



Jersey Competition Regulatory Authority

Jersey Postal Sector Review

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Jersey Competition Regulatory Authority
2nd Floor Salisbury House, 1-9 Union Street, St Helier, Jersey, JE2 3RF
Tel 01534 514990, Fax 01534 514991 Web: www.cicra.je

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***Public version: confidential information has been redacted to comply with Article 75 of the
Postal Law***

Glossary

Citipost	Citipost DSA (Jersey) Limited
CWU	Communication Workers Union
Direction	Direction given by the Minister to the JCRA on 27 June 2011 under Article 9 of the Postal Law
EBIT	Earnings before interest and tax
GVA	Gross Value Added
HSFS	Hi-Speed Freight Services Ltd
Hub Europe	Hub Europe Limited
ILG	Indigo Lighthouse Postal Limited
JCRA	Jersey Competition Regulatory Authority
Jersey Post	Jersey Post Limited
LVCR	Low Value Consignment Relief
Minister	Jersey Minister for Economic Development
Postal Law	<i>Postal Services (Jersey) Law 2004</i>
Regency	Regency Holdings Limited
RI	Research International Ltd
TNT	TNT Post UK Limited
UK	United Kingdom
USO	Universal Service Obligation
VAT	Value-Added Tax

1. Preface

a. Background to the Review

On 27 June 2011, the Minister for Economic Development (**Minister**), Senator Alan Maclean, issued a direction (**Direction**) to the Jersey Competition Regulatory Authority (**JCRA**) under Article 9 of the *Postal Services (Jersey) Law 2004* (the **Postal Law**), which required the JCRA to undertake a strategic review of the postal sector in Jersey.

The background to the review was an announcement by the United Kingdom (**UK**) Chancellor of the Exchequer in April 2011 that the threshold for Low Value Consignment Relief (**LVC**R), which exempts certain imports into the UK from the imposition of Value Added Tax (**VAT**), would be reduced from £18 to £15. A significant number of fulfilment companies operate in Jersey, benefitting from LVC

R in order to export low-value goods to the UK. These goods are typically transported from Jersey to the UK by post, and the resulting bulk mail consignments at present account for more than half of the mail volumes handled by Jersey Post Limited (**Jersey Post**). The profit margins earned by Jersey Post on bulk mail have also been higher than those generated by the universal postal service, which serves households and non-fulfilment businesses in Jersey. As such, it was believed that servicing the fulfilment industry assisted Jersey Post in performing its universal service obligation (**USO**).

The Minister was concerned that further reductions in the level of LVC

R would lead to a decrease in the volume of bulk mail carried by Jersey Post, which, it was feared, could jeopardise Jersey Post's ability to provide a universal postal service to businesses and households in Jersey. The Minister was aware that the JCRA had received applications for 2 further Class I postal licences in late 2010 from two large multinational postal operators - Hi-Speed Freight Services Ltd (an affiliate of DHL International) (**HSFS**) and TNT Post UK Limited (**TNT**) – and wished to encourage the JCRA to gather information about the current and future financial position of Jersey Post under a range of scenarios with respect to LVC

R before issuing any further postal licences.

During the 6 months since the Direction was issued in late June, the postal sector in Jersey has seen increased uncertainty. On 9 November 2011, the UK Treasury announced plans to remove LVC

R entirely for imports from Jersey and Guernsey, with effect from 1 April 2012. The size of the reduction, the speed of the transition, and the fact that the removal of LVC

R is effected solely with respect to the Channel Islands, were unexpected developments. This change to the LVC

R regime was confirmed when the UK Government published its draft Finance Bill on 7 December 2011. As a result, postal operators in Jersey have been forced to plan for a dramatic reduction in their mail volumes taking place in less than 6 months' time.

In addition, in August, a new chief executive and a new chief financial officer took up roles at Jersey Post. In late November 2011, the Board of Jersey Post considered and approved a 2012

Budget for Jersey Post. This Budget takes account of the removal of LVCR and forecasts the likely effect on bulk mail volumes and revenues of Jersey Post.

As a result of the announcement in November, the main focus of the JCRA's review has been to assess the impact of the announced changes to LVCR on the postal sector in Jersey, the financial viability of Jersey Post and the sustainability of the USO.

b. Terms of Reference

The Minister directed the JCRA that the review should include an evaluation and consideration of:

- The current state of the market, including volumes, competition, funding of the USO, customer and supplier behaviour, trends in the postal sector and the financial viability of Jersey Post; and
- The future state of the market: trends in future market development and the likely impact of these on Jersey Post, alternative providers, consumers and customers.

In addition, he specifically requested that the review should include consultation with all stakeholders to gather evidence and views to support the JCRA's analysis.

The full terms of reference of the review are set out at Annex 1, and the Minister's accompanying statement to the States Assembly is set out at Annex 2.

c. The Report

The JCRA has consulted widely during the preparation of this Report (although, given the speed with which events have developed, much of this consultation pre-dated the UK Treasury's announcement of 9 November regarding LVCR). Meetings were held with 10 of the largest users of bulk mail services, and a survey was sent to the 20 largest bulk mail users in Jersey.

Surveys were also sent to the 20 largest non-fulfilment customers of Jersey Post, which comprised a mix of utilities, financial institutions and States Departments.

In order to assess the thoughts of individual postal users in Jersey regarding the postal sector, the JCRA commissioned Island Analysis to undertake a survey of 750 Jersey residents.

The results of the 3 surveys are reported in Annexes 7-9 to this report.

The JCRA also had regard to various previous reviews of the postal sector, many of which are referenced in Annex 6.

In preparing this Report for the Minister, the JCRA has taken into consideration the announced developments in relation to LVCR, as well as Jersey Post's own estimate of the effects of that policy change on its overall business. The precise effect of the removal of LVCR of Jersey's postal sector, and Jersey Post in particular, cannot be assessed until after April 2012. However, we believe that our conclusions, in particular on the future of the USO and licensing of new operators, are based on the best-available evidence, and are robust with respect to the range of realistic outcomes.

d. Acknowledgements

The JCRA would like to thank all the stakeholders in Jersey's postal sector who provided information for this Report. Special thanks go to Jersey Post, Hub Europe Limited (**Hub Europe**), Citipost DSA (Jersey) Limited (**Citipost**) and HSFS, who provided substantial amounts of material, especially on the nature of the sector from an operator's perspective.

We were also greatly assisted by the fulfilment companies we met with individually: Play.com, Indigo Lighthouse Postal Limited (**ILG**), Feel Unique.com, DMS Ltd, Professional Fulfilment Services Ltd, Jersey Choice Ltd and ODF Ltd. We would also like to thank the many other fulfilment companies and commercial postal users who answered our questionnaires.

Finally, we are grateful to Island Analysis for its assistance in conducting the face-to-face interviews and, of course, to the 750 residential consumers who were interviewed.

2. Executive summary

Jersey's postal sector

The postal sector in Jersey comprises three types of service: public postal services (primarily Jersey Post's delivery of the USO); express mail services (couriers) and bulk mail services (provided to the fulfilment sector by Jersey Post and the Class I licence holders). **We estimate that the turnover of the postal sector in Jersey is approximately £74 million:** £25 million from public postal services, £7 million from express mail services and £42 million from bulk mail services. Total employment within the Jersey postal sector is approximately 460.

Jersey Post remains by far the largest postal operator in Jersey, handling approximately 98% of all mail items coming in and out of the island (although its share of total revenues is smaller, given the high value of express mail items).

Bulk mail services are integral to the viability of Jersey's fulfilment sector, which presently employs almost 800 people and generated more than £360m in annual revenue in 2010. In turn, the fulfilment and postal sectors also contribute to revenue and employment in many other sectors: shipping, road haulage, warehousing etc.

One trend regarding post in Jersey stands out above all – the continuing decline in the volume of letters posted and received. Since 2006, the number of letters delivered by Jersey Post has declined by more than 25%, and Jersey Post's current forecast is that this decline will persist in coming years, as users substitute from physical mail to e-mail and other forms of online communication. It is estimated that 60% of letters are sent by businesses to domestic customers, while only 10% of letters are "social mail" (i.e. domestic-to-domestic post). Inbound parcel volumes have also declined substantially over this period, although they stabilised in 2007, and have increased slightly since (reflecting the growth of online shopping). Even with these declines, the volume of mail delivered per household in Jersey continues to be amongst the highest in Europe, forecast at 390 items per annum in 2013 (compared to 347 in the UK, 306 in France and 213 in Germany in 2009).

The USO – scope and viability

States of Jersey policy recognises that collection and delivery of post is a key social service, which should be available to all residents of Jersey. In order to ensure that this service is provided, the Postal Law and Jersey Post's Class II postal licence create the concept of the USO. The principal elements of the USO currently comprise: delivery of mail five days per week to every address within Jersey (in total, more than 42,000 delivery points); daily collections from post offices and post boxes; dispatch of mail to destinations outside Jersey; allowing users reasonable access to postal services by means of post offices and post boxes; and provision of services at affordable prices and at a uniform tariff throughout Jersey.

The USO was last altered in May 2011, when, after a public consultation, the delivery requirement was reduced from 6 days to 5 days, and Saturday deliveries were abolished.

When examining the cost of the USO, and whether it can be financed by Jersey Post, we identify that **according to Jersey Post's own projections in its 2012 budget, Jersey Post will remain profitable even if its bulk mail business disappears completely.** Jersey Post has previously estimated that there was a cross-subsidy of £5 million from its bulk mail business to its USO activities; its most recent calculations suggest that the extent of the contribution from bulk mail is now smaller. The JCRA concludes on this basis that **overall, given current projections of postage prices, cost savings and mail volumes, the provision of the USO confers a net benefit on Jersey Post, in the order of [Redacted] per year.**

This difference between Jersey Post's previous estimates of the cost of the USO, and the figures in its most recent budget, which suggest that the USO in fact confers a net benefit, can be explained principally by the fact that Jersey Post has, under its new management, introduced changes to accounting procedures for calculating the profitability of individual divisions, and achieved approximately £1.5m of cost reductions.

