under this Law in such manner as it considers is best calculated to promote efficiency, economy and effectiveness in commercial activities connected with postal services in Jersey;
- (c) to perform its functions under this Law in such manner as it considers is best calculated to further the economic interests of Jersey;
- (d) to perform its functions under this Law in such manner as it considers is best calculated to impose a minimum of restriction on persons engaged in commercial activities connected with postal services in Jersey; and
- (e) in performing its functions under this Law, to have regard to the need to ensure that persons engaged in commercial activities connected with postal services in Jersey have sufficient financial and other resources to conduct those activities.

8(3) The Minister for Economic Development and the Authority shall, in considering whether the postal services referred to in paragraph (1)(a) satisfy the demands referred to in that sub-paragraph, have regard to –

- (a) whether the services are rapid, of high quality and reliable;
- (b) whether the services are affordable by and accessible to the highest number practicable of business and domestic users;
- (c) whether the services are provided at times, at places and in ways, that meet the demands of the highest number practicable of business and domestic users;

- (d) whether users are able to express their views about the provision of the services; and
- (e) any objectives that the States prescribe by Regulations, including, but not limited to –
  - a. the provision of a universal postal service, a social postal service or any form of subsidized postal service, and
  - b. the provision of certain services at uniform tariffs or at subsidized tariffs.

## **ANNEX C**

### **Universal Service Obligations ('USO')**

## **Universal Service Obligations ('USO')**

Licence condition 12 of JP's licence confers a requirement to maintain the universal service ('USO') which means the following set of obligations:

- a) To provide at least one Collection of Mail, generated within the Island of Jersey, which should be made from each Access Point on six days each week, excluding bank holidays;
- b) To provide at least one Delivery of Mail, whether generated within or outside the Island of Jersey, which should be delivered to every Delivery Point in the Island of Jersey, on five Working Days each week for Parcels and on each of the six Working Days each week for all other Mail, excluding bank holidays;
- c) To provide outwards Postal Services of all categories of Mail, to be delivered to appropriate access points for delivery to UK addresses and to appropriate access points for delivery of Mail to countries other than the United Kingdom;
- d) To provide collections at each Access Point, which should be made at latest times that will enable all Mail to access key Delivery and transport connections;
- e) To provide preferential Postage rates for literature for the blind and partially sighted for Mail items up to and not Universal Postal Union weight limits in accordance with Directions issued from time to time by the JCRA;
- f) The Licensee must provide access, by the means of Access Points and Post Boxes or other appropriate means to allow the Users reasonable access to the Postal Services;
- g) The Postal Services provided by the Licensee to satisfy the Universal Service Obligation shall be affordable and at a uniform tariff throughout the Island of Jersey; and
- h) To provide services for registered and insured Mail.