

JERSEY COMPETITION REGULATORY AUTHORITY
INITIAL NOTICE TO HI-SPEED FREIGHT SERVICES LIMITED
CONCERNING PROPOSED MODIFICATIONS TO HI-SPEED FREIGHT
SERVICES LIMITED'S INTERIM LICENCE

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

In this Initial Notice, the Jersey Competition Regulatory Authority (öJCRAö) proposes to modify, pursuant to Article 19 of the Postal Services (Jersey) Law 2004 (the öLawö), the Interim Class I Postal Operator's Licence (the öLicenceö) issued to Hi-Speed Freight Services Ltd (öHi-Speedö) by modifying Condition 2.2, for the reasons set out below.

Background to the Proposed Licence Modification

The JCRA issued the Licence to Hi-Speed under Article 15 of the Law on 19 December 2008.

Condition 2.1 (first sentence) of the Licence states that:

The scope of the Licence is limited to the collection of Licensed Letters from Business customers located in Jersey and the conveyance of Licensed Letters to Jersey Airport for collection by DHL Global Mail (UK) Ltd, for onward conveyance and final delivery to International destinations, subject to the Financial Limitation.

Condition 2.2 (first sentence) of the Licence states:

The Turnover from the provision of the services described in Condition 2.1 shall not exceed £150,000 per annum (the "Financial Limitation").

It is proposed that Condition 2.2 of the Licence should be amended to read as follows:

The Turnover from the provision of the services described in Condition 2.1 shall not exceed £300,000 per annum (the "Financial Limitation").

Thus, the effect of the proposed modification to Condition 2.2 would be to increase the Financial Limitation contained therein from £150,000 to £300,000 per annum.

Reasons for the Proposed Licence Modification

Hi-Speed states that the increase is necessary for it to acquire new postal business currently being provided in another jurisdiction. The scope of this new business would otherwise fall under Condition 2.1 of the Licence.

In the Initial Notice dated 9 October 2008 (hereinafter, the First Initial Notice), the JCRA set out its reasoning why the grant of the Licence was consistent with the duties set forth in Articles 8(1) and 8(2) of the Law. This reasoning under Article 8 of the Law concerning the Licence in general has not changed since this time.

As stated in Paragraph 15 of the First Initial Notice, the reason for the inclusion of the Financial Limitation in Condition 2.2 was to safeguard JP's financial and other resources to fulfil its current universal service obligations (USO). Because the currently requested modification concerns only a requested increase in this Financial Limitation from £150,000 per annum to £300,000 per annum, the sole issue for the JCRA to consider is whether this increase of £150,000 would itself result in JP having insufficient financial and other resources to fulfil its current USO obligations.

The JCRA has preliminarily concluded that this would not be the case. Hi Speed has requested this modification to allow it to provide international delivery services that are currently being provided by another postal operator outside of Jersey. Specifically, this business currently is being provided by one or more postal operators in another jurisdiction to one or more clients with operations both within Jersey and in the other jurisdictions. As this business is not currently being provided by JP, its acquisition by Hi-Speed could not jeopardise JP's ability to provide the current USO obligations. Moreover, bringing new business to Jersey that is currently being provided by one or more other operators in another jurisdiction would appear to be within Jersey's overall economic interests, and thus consistent with the consideration set out in Article 8(2)(b).

Date when the Proposed Modification would take effect

The proposed licence modification will take effect on **21 August 2009**, 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 Modification

The documents that would give effect to the proposed modification are attached. Specifically, Annex 1 is a copy of Condition 2.2 before modification, while Annex 2 is a copy in draft form of Condition 2.2 as modified. These documents are also 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 modification may be made by midnight on **20 August 2009** 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 on 01534 514991.

17 July 2009

By Order of the Board of the JCRA

ANNEX

Current text of Condition 2.2 (first sentence):

The Turnover from the provision of the services described in Condition 2.1 shall not exceed £150,000 per annum (the “Financial Limitation”)

Draft text of Condition 2.2 (first sentence) as modified:

The Turnover from the provision of the services described in Condition 2.1 shall not exceed £300,000 per annum (the “Financial Limitation”).