Moreover, Jersey Post is considering paying a special dividend to its shareholder, the States of Jersey, in 2012, from Jersey Post's existing cash balances. The fact that Jersey Post is paying large special dividends to its shareholder, and will retain significant cash reserves, provides us with further confidence that Jersey Post would have the financial resources to maintain the USO, even if the universal service turns to imposing a net cost at some point in the future. In addition, there remains scope for Jersey Post to increase its operating efficiency, particularly in its retail operations, which could assist further in ensuring that the USO is financeable.

For all of the foregoing reasons, **we have reached the view that the USO is able to be financed by Jersey Post, regardless of changes to the extent of competition faced by Jersey Post in the bulk mail market.**

Given the findings regarding the financial viability of Jersey Post and, in particular, the net benefit to Jersey Post of providing the USO, **the JCRA does not consider that there is, at present, justification for further reductions in the number of delivery days,** despite the forecast of continued declines in the volume of letters delivered by Jersey Post. There is some evidence that moving to a Tuesday-Saturday service, at least for residential deliveries, would better suit the needs of Jersey postal users, although the JCRA recognises that there would be cost implications from such a move, and notes that this would ultimately be a commercial decision for Jersey Post.

However, while the JCRA believes that the scope of the USO does not require revision in the immediate future, **it recognises that Jersey Post might wish to re-consider how it delivers the USO, in order to ensure the long-term viability of the service.** The USO obliges Jersey Post to provide "reasonable access" to postal services via post offices and post boxes. At present, Jersey Post operates 22 post offices and 187 post boxes. The density of post offices and post

boxes in Jersey is higher than in many other comparable jurisdictions, particularly when regard is had to the relatively high population density of Jersey. Moreover, Jersey Post's retail network only just breaks even (and certain retailers that host sub-post offices have indicated that they also bear a cost in terms of foregone shop floor space).

The results of the Island Analysis survey of residential postal users suggest that the proportion of Jersey residents visiting post offices on a regular basis is relatively small, with many users buying stamps from alternative outlets. **The JCRA considers that it would be open to Jersey Post to conclude that "reasonable access" to postal services could be provided to Jersey residents through a reduced number of post offices and post boxes.**

Challenges facing Jersey Post

Many of the trends described in this Report create significant challenges for Jersey Post. In 2011, Jersey Post generated an estimated operating profit of [Redacted], which would be an increase on the figures for 2009 (£1.2 million) and 2010 (£600,000), but a reduction from the level of 2008 (£4.3 million). **However, Jersey Post's present and forecast operating margins rank well when compared to many similar postal operators in Europe.**

The removal of LVCR will lead to a considerable reduction in both the volume of mail carried by Jersey Post and its revenues, which accentuates the reduction in volume and revenues produced by declining use of letters. Jersey Post estimates that the total volume of mail that it carried fell from 99.8 million items in 2007 to 79.9 million items in 2011 and, with the impact of LVCR, is forecast to fall even further, to 44.9 million items in 2012, 32.4 million items in 2013 and 30.3 million in 2014.

Jersey Post's stamp prices are broadly comparable to those in Guernsey, Isle of Man, and the UK. Jersey Post's stamp prices also compare relatively favourably with those in EU Member States, where the price of a stamp for a local letter in 2010 mostly ranged between about 40-60 Euro cents (i.e. 33-50p). Since 2004, stamp prices in Jersey have increased at around the same rate as general inflation (RPI), except for stamps for domestic letters (UK, Guernsey and IoM), whose prices have risen faster than inflation due to increases in the handling charge levied by Royal Mail.

Quality of service has been a focus of customer complaints in recent times – this is reflected in the results of the Island Analysis survey of individual postal users. The JCRA is pleased that Jersey Post has recommenced assessment of its quality of service, and it intends to work with Jersey Post during 2012 to consider whether quality of service measures need to be revised, and on ensuring that the results of Jersey Post's quality of service measurement are published.

The future of the Jersey fulfilment sector and bulk mail

Jersey's fulfilment sector currently comprises approximately 20 major firms, all of which are engaged in the mail-order internet business. These firms store goods, receive orders, package

consignments, and then ship the ordered item to the end consumer. The sector in Jersey features two categories of fulfilment providers: those that act for a single website (e.g. Play.com or ILG, an affiliate of Amazon, which together account for 80% of the total fulfilment sector in Jersey), and those that provide services to a number of third parties under contracts for service.

The announcement of the UK Treasury on 9 November carries enormous consequences for the future of the fulfilment sector in Jersey. **Jersey Post's own forecasts suggest that its bulk mail exports to the UK will ultimately fall by [Redacted], while exports to Europe will also fall.** These estimates are broadly consistent with the results of the JCRA's survey of bulk mailers (taken prior to the UK Treasury's announcement). Those fulfilment firms that are likely to remain in Jersey are sellers of products already valued above the current LVCR threshold, and for which the announced change has little or no effect.

A firm implication of the UK Treasury's announcement is that **Jersey and Jersey Post will now face intense competition from other jurisdictions (UK, Switzerland and other EU and non-EU jurisdictions) for fulfilment business, and Jersey Post's pricing power with respect to bulk mail will be severely diminished.** As such, any ability of Jersey Post's bulk mail business to provide a cross-subsidy to other areas of Jersey Post's activities will disappear.

The current and future state of regulation and competition

A number of steps have already been taken in liberalising the postal sector in Jersey, and exposing Jersey Post to limited competition. In 2008, limited Class I licences were issued to Regency Holdings Ltd (**Regency**) and HSFS, to provide specialist postal products. In 2010, Class I licences were issued to Citipost and Hub Europe to carry packets (subject to a minimum volume requirement), and on 1 January 2012, the scope of these licences was extended to the carriage of large letters (again, with a minimum volume requirement).

Our discussions with, and survey of, **bulk mailers indicated that they observed significant improvements in the quality of Jersey Post's customer service after the introduction of competition.** Given those results, and our finding regarding Jersey Post's ability to finance the USO, we are firmly of the view that the liberalisation of the large letters segment of the bulk mail market should be allowed to proceed.

It appears inevitable that the removal of LVCR will vastly reduce bulk mail exports from Jersey to the UK. However, the decision of the UK Government has no effect on the ability of Jersey-based fulfilment businesses to export goods to other countries within Europe. One clear result of the JCRA's survey of bulk mailers was a desire for better bulk mail services from Jersey to continental Europe. At present, Jersey Post's bulk mail destined for addresses in continental Europe is routed through the UK, and carried by Royal Mail from the UK to other parts of Europe. Owing to this convoluted route, delivery times from Jersey to continental Europe are in the range of 5-7 days, which renders Jersey's fulfilment industry less competitive in serving these markets.

When asked, a clear majority of bulk mail users indicated that a bulk mail service to Europe that was able to reach destinations in 2-3 days would be of real benefit to their businesses. A number of those users projected significant increases in volumes if they were given access to such a service. These results indicate to us that there is current and prospective demand for such a service. Moreover, it should also be noted that the licence applications from HSFS and (to a lesser extent) TNT are also directed to the creation of a fast bulk mail service from Jersey to continental Europe. In the case of HSFS, the prospective operator has existing capacity available on freight flights from Jersey to continental Europe, which currently goes unused as it does not have licence to carry bulk mail.

Given the existence of this unmet demand, the importance to the potential survival of the fulfilment industry in Jersey of creating new routes to Europe as a matter of urgency, and the finding that the USO is of net benefit to Jersey Post (and that therefore extra competition in bulk mail provision will not jeopardise the financing of the USO), the JCRA is minded to issue initial notices for the grant of Class I licences to HSFS/DHL and TNT, to enable them to carry bulk mail to destinations other than the UK, Isle of Man and other Channel Islands.

However, the JCRA is satisfied that the existing bulk mail services to the UK, Isle of Man and other Channel Islands meet the likely demand, and there is no indication that the service to be offered by the licence applicants for deliveries to those destinations would be materially different from the services currently on offer. Moreover, the review has not provided any basis for concluding that further liberalisation of the postal sector (such as allowing licensees other than Jersey Post to carry letters) would satisfy the duties of the JCRA under Article 8 of the Postal Law. The JCRA is conscious that there is a significant degree of uncertainty regarding the estimates of Jersey Post's revenues and profitability during the next few years, as the sector adjusts to the removal of LVCR. **As such, our current intention is to place a moratorium on licensing of new operators, or further liberalisation of letter conveyance, until 1 January 2015 at the earliest.**

Since 2008, Jersey Post's core postage services (i.e. non-bulk mail) have been subject to a price cap imposed by the JCRA under Condition 20.3 of its licence. The initial price control ran from 2008-2010, and the JCRA has rolled over this price control for two further one-year periods. **Given the continuing trend of declines in letter volumes and the pressure that this places on Jersey Post's profitability, together with the likelihood that higher prices will accentuate the move to electronic forms of communication, the JCRA intends during 2012 to consider whether to lift price controls on Jersey Post entirely.**

3. Jersey's postal sector

a. Background

A review of the Jersey postal sector needs to describe its various activities, its size, the number of people it employs and its financial contribution to Jersey's economy.

It is estimated that Jersey postal sector directly employs about 460 people, split between some 360 staff at Jersey Post, and 100 employed in providing express postal services, and at competing licensed operators. In addition, almost 800 employees work within the fulfilment industry, which in turn relies heavily on the postal sector.

The turnover of the postal sector in Jersey is presently £74m per year - £25 million from public postal services, £7 million from express mail services and £42 million from bulk mail services. We estimate that Gross Value Added (**GVA**)¹ of the postal sector in Jersey in 2010 was approximately £20m, equivalent to 0.6% of the Island's total GVA. In addition, in 2009 it was estimated that the value added of the fulfilment sector represented £45m of Jersey's GVA, or approximately 1.3%².

The contribution to Jersey's economy of the postal and fulfilment sectors is greater than in most other developed western economies. For example, according to a study undertaken in 2010 for the EU³, in the Nordic countries, France, Germany, Austria and the UK and the Benelux, these activities contributed 0.8%-1.0% GDP. For Europe as a whole, the contribution averaged 0.6% GDP.

In addition, there are considerable numbers of staff who are indirectly employed as a result of postal and fulfilment activities – these include people employed in shipping, road haulage, equipment suppliers, warehouses/offices supply and facilities management and trust companies.

b. Who Uses Postal Services?

Excluding bulk mail, Jersey Post estimates that the top 100 of its customers generate 80% of the mail sent in Jersey. In fulfilment, 80% of bulk mail is currently generated by just two companies: Play.com and ILG.

¹ Jersey's GVA in 2010 was £3.6bn. Source 'Jersey in Figures 2010'. GVA is a close approximation to Gross Domestic Product (GDP) in larger economies and is calculated as the sum total of staff costs plus gross operating profits.

² [Redacted]

³ Copenhagen Economics (2010), *Main developments in the Postal Sector (2008-2010)*

Many financial institutions and utilities in Jersey send significant volumes of mail, including statements and legal documents. However, in recent years, these businesses have begun to use other channels to communicate with their customers (e.g. online banking). For companies that continue to use physical mail, one form of substitution for Jersey Post's services has been so-called "hybrid mail" (or ABA mail), whereby senders e-mail their correspondence to a mail house in the UK, which then prints the correspondence, places it in envelopes and sends the physical mail to its destination (whether back to Jersey, or to addresses in the UK or elsewhere). This is done to take advantage of lower postal prices in the UK than in Jersey.

According to a survey of residential postal users in the UK, the average household spends about 50p per week on postal services. The States of Jersey Statistics Unit's Household Spending Survey 2009/2010 suggested that spending by Jersey households on postal services was larger, at £1 per week, but that it still constituted a very small proportion of overall household expenditure. The JCRA's own survey in October 2011⁴ suggested that 51% of Jersey residents spend 50p or less on post per week, 25 % of residents spend 51p-£1.00 per week, whilst only 4% of households spend more than £5.00 per week.

Figure 1: Comparison of weekly spend on different services by Jersey households

	Average weekly expenditure (£)	% of average weekly total household expenditure
Telephone	13.50	1.9%
Electricity, gas and heating oil	28.90	4.0%
Water and sewerage	7.10	1.0%
TV & Internet services	10.90	1.5%
Postal Services	1.00	0.1%

Source: States of Jersey Statistics Unit's Household Spending Survey 2009/2010

Compared to other areas of consumer spending, household expenditure on postal services is therefore very small.

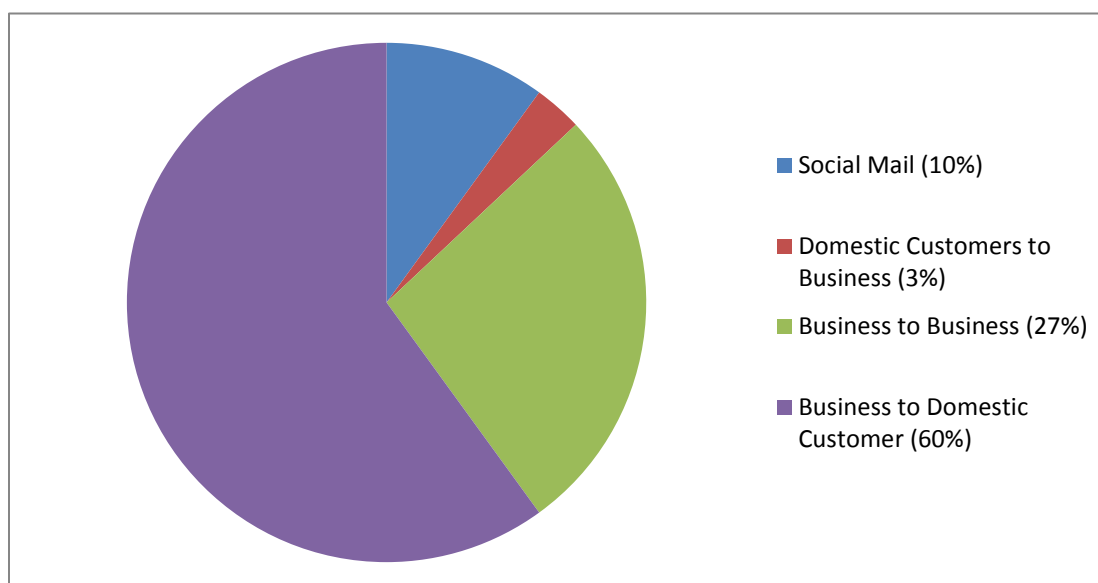
Based on data published in the 2010 Review of the USO by Richard Hooper⁵, residential consumers are the most important category of recipients, as they receive 70% of all letters posted. However, most of this post is generated by businesses: only 10% of all letters are sent between households, with the majority of those sent over the Christmas period. Business to

⁴ Island Analysis – Postal Services Research JCRA – October 2011

⁵ Hooper (2010), *Saving the Royal Mail's universal postal service in the digital age: An Update of the 2008 Independent Review of the Postal Services Sector*, page 7

business accounts for about 27% of all letters, whilst residential consumer to business mail comprises only about 3% of letters. We would expect figures for mail delivered in Jersey to be broadly similar.

Figure 2: Segmentation of UK letter volumes (2009)⁶



Source: 2010 Hooper Report

c. Categories of postal services

The postal sector in Jersey comprises three types of service: public postal services (primarily Jersey Post's delivery of the USO); express mail services (couriers) and bulk mail services (provided to the fulfilment sector by Jersey Post and the Class I licence holders).

(i) Public Postal Services

Jersey Post is the public postal operator which provides the USO in Jersey. It has done so since 1969, when the States of Jersey took control of public postal services in Jersey from Royal Mail.

In providing the USO and various ancillary and non-core services, Jersey Post employs 360 staff, of which 238 are frontline postal workers. It has three post offices it manages itself⁷ and a further 19 sub-post office outlets, which are located in, and managed by, independent supermarkets or convenience stores. At present, it handles 86 million items of mail per year. Collections take place at various times of the day: up to twice daily from each of the Island's

⁷ Rue De Pres, Broad Street and Airport. Jersey Post closed the Central Market Post Office in 2010, and this was taken over by Hub Europe.

187 post boxes and all post offices, and also directly from 104⁸ of the largest business addresses.

Jersey Post's mail process typically has five stages: collection, sorting, transportation, sorting into "walks", and delivery.

Mail arrives in Jersey in two ways. First class mail arrives by air from Bournemouth, landing in Jersey at 5.30am. Unit Loading Devices are off-loaded directly from the aircraft and driven to Jersey Post's Headquarters at the Rue Des Pres Trading Estate. There, mail is emptied onto a conveyor belt where it undergoes a primary sort, separating packets, large letters⁹ and letters. It is at this stage that the mail is also sample checked by Jersey Customs for illegal goods. The letters are then fed through an Optical Character Recognition sorting machine¹⁰, which reads the address on the front of the envelope and sorts the mail into post codes. Delivery officers then take the mail for their respective areas, and further sort the mail into walk-sort order for each of the 110 individual rounds. The mail is then dispatched on each of the rounds by about 8am.

The second class mail is transported from the UK by overnight boat, arriving in Jersey by late afternoon. This mail is collected and sorted in the following morning shift, ready for dispatch that day.

Jersey Post also provides bulk mail services, hybrid mail and express mail services (as the Fedex agent in Jersey).

(ii) Express Mail Services

According to DHL, express mail (or courier) services comprise same day to three day delivery for parcel packages up to 31.5 kg¹¹.

As Figure 3 shows, there are 8 express mail operators in Jersey, which between them employ some 80 staff. The total value of express mail services supplied in Jersey is estimated to be around £7.0m per year and the average price paid per item by customers ranges from £16-£24.

Corporate customers account for 98% of the business. 25% of express mail packages are destined for the UK, whilst approximately 75% are bound for international destinations.

It is estimated that express mail operators in Jersey handle approximately 500,000 items per year, made up of 139,200 outbound items and 373,000 inbound items. Individual operators' market shares are as follows:

⁸ As at 2010

⁹ Large letters, which are currently processed manually by Jersey Post, may also be capable of being machine sorted.

¹⁰ [Redacted]

¹¹ Non-palletized item. No limit in weight for palletized items.

Figure 3: Express Mail Services – Market shares and turnover

Figures Redacted

	Annual turnover 2011	Market share (%)	No. inbound items	No. outbound items
DHL/HSFS	[Redacted]			
UPS	[Redacted]			
TNT	[Redacted]			
Huelin Renouf Air	[Redacted]			
Interlink	[Redacted]			
Fedex	[Redacted]			
Transfer 2000	[Redacted]			
Regency	[Redacted]			
Total	7,120,800	100	373,765	139,262

Source: JCRA

(iii) Bulk Mail Services

At present, a majority of the mail items handled by Jersey's postal operators are bulk mail, generated by the fulfilment industry. This industry focusses on the dispatch of goods to meet orders received online (or, on rare occasions, by telephone or by post).

There are about 20 main fulfilment companies in the Island which generate between them some £360m in annual revenue. Over the 15 years in which the fulfilment industry has operated in Jersey, it was, until 2009, one of the fastest growing sectors of Jersey's economy and currently employs almost 800 people¹².

Bulk mail represents over half of the mail items handled by Jersey Post (45m items per year, out of a total of 80m). In 2010, bulk mail contributed some [Redacted] to Jersey Post's profits.

d. Licensing of Postal Operators

On 1 July 2006, the postal sector in Jersey underwent significant change, when the Postal Law took effect. The Postal Law provided for the incorporation of Jersey Post, giving it greater freedom to act commercially. At the same time, powers were granted to the JCRA to regulate the postal sector in Jersey and to introduce competition.

¹² Dec 2009 (1020 employees); June 2010 (950 employees); December 2010 (880 employees); June 2011 (770 employees) – Source: Jersey Statistics Department – Six Monthly Report 'Jersey Labour Market'.

The Postal Law obliges postal operators to hold a postal licence (issued by the JCRA) if they convey and deliver letters, although only if the cost of postage is no more than £1.30 per letter, and the letter weighs no more than 500g (Articles 3 and 7 of the Postal Law). As such, express mail services lie outside the 'Licensable Area', because the cost of postage per item is more than £1.30.

In considering whether to grant postal licences, the JCRA is required by Article 8 of the Postal Law to determine, amongst other things, whether the applicant's proposals will meet unsatisfied demand for such services, whether the services are affordable and high quality and whether they contribute to the economic benefit of the Island.

Since 2006, the JCRA has issued 5 licences under the Postal Law: a Class II Public Postal Operator's Licence to Jersey Post, and 4 Class I Licences - to Regency, HSFS, Citipost and Hub Europe.

	Date Granted	Licence Class	Licensed Services provided
Jersey Post	01/07/06	Class II	Public postal services
Regency	24/06/08	Class I	Inbound daily publications from UK investment, insurance and travel companies
HSFS	18/11/10	Class I	Bulk mail from Jersey to UK and international destinations, (excluding the UK) using DHL
Citipost	18/11/10	Class I	Bulk mail exported from Jersey
Hub Europe	18/11/10	Class I	Bulk mail exported from Jersey

As the universal service provider, Jersey Post continues to handle about 98% of all mail items coming into and out of the Island. In volume terms, for 2011, Jersey Post will have handled about 80m items (90m in 2010), compared to 500,000 items handled by the express mail providers and just over 1m items handled by the four class 1 licensed postal operators.

Figure 4: Jersey postal sector turnover 2010 (£)

Jersey Post	[Redacted]
Express mail industry	[Redacted]
Hub Europe	[Redacted]
HSFS	[Redacted]
Citipost	[Redacted]
Regency	[Redacted]
Total	73,160,000

Source: JCRA

In 2010, the JCRA received two further applications for Class I licences under the Postal Law, from TNT and HSFS. The JCRA issued Initial Notices proposing the grant of licences to both TNT and HSFS on 13 December 2010. Written objections were received from Jersey Post, Hub Europe and the Communication Workers Union (**CWU**). Jersey Post and the CWU stated that if the licenses were issued, Jersey Post's share of the fulfilment sector would be eroded quickly, as both applicants have significantly greater scale economies and could therefore offer more favourable price offerings than Jersey Post. As such, they argued that the JCRA had not conducted a proper impact assessment, and the unintended consequences of the JCRA's award of the licences would seriously hamper Jersey Post's ability to finance the USO, which, at that time, Jersey Post estimated cost £5m per year to provide.

	Licence Application Date	Licence class	Licensed Services applied for
TNT	April 2010	Class I	Bulk mail exported from Jersey
HSFS	30/11/10	Class I	Bulk mail exported from Jersey to European destinations

At the request of the Minister in the Direction, the JCRA agreed to suspend its decision on the award of such licences until completion of the postal sector review.

e. Trends in Mail Volumes

Over the past three years in particular, much of Jersey Post's reduction in profitability has been due to significant falls in non-bulk mail volumes. Its peak in mail volumes was in 2006, when Jersey Post handled 50m items (excluding bulk mail). Since then, non-bulk mail volumes have fallen by 25% to 37m items. This equates to 165,000 items of mail per delivery day in 2006 (items both delivered and dispatched), compared to 125,000 items per delivery day in 2010 (items both delivered and dispatched).

The trend is shown in both inbound and outbound mail. Over the period 2005-2010, Jersey Post's inbound mail volumes (excluding bulk mail) decreased by 22%, from 37.8m items to 29.4m items, an average decline of 4.5% per year, while Jersey Post's outbound mail volumes decreased by almost 38%, from 12.4m items to 7.6m items, an average decline of 5% per year.

This trend is mirrored in virtually all other jurisdictions. In the UK, the past five years have seen a 25% decline in mail volumes, from 84m items per day (2006) to 62m (2010). In the US, mail volumes fell by 17% between 2006 and 2009, while in Europe, over the same period, they were down by about 15%¹³.

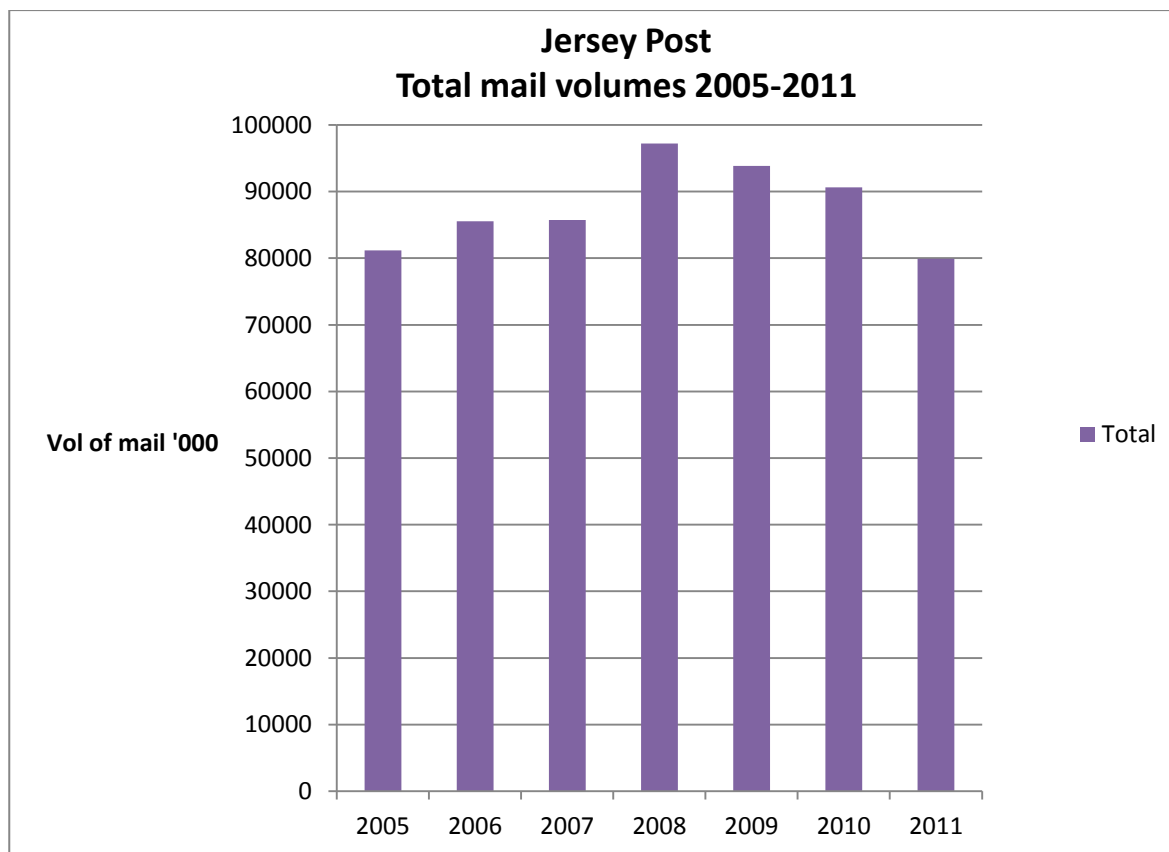
¹³ Source: 2008 Hooper Report

These declines have been due mainly to consumers and businesses making greater use of electronic communication: e-mail, texting, social network sites etc. In addition:

- people increasingly communicate by telephone and email, rather than by post;
- bills are increasingly paid either by direct debit or by Internet banking rather than by sending a cheque;
- utilities and many other businesses now send bills by e-mail or make them accessible on a website rather than posting hard copies; and
- many journals are now produced electronically rather than in hard copy, which means they can be delivered both more cheaply and more promptly.

This trend has, in turn, been accelerated by the economic downturn since 2008. Like all universal postal service providers, Jersey Post has faced the need to become more efficient, as traditional revenues decline and substitutes constrain its ability to raise prices. The rate of decline in standard letters mail from 2006 to 2011 in Jersey is shown in the Figure 5 below. Steeply declining volumes have also coincided with notable growth in the number of delivery points (from 38,300 addresses in 2003 to 42,000 in 2010), meaning that Jersey Post has been faced with growing delivery costs for declining volumes.

Figure 5: Jersey Post mail volumes 2005-2011 (incl bulk mail)



Total mail volumes
[Inbound, outbound and bulk figures redacted]

(thousands)	2005	2006	2007	2008	2009	2010	2011
Inbound							
Outbound							
Bulk							
Total	81,165	85,529	85,741	97,200	93,874	90,621	79,913

Source: Jersey Post

In 2006, Jersey mail volumes peaked at 3.5 items per household per day (1,092 per year). Forecasts for 2013 are for 1.5 items per household per day or 390 per year. This should, however, be put into context, because when compared with mail deliveries in other European countries, Jersey still has one of the highest levels of mail delivered per capita. For example, in 2009, the annual number of items per household in the UK was 347; in Sweden, it was 354; Netherlands, 340; France, 306; Germany, 213; Austria, 207; Spain, 141; Italy, 115; Poland, 44 and Russia 11¹⁴.

However, until 2009, the trend in bulk mail in Jersey had been positive. Jersey Post's outgoing bulk mail volumes increased by 74% between 2005 and 2010, from 30.8m items to 53.5m items. Even in this sector, the rate of growth had been declining in recent years: while fulfilment volumes increased by 11% in 2007 and 38% in 2008, the percentage increase year-on-year in 2009 was only 5%, whilst in 2010, there was a 2% decrease. With the recent announcement by the UK Treasury to withdraw LVCR from 1 April 2012, Jersey Post is forecasting a substantial decline in bulk mail volumes.

¹⁴ http://www.post.at/gb2009/en/Postmarkt_Europa.php

4. The Universal Service Obligation

a. What is it?

The USO (as defined in Condition 12 of Jersey Post's Class II Licence) requires Jersey Post to provide a postal service both within Jersey and between Jersey and the rest of the world. In summary, Jersey Post's current USO obligations include:

- All-island collections and deliveries to over 42,000 addresses of mail five days per week;
- delivery of mail to destinations outside of Jersey;
- providing appropriate access points to its network; and
- providing rapid, high quality services at an affordable uniform tariff.

Annex 4 contains the full text of Condition 12 of Jersey Post's licence.

The main focus of this review has been to consider whether, despite the declines in mail volumes and the pending threat to the fulfilment industry, the USO is still financially viable.

The States of Jersey, through the Minister, retain strategic political responsibility for Jersey's postal services industry, with the JCRA having responsibility as the independent licensing and regulatory authority for postal services. Under Article 9 of the Postal Law, the Minister may issue the JCRA with Directions and Guidance. In 2005, the previous Economic Development Committee issued the JCRA with guidance, which stated that deliveries must be made at least 5 days a week. The Guidance also stated that post must be collected from post offices, sub-post offices and post boxes at least 5 days a week. The Postal Law also allows the Minister to direct the JCRA regarding social and environmental matters.

In these respective roles, under Article 8 of the Postal Law, both the Minister and JCRA have a primary duty to ensure that, as far as reasonably practicable, postal services are provided in Jersey and between Jersey and the rest of the world, as satisfies all current and prospective demands for them. In addition, the Minister and the JCRA must ensure that:

- services are rapid, of high quality and reliable;
- services are affordable and accessible to the highest number of business and domestic users; and
- services are provided in places and at times that meet the demands of the highest number of business and domestic users.

Jersey Post's licence previously required it to deliver at least six days a week, and to make at least one postal collection from post offices, sub-post offices and post boxes on at least six days a week.

In late 2010, due to the rapid decline in demand for traditional mail, and in an effort to cut some costs, Jersey Post applied to the JCRA to remove Saturday deliveries. Following public consultation on the matter, the JCRA agreed to Jersey Post's request and Saturday deliveries were removed from service on 8 May 2011.

b. What is the rationale for a USO?

Consumers value mail, because it has long been regarded as an intrinsic part of the fabric of the way we go about our lives. The postal service enables daily communications across all 43,000 businesses and household addresses in Jersey. Traditionally, it has helped social cohesion, as it gives people a reliable means of communication and the capacity to send and receive physical goods. It is also the means by which many of the Island's 6,550 small and medium-sized businesses¹⁵ carry out basic transactions with their customers and suppliers, receive income and distribute their products¹⁶.

c. Why has the postal services USO been under pressure?

The postal services USO has been under significant pressure in virtually every country. Delivering two letters to a house costs no more than delivering one letter, while collecting 50 letters from a post box costs little more than collecting one letter. As mail volumes decline, this means that over time, the cost of postal services is likely to rise in relation to the price of goods and services generally.

Furthermore, traditional providers of postal services also face increasing competition from express mail couriers, such as FedEx, DHL and others. Increasingly, this means that the regular mail is no longer used to send urgent items. As explained in section 3.e above, generally, the demand for traditional postal services is declining and there is no expectation that this trend will be reversed.

As demand for its core (non-fulfilment) postal services falls, Jersey Post faces significant commercial pressures, regardless of whether additional competitors are granted postal operator licences.

Jersey Post, the Royal Mail and other postal service providers have responded to the decline in the demand for their traditional services and to the accompanying cost pressures by:

- reducing the number of daily collections from post boxes and post offices to one;

¹⁵ States of Jersey Statistics Unit – Jersey in Figures 2010

¹⁶ As noted by the 2008 Hooper Report

- reducing the number of daily deliveries to one, often later in the day rather than in the early morning;
- closing post offices; and/or
- removing many post boxes.

In common with other universal postal operators, Jersey Post has also attempted to compensate for declining income from its mainstream business by diversifying into other areas where a mail service provider has a natural competitive advantage. In Jersey Post's case, it used some of the profits from fulfilment, which in the last five years, it estimated varied between **[Redacted]** a year, to expand into non-core activities, such as Ship2Me and Me:Mo. However, these have not produced the anticipated level of returns; Me:Mo ceased operations in Q3 2010.

To date, there has been negligible impact on Jersey Post's revenues from the four operators that the JCRA has licensed. The JCRA estimates that collectively, including bulk mail, these operators earn about 5% of total licensed postal revenues in Jersey. Jersey Post still retains 95% of the licensable mail market.

d. Cost of the USO

Previous analyses by both the JCRA and Jersey Post suggested that calculating the cost of the postal USO in Jersey could be done only at a network-wide level. In other jurisdictions, postal regulators and universal postal operators have assessed the cost of the postal USO by looking at the costs and revenues generated from operations in particular regions. Given the relatively small geographic and economic size of Jersey, the JCRA's view is that assessing the cost of the USO in Jersey involves an assumption that Jersey Post would either maintain a postal network very similar in size and scope to the one that it currently operates, or would not provide a postal network at all. If it were to be relieved of its USO obligations, we consider that it is unlikely that Jersey Post (or any other USO provider) would pick and choose parts of the Island to which it delivered or would stop providing collections and deliveries in rural parishes.

Accordingly, Jersey Post estimates that the cost of the USO for the postal network is equal to unavoidable losses from operating the network as a whole. If the network makes profits, there is no USO cost (i.e. Jersey Post is not being asked to do anything it would choose not to do, as a commercial organisation). If the network makes losses, then the assumption is that a commercial organisation would choose to shut down the network, rather than face losses indefinitely. The USO analysis must also take account of unavoidable losses or profits on that network too.

In 2007, the JCRA assessed the cost of the USO to be £116,000. The result of this USO costing exercise was broad agreement between the JCRA and Jersey Post that the cost of the USO did not unduly constrain the type of service that Jersey Post provided.

Jersey Post's analysis until recently was that the cost of the USO had grown and was substantial (up to £5m per year), and that Jersey Post would consequently face significant losses if its bulk mail income were to disappear.

The new senior management team at Jersey Post has reassessed the cost of the USO as part of its 2012 budget process, given the need for the company to begin planning for a commercial future with vastly diminished revenues from bulk mail. The newly reassessed cost takes account of the considerable cost savings the have been made by Jersey Post over the past two years, so that Jersey Post starts from a considerably stronger position: Jersey Post has managed to improve its forecast year-end profit from £600,000 in 2010 to [Redacted] profit in 2011. Even allowing for a considerable reduction in fulfilment volumes, budgets for the period 2012-2014 show Jersey Post continuing to be profitable:

Figure 6: Jersey Post Forecast Profits 2012-2014
[Redacted]

Moreover, in 2012, Jersey Post intends to undertake more work on the cost and revenues associated with the USO in order to better understand the cost drivers and profitability of this core part of the business.

The JCRA considers that a good measure of the cost of the USO is the cost of financing postal and retail services without any cross-subsidy from other non-USO activities e.g. fulfilment. Jersey Post's 2012 budget, recently approved by its Board, shows that the Postal Services division (which essentially covers Jersey Post's USO activities, apart from the operation of its retail network) is set in 2011 to produce a contribution of [Redacted] and [Redacted] in 2012. This however excludes the cost of group overheads of [Redacted]. Jersey Post's Retail Services division (i.e. its network of post offices) is, however, not nearly as profitable. By year end 2011, Jersey Post forecasts only a small profit of [Redacted] for Retail Services, increasing slightly to [Redacted] profit in 2012 ([Redacted] margin). This calculation is significantly improved on previous estimates.

For 2011, the combined gross operating profit of the Postal Service and Retail Services divisions is [Redacted], but this does not take into account central overheads, which in 2011 are set to cost Jersey Post about [Redacted]. Whilst Jersey Post does not yet have the ability to allocate central overheads precisely to individual divisions, it estimates that Postal Services and Retail account for [Redacted] of all overhead costs.

As the table below shows, when this allocation of central overhead costs is made, Jersey Post's own forecasts show that it actually derives a profit from its USO activities; that is, there is no net cost to providing the USO. We estimate that its profit from USO activities will range from [Redacted] in 2011 to [Redacted] in 2014 (based on current forecasts).

**Figure 7: Profit generated by Jersey Post from providing the USO
[Redacted]**

In addition, the JCRA would suggest that Jersey Post secures significant benefits from the USO that accrue outside the Postal Services and Retail Services divisions, including:

- Profits on philately ([Redacted] forecast profit for 2011);
- Profits in the fulfilment business that depend on the brand name, or cost base used for Jersey Post's USO activities;
- The Memorandum of Understanding with HM Revenue & Customs, which allows items to be fast-tracked through UK Customs channels without having to be individually manifested on CESAR, as other Jersey postal operators are required to do.

We have not been able to quantify the total value to Jersey Post of these ancillary USO benefits, although it is likely to be significant.

The fact that Jersey Post's own estimates and forecasts suggest that providing the USO is profitable, and does not impose a net cost on Jersey Post, has very important implications for the JCRA's assessment of the outstanding licence applications from TNT and DHL/HSFS. Those implications are considered in more detail in sections 6 and 7.c below.

e. What are customers' views about the USO?

In September 2011, the JCRA commissioned Island Analysis¹⁷, a specialist market research company, to undertake a survey of 750¹⁸ postal consumers, seeking their views regarding the provision of postal services in Jersey.

The full results of the survey are detailed in Annex 9 of this report. Some of the more important findings are highlighted below:

Postal Service

- Three respondents in ten (30%) rarely or never posted items of mail. Just over half (52%) posted items of mail no more than several times a year. 11% stated they posted items of mail often (several times a month) and 7% very often (daily/several times a week).
- More than half of respondents (51%) indicated that they spent 50p per week or less on posting letters and parcels.
- 46% of respondents were 'Satisfied' or 'Very satisfied' at the time of interview with the current letter mail service. This compares with 11% of respondents who indicated

¹⁷ Guernsey based firm of independent market research analysts specialising in small island economies

¹⁸ 750 surveys were undertaken, giving a margin of error of 3.6%

dissatisfaction. The reason most often quoted for being dissatisfied was 'no Saturday post' and deliveries taking a long time.

- 33% of respondents felt that the quality of service from Jersey Post had declined during the last 12 months, while only 6% of respondents indicate the service offered by Jersey Post has improved.
- Over half of the survey sample (51%) indicated that less than 50% of their mail was time-sensitive. A further 18% of people stated that they did not know what percentage of their mail was time-sensitive. However almost three fifths of those interviewed (57%) thought that it was important or very important for local mail to be received the next day.
- One-third (33%) of respondents accepted that there may be a need to reduce delivery days in rural parishes to maintain postal charges at their current rates. Overall, there was not much geographic difference in the results, apart from the parishes of St Peter and St Ouen. Respondents resident in these parishes were more likely to indicate disagree/strongly disagree to this proposition.
- 29% of those surveyed stated they would be satisfied with three delivery days per week. This is consistent with the results given in Figure 11 where 31% of people said they would be satisfied with three delivery days (or fewer). By contrast, over one-quarter (26%) of respondents would be dissatisfied with a reduction in deliveries from five days to three.

Post Offices

- 50% of respondents stated that they visited a post office less than once a month and a further 30% stated they visited a post office branch frequently (once/twice per month).
- Almost half (48%) of survey participants said they used the post office at Broad Street. Over a third (35%) of people used sub-post offices such as those located in Spar and Co-operative stores. 22% of people used the Rue des Pres post office and 19% used the Central Market post office.
- 45% of people agreed that basic postal services should be provided at more outlets such as convenience stores and garage forecourts, whilst almost a fifth (19%) disagreed with this.
- Over half of respondents (52%) indicated they would be happy for basic postal services to be provided by a mobile post office van in some rural parishes in Jersey.

The results of the JCRA survey highlight some of the challenges facing Jersey Post in providing a USO that is appropriate to the Island whilst still remaining affordable. A large cost of meeting the USO is the provision of a retail network that meets postal users' needs. However, as the survey highlights, the frequency with which most postal users actually use the retail network raises questions about whether the current model is sustainable. Indications are that on a per

capita basis, Jersey is close to the EU average in terms of the density of post offices (2.3 per 10,000 population) and slightly over in terms of the number of post boxes (19 per 10,000 population, compared to 16 per 10,000 for the EU as a whole) – see discussion in sub-section f below.

Similarly, the postal delivery/collection model is based on a next day service, yet for most recipients of mail, time is less of an issue. In terms of quality of service, postal users have noticed a decline in the service provided by Jersey Post over the past 12 months. In part this may be due to the move to a five day week delivery service (with Saturday deliveries being dropped). Customers' views may change if Jersey Post is able to introduce a 24/7 system of delivering packets and parcels via strategically located parcel lockers.¹⁹

f. Options for delivery of the USO in the future

The JCRA regards the maintenance of the USO as a key objective in its duties under the Postal Law. We are very aware that Jersey Post is now looking at all possible options to reduce costs even further and to deliver services in different but more efficient ways.

Given its findings regarding the financial viability of Jersey Post, in particular, the cost to Jersey Post of providing the USO, the JCRA does not consider that there is currently a need for further reductions in the number of delivery days, despite the forecast of continued declines in the volume of letters delivered by Jersey Post. There is some evidence in the Island Analysis results that moving to a Tuesday-Saturday service, at least for residential deliveries, would better suit the needs of Jersey postal users, although the JCRA recognises that there would be cost implications from such a move, and notes that this would ultimately be a commercial decision for Jersey Post.

However, while the JCRA believes that the scope of the USO does not require revision in the foreseeable future, it acknowledges that Jersey Post might wish to re-consider how it delivers the USO, in order to ensure the long-term viability of the service. Condition 12 of Jersey Post's licence obliges Jersey Post to provide "reasonable access" to postal services via post offices and post boxes. At present, Jersey Post operates 22 post offices and 187 post boxes. As shown in Figure 8 below, the density of post boxes in Jersey relative to population is higher than the UK and EU average, but not as high as Guernsey or the Isle of Man.

¹⁹ These are popular in Germany. The post office texts the customer together with a Pin access code to inform the customer that a parcel may be collected from a secure locker 24 hours per day and 7 days per week. The parcel can be released from the secure locker by the customer with the access code. Amazon is introducing a similar service in the London Area.

Figure 8: Number of post boxes per 10,000 population

	No. post boxes	Population	No. boxes per 10,000 population
Jersey	187	98,000	19
Guernsey	147	60,000	25
Isle of Man	270	82,300	33
UK	115,000	62,200,000	18
Ireland	6,200	4,580,000	14
Malta	468	368,000	13
Iceland	265	320,000	8
EU average			16
Source: JCRA & Copenhagen Economics			

Similarly, in terms of the number of post offices per 10,000 residents, Jersey is close to the EU average, and higher than Guernsey (and the UK), but lower than the Isle of Man.

Figure 8: Number of post offices per 10,000 population

	No. post offices	Population	No. post offices 10,000 population
Jersey	22	98,000	2.2
Guernsey	10	60,000	1.7
Isle of Man	25	82,300	3.0
UK	12,100	62,200,000	1.9
Ireland	1,532	4,580,000	3.3
Malta	53	368,000	1.4
Iceland	174	320,000	5.4
EU average			2.4
Source: JCRA & Copenhagen Economics			

In considering how Jersey compares to other jurisdictions in terms of the density of post boxes and post offices, it is also important to have regard to the fact that Jersey's population density is considerably higher than most other states in Europe, which (all other things being equal) would suggest that the number of post offices and post boxes required in order to provide "reasonable access" to the postal system would be smaller.

Moreover, Jersey Post's retail network currently only barely breaks even (and certain retailers that host sub-post offices have indicated that they also bear a cost in terms of foregone shop floor space).

The results of the Island Analysis survey of residential postal users suggest that the proportion of Jersey residents visiting post offices on a regular basis is relatively small, with many users acquiring stamps from alternative outlets. We understand that Jersey Post is currently conducting its own survey of residential postal users. Depending on the results of that survey, the JCRA is of the view that it would be open to Jersey Post to conclude that “reasonable access” to postal services could be provided to Jersey residents through a reduced number of post offices and post boxes.

We support Jersey Post in its initiatives to make the USO sustainable. We recognize that some rationalization of the retail network may be needed. If Jersey Post wishes to consider what size of retail network or post box network is sustainable in the long-run, as part of a re-examination of how best its services can be delivered, we would work with the company to ensure that any changes complied with its licence obligations.

Should mail volumes reduce further to a point where even an efficient operator has exhausted all possible options for future savings, then other options such as those highlighted in the EDD 2010 Green Paper on the Future of the USO may need to be considered. All of those options would also have to be accompanied by changes to the way customers access Jersey Post’s services. The Island’s post office network could change into a model that provides greater, albeit different, access, e.g. online, ‘post & pay’ machines and a new, commission-based retail model.

5. Challenges facing Jersey Post

a. Jersey Post's Profitability

As stated previously in this report, Jersey Post has considerably revised its estimates of future profitability and the cost of the USO in light of the impending reduction in LVCR and bulk mail volumes.

According to Jersey Post's annual reports over the past 5 years, its total profits have declined significantly, from a peak of £5.4m in 2008 to just £111,000 in 2010. The operating profit forecast for 2011 is **[Redacted]**, an increase on the figures for 2009 and 2010, despite the likelihood that bulk mail volumes have already been affected by the reduction in LVCR from £18 to £15, and the uncertainty created by the UK Government's announcement on 9 November 2011 of the proposed removal of LVCR.

The table below shows Jersey Post's key financial performance indicators for the period 2006-2011.

Figure 8A: Jersey Post's key financial performance indicators (2006-10)

(£'000)	2006	2007	2008	2009	2010
Turnover	50,514	53,814	63,753	64,930	65,648
Cost of sales	(42,240)	(44,483)	(54,292)	(59,222)	(60,583)
Gross Profit	8,274	9,331	9,461	5,708	5,065
Gross Profit %	16%	17%	15%	8%	7%
Administrative expenses	(6,005)	(4,849)	(5,124)	(4,524)	(4,470)
Operating Profit	2,269	4,482	4,337	1,184	595
Operating profit %	4.5%	8.3%	7.2%	1.8%	1.2%
Exceptional costs	(824)	(120)	-	(254)	(695)
Interest receivable	904	1,066	1,251	187	119
Finance income	(133)	250	375	(166)	92
PBIT	2,216	5,678	5,963	951	111
Taxation	(186)	(662)	(523)	(720)	-
Profit after tax	2,030	5,016	5,440	231	111
Earnings before Interest and Tax (EBIT) (margin)	4%	8%	7%	2%	1%

Source: 2006-2010: Jersey Post Annual Reports

Forecast profit margins (EBIT) for 2012-2014 are as follows:

Figure 8B: Jersey Post Operating Margins (EBIT, %)

2012	2013	2014
[Redacted]	[Redacted]	[Redacted]

Source: Jersey Post 2012 budget

Further details of Jersey Post's revenues, costs and gross profits by division, taken from its regulatory accounts for 2007-2010, are provided in Annex 3.

With the exception of 2009 and 2010, when mail volumes fell sharply and Jersey Post retained a much higher cost structure, the table above shows that Jersey Post has enjoyed reasonable profit margins. By comparison, the Isle of Man Post Office, for example, achieved an EBIT margin of between 7.2%-7.6% for both 2009 and 2010; whilst Guernsey Post achieved an EBIT margin on its Group activities of 0.6% in 2009/10 and -2.1% 2010/11²⁰.

Comparing Jersey Post's operating profit margins to operators in Europe, Jersey Post ranks well. There are four USO operators in Europe that are exceptionally profitable; namely, TNT (Netherlands), Deutsche Post (Germany), Belgium Post and Luxembourg Post. In the period 2008-10, they all regularly reported operating profit margins of between 12% and 15%²¹.

Jersey Post's performance can be compared with the next group of European countries, whose USO operators regularly report profit margins in the range of 5%-10%. These include Italy, Switzerland, Portugal, Austria and Slovenia. Operators in Sweden and France have profit margins of about 4%, whilst in 2008-10, Finland, Norway and the UK operators' margins were all around 2-3%.²² Royal Mail, however, is forecasting losses of £86m (2011-12) and £96m (2012-13).

In 2010, Jersey Post's operating profit (i.e. before exceptional items) fell to £600k, down from £1.2m in 2009 and £4.3m in 2008. The higher profits were earned from the larger margins that Jersey Post was making on bulk mail, estimated to be around [Redacted] in the period 2006-2008. When the JCRA set a price control for Jersey Post in 2008, the allowed revenue cap was based on a profit margin assumption of 3% for Jersey Post's regulated services.²³

As mentioned in the previous section, the most recent profit estimates show that Jersey Post has managed to improve its forecast 2011 year-end position, so that operating profits are forecast to

²⁰ Guernsey Post Regulatory Accounts for year end 31 March 2011

²¹ Source: Copenhagen Economics – Main Developments in the Postal Sector (2008-2010)

²² Source: Copenhagen Economics – Main Developments in the Postal Sector (2008-2010) – page 33.

²³ JCRA Determination on a Price Control for Jersey Post 19 September 2007

rise to [Redacted] in 2011, [Redacted] in 2012 and [Redacted] in 2013, even allowing for a reduction in bulk mail volumes.

As shown in Figure 9 below, the 2011 profit is made up of contributions from Logistics, Postal Services, and profit from Philatelic Products but only [Redacted] for each of Retail Services and Promail.

Figure 9: Jersey Post - Net contribution by profit centre in 2011 (£'000)

Logistics	[Redacted]
Postal	[Redacted]
Retail	[Redacted]
Promail	[Redacted]
Ship2me	[Redacted]
Philatelic	[Redacted]
Jersey Mail	[Redacted]
Other	[Redacted]
Overheads	[Redacted]
Total	[Redacted]

Source: Jersey Post 2012 budget

In summary, therefore, despite falling mail volumes in recent years, a commitment by Jersey Post to reduce real operating costs by [Redacted] (staff costs reducing from [Redacted] to [Redacted] and central administration costs down by [Redacted]), coupled with price increases of up to [Redacted] over the next three years, should result in a turnaround in Jersey Post's financial performance, so that forecast operating profits are now forecast to range between [Redacted] over the next three years. The JCRA also notes that a dividend may be paid to Jersey Post's shareholder (i.e. the States of Jersey) in 2012, and this is to be funded by reducing cash balances from [Redacted] to [Redacted].

b. Pricing

It is useful to compare Jersey Post's prices for a basic 100g letter to those charged by Guernsey Post, Royal Mail, IOM Post and An Post (in the Republic of Ireland). Here we show prices for both local-to-local services, and post destined for the UK. As can be seen in the table below (Figure 10), Jersey Post's prices are broadly comparable to those in Guernsey, Isle of Man, and the UK. Jersey Post's prices also compare relatively favourably with those in European countries, where amongst the 27 EU Member States, the price of a stamp for a local letter in 2010 mostly ranged between about 40-60 Euro cents (33p-50p).²⁴

²⁴ Source: Copenhagen Economics – Main developments in the postal sector (2008-2010) page 37

Figure 10: Comparison of stamp prices in Jersey, Guernsey, IOM, the UK and Ireland

	Local stamp price	To UK
Jersey Post	37p (3 day service) 42p (next day)	50p
Guernsey Post	36p	47p
Royal Mail	36p (2 nd class) 46p (1 st Class)	46p
IOM Post	37p	38p
An Post	55c (approx. 46p)	82c (approx. 68p)

Source: Companies' websites

The table below shows how Jersey Post stamp prices have changed since 2004. In the period 2004-2011, local stamp prices have increased by 15% (standard) or 31% (priority), while prices for domestic (i.e. delivery to the UK and other Crown Dependencies) post have gone up by over 50% (reflecting Royal Mail's year-on-year price increases for handling the mail that Jersey Post transfers to it for delivery in the UK and Guernsey). European and International stamp prices have risen by about 23%. By contrast, the increase in the Jersey Retail Prices Index (i.e. general inflation) over the same period has been approximately 30%²⁵.

Figure 11: Jersey Post's stamp prices 2004-11

		stamp prices (£)									
Destination	Weight	2004	2005	2006	2007	2008	2009	2010 (Prty)	2010 (Std)	2011 (Prty)	2011 (Std)
Local	up to 100g	0.32	0.33	0.34	0.35	0.35	0.37	0.39	0.36	0.42	0.37
Domestic	up to 100g	0.33	0.34	0.37	0.39	0.39	0.42	0.45	-	0.50	-
European	up to 20g	0.40	0.41	0.42	0.43	0.43	0.45	0.45	-	0.49	-
International	11-20g	0.70	0.73	0.74	0.76	0.76	0.80	0.80	-	0.86	-

Source: Jersey Post Annual Reports; Jersey Post website

²⁵ States of Jersey Statistics Unit, *Inflation Calculator*,
<http://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/TD%20InflationCalculator%2020110121%20SU.xls>

Since 2008, the JCRA has imposed a price control on certain products²⁶ supplied by Jersey Post. The price control caps the revenue that Jersey Post is permitted to earn from the sale of those products.

The initial price control ran from 2008-2010, and capped prices at RPI-4.0 for 2008 (2.1%) and RPI-1.8 for both 2009 (-0.8%) and 2010 (1.8%). The price control determination assumed that Jersey Post would be able to earn a gross profit margin of 3%. It also assumed that mail volumes would be static over the 3 year period.

In the event, due to the unforeseen dramatic declines in mail volumes over the three year period, even allowing for an automatic volume adjustment calculation, the revenues earned by Jersey Post from the sale of these products were approximately **[Redacted]** per annum below the allowed revenue forecast. The 2008-10 price control was rolled forward to 2011 but with a 5% volume reduction built into the model. For 2011, Jersey Post's revenue was slightly in excess of the allowed revenue, but Jersey Post remained within the terms of the determination because the JCRA allowed the amount of under-recovery for 2008-2010 to be carried forward. A further roll-over of Jersey Post's price control for 2012 took effect on 1 January 2012.

Given the continued decline in mail volumes, and the fact that Jersey Post's prices are constrained by the on-going tendency of consumers to substitute from physical post to electronic alternatives, the JCRA is going to review in 2012 whether it is still appropriate to apply the traditional approach of price regulation through price control in order to ensure that Jersey Post supplies mail services at cost-efficient prices. It should be noted that Ofcom is currently consulting on the removal of almost all price controls on the services provided by Royal Mail in the UK. One option available to the JCRA (similar to the approach that Ofcom is currently considering in its recently published consultation paper²⁷) would be to apply a retail price control solely to a standard local and standard local-UK stamp.

Jersey Post has recently announced that it intends to remove the two-tier service, and to set its local letter stamp price at the current standard price. Thereafter, it has forecast in its 2012 Budget that it will need to increase basic stamp prices by about **[Redacted]** per year in each of the three years from May 2012, in part to coincide with the forecast Royal Mail access cost increases. This could mean that a basic local stamp would cost **[Redacted]** in 2012, **[Redacted]** in 2013 and **[Redacted]** in 2014. It should be noted that even with price increases of that magnitude, local stamps are likely to be comparable in price to those in the UK, Guernsey, Isle

²⁶ Those for which Jersey Post is dominant in and does not face any competitive threat

²⁷ Ofcom, *Securing the Universal Postal Service: Proposals for the future framework for economic regulation*, 20 October 2011

of Man and the Republic of Ireland, and would also be well within the range of local stamp prices in the EU.

c. Jersey Post's efficiency levels

In Summer 2010, the JCRA undertook a thorough review of the efficiency of Jersey Post's postal operations, in conjunction with Consult Sirius, a consulting firm with extensive experience in advising on best practice in postal operations. The terms of reference were as follows:

- Review staffing levels, staff utilization and any measures of efficiency over the duration of the operation and highlight 'Dead Time';
- Observe operational supervision and allocation of work hours to workload; and
- Examine machine mis-sorts, machine utilization and postcode penetration.

Consult Sirius found some excellent examples of good practice. However, in the consultants' view, there was still a lack of traffic forecasting, and the practice of 'job and finish', where delivery staff can sign off and go home once they have completed their delivery, needed urgent overhaul.

Consult Sirius believed that efficiency savings of £6.8m could be generated by Jersey Post's postal operations over four years. In addition, Consult Sirius identified further potential savings of £350,000 (over the 3 year period 2010-2013), from introducing better measurement and traffic forecasting tools (£87,000), improving handover, using annualized hours (£54,000) and closing the sorting office at 6pm (£208,000). Full details of the savings identified by Consult Sirius are provided in Annex 5.

The efficiency review conducted in 2010 focused primarily on postal operations, as this was the area in which it was believed the largest possible savings could be made. Other parts of the business, including conveyance, administration and overheads, were also considered, although, owing to difficulties in obtaining sufficient information from the Retail Services Division, this area was not reviewed. We consider that further cost savings might well be possible in Jersey Post's provision of retail services, although we recognize that achieving such savings might require re-evaluation of the manner in which Jersey Post delivers the USO (discussed in more detail in section 4.f above).

d. Quality of Service

In 2009, the JCRA issued Jersey Post with a Direction to deliver certain quality of service targets for each of its main delivery routes. In setting these targets, the JCRA had regard to the End-to-

End targets set by other regulators for comparable operators, including Royal Mail, Guernsey Post and An Post (Irish Post Office).

The quality of service target for 2011 was based on the performance achieved by Jersey Post in the period 2007-2010:

Figure 12: Jersey Post Quality of Service Target

	Actual 2007	Actual 2008	Actual 2009	Actual 2010	JCRA Target 2010
Locally posted mail					
Delivered locally	94%	96%	97%	92%	95%
Delivered in Guernsey	76%	81%	84%	81%	84%
Delivered in the UK	74%	85%	80%	80%	82%
Mail posted outside Jersey					
UK to Jersey	78%	77%	86%	81%	82%
Guernsey to Jersey	89%	86%	86%	79%	84%

Source: JCRA; Jersey Post

For the purposes of comparison, the end-to-end performance for 2011 of Guernsey Post, Royal Mail and An Post is shown below:

Figure 13: End-to-end performance by various postal operators (2011)

	Next Day		3 day delivery	
	Target	Actual	Target	Actual
Jersey Post	95%	n/a	99%	n/a
Guernsey Post	95%	83%	99%	
Royal Mail (1st class) (2nd class)	93.0%	93.2% 98.5%	98.5%	98.7%
An Post	94%	84%	99.5%	98.7%

Source: Companies' websites

Jersey Post had commissioned Research International Ltd (*RI*), an independent company, to measure the quality of its mail stream to and from the UK. RI is also used by Royal Mail and Guernsey Post to measure quality of service levels.

Unfortunately, Jersey Post terminated the RI contract in late 2010, as part of its efficiency measures, and stopped measuring quality of service on the above routes altogether. As a result, Jersey Post failed to submit a Quality of Service Report to the JCRA for the first half of 2011, in apparent breach of its licence.

By Jersey Post's own admission, service quality levels (outside bulk mail) have fallen dramatically over the past 12 months. This appears to have been noticed by Jersey Post's customers, as evidenced by the results of the Island Analysis survey reported in Annex 9. Jersey Post has acknowledged on numerous occasions recently that its service levels have fallen well below acceptable standards.

Following discussions with the JCRA, Jersey Post's new management has identified that the cost of RI monitoring is approximately £25,000 per year, and, on that basis, has reinstated that service.

The JCRA intends to work with Jersey Post during 2012 to ensure that reliable and timely quality of service data is both compiled by Jersey Post and disseminated to its customers. This may include making amendments to Jersey Post's licence.

6. The future of the Jersey fulfilment industry and bulk mail

The fulfilment industry in Jersey comprises approximately 20 major companies, all of which are engaged in the mail-order internet business. While Jersey-based exporters have benefited from LVCR since the 1980s, the Jersey fulfilment industry in its current form began to grow strongly in 2003. The principal attraction for locating in Jersey is that it lies outside the European Union for fiscal purposes. LVCR exempts goods of relatively low value, such as CDs and DVDs, from the imposition of VAT when they are shipped from outside the EU to the UK or other EU Member States.

It is estimated that the turnover of the fulfilment industry in Jersey is £360m per year. With combined sales of about £250m, Play.com and ILG together account for about 80% of the total industry. Most other businesses are relatively small, with annual sales ranging between £1m and £2m.

The fulfilment industry generates considerable demand for bulk mail services in Jersey. In the past, Jersey Post's assessment has been that it relies heavily on the fulfilment industry and bulk mail demand in order to remain profitable.

In March 2011, the UK announced that the threshold for goods to be eligible for LVCR was to be reduced from £18 to £15 from 1 November 2011. On 9 November 2011, the UK Treasury announced plans to remove LVCR entirely for imports from Jersey and Guernsey, with effect from 1 April 2012. The size of the reduction, the speed of the transition, and the fact that the removal of LVCR is to be effected solely with respect to the Channel Islands, took the fulfilment industry in Jersey, and the postal industry that supports it, by surprise. This change to the LVCR regime was confirmed when the UK Government published its draft Finance Bill on 7 December 2011. As a result, postal operators in Jersey have been forced to plan for a dramatic reduction in their mail volumes taking place over a very short period of time.

This clearly has significant implications for every stakeholder in the fulfilment industry. As well as the potential loss of an estimated 780 full-time jobs²⁸ (employment levels which are already 180 down on 2010), there are also serious costs to the Jersey economy of losing income generated by the industry.

On 19 December 2011, it was announced that both the States of Jersey and the States of Guernsey would launch legal proceedings challenging the validity of the removal of LVCR for imports from the Channel Islands only, on the basis that the proposed legislation is discriminatory and contrary to EU Law (in particular, Council Directive 2009/132/EC). We understand that the challenge will focus, in particular, on the fact that imports from other non-EU jurisdictions such as Switzerland, and those in the Asia and North America, will continue to benefit from LVCR.

²⁸ Source: Jersey Labour Market (Jersey Statistics Department) – figure collated June 2011

Whilst the outcome of the legal challenge is awaited, there is currently much uncertainty as to whether fulfilment companies will retain operations in Jersey, move to another jurisdiction or close down altogether. Jersey Post, for example, is of the view that in 2012, its logistics (bulk mail) business will be reduced by [Redacted].

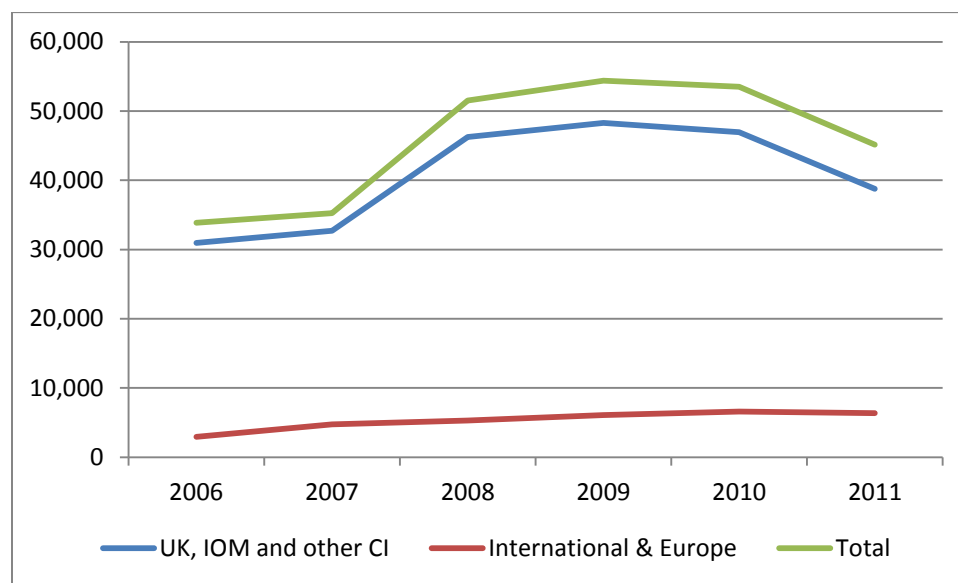
For its 2012 budget, Jersey Post has generated estimates of the likely decline in bulk mail after the recently-announced changes to LVCR. The figures for Jersey Post's bulk mail volumes for 2006-2011, and its forecasts for 2012-2014, are as follows:

	Outbound (actual)						Outbound (forecast)		
	2006	2007	2008	2009	2010	2011	2012	2013	2014
UK, IOM and other CI	30,942	32,686	46,252	48,285	46,944	38,752	[Redacted]	[Redacted]	[Redacted]
International & Europe	2,916	4,736	5,289	6,085	6,566	6,381	[Redacted]	[Redacted]	[Redacted]
Total	33,858	35,271	51,541	54,370	53,510	45,133	[Redacted]	[Redacted]	[Redacted]

Source: Jersey Post Annual Reports (2011 figs estimated by JP in November 2011)

Figure 14 depicts the rapid decline in volumes from its peak in 2009/10 to 2011 and beyond to 2014.

Figure 14
Jersey Post Bulk Mail Volumes ('000)
2006-11 (2012-14 redacted)



Source: Jersey Post Annual Reports

This view of the degree of retrenchment seems also to be shared by many others in the industry. During this review, we sought the views of the industry regarding the impact on their businesses of various scenarios for changes to LVCR, through questionnaires to bulk mailers, and meetings with eight of the largest companies in the industry. The results of the survey of bulk mailers are reported in Annex 7. Unfortunately, the meetings and surveys preceded the UK Government's announcement on the removal of LVCR, so the results may not fully reflect the current stance of fulfilment providers given the latest news.

The JCRA asked the companies to what degree their business would be affected by staged reductions in LVCR from i) £18.00 to £15.00; ii) £15.00 to £12.00 iii) £12.00 to £10.00 and iv) below £10.00. The results were as follows:

Figure 15: Responses from bulk mail users regarding impact of various LVCR scenarios

Scenario for change in LVCR threshold	£18 to £15	£15 to £12	£12 to £10	<£10
Impact of loss of business	<10%	25%-50%	35%-100%	100%
Average % of products sold in each price band	10%	20%	40%-50%	30-70%

Source: JCRA

The disappointing news is that most of the companies with whom we spoke stated that a reduction in LVCR below £10.00 would have a dramatic effect. Therefore, a removal of LVCR altogether is almost certainly going to result in a significant reduction in fulfilment activity in Jersey.

Those fulfilment companies that stock products with an average price greater than £18.00 will be far less affected by the changes in LVCR, since these firms already pre-pay VAT on their consignments to the UK. However, we estimate that these companies represent only about 10-15% of the total industry in Jersey.

In discussing with bulk mailers what they would do if LVCR was reduced substantially (or removed altogether), most told us that they did not regard relocation to another offshore jurisdiction as an option, usually because of owners' local connections with Jersey. We have been told by some mailers and other operators that relocation to Switzerland is unattractive, because operating costs (wages, social security, rents etc.) are very high. There are a few Jersey-based fulfilment companies that already have UK-based warehouses. Some have mentioned to us that they would relocate to their centres there.

Overall, though, a clear implication of the UK Treasury's announcement is that Jersey and Jersey Post will now face intense competition from other jurisdictions (UK, Switzerland and other EU and non-EU jurisdictions) for fulfilment business, and Jersey Post's pricing power with

respect to bulk mail will be severely diminished. As such, any ability of Jersey Post's bulk mail business to provide a cross-subsidy to other areas of Jersey Post's activities will disappear.

Figure 16: Jersey Post Logistics Division Financial Forecasts 2011-14
Redacted

Figure 17: Jersey Post financial forecasts without Logistics division
Redacted

In our view, these figures demonstrate conclusively that Jersey Post can remain profitable even without any bulk mail income from serving the fulfilment industry. The implications of this finding are discussed further in section 7.c below.

7. The current and future state of regulation and competition

a. Previous licensing of new operators

Since the Postal Law came into effect in July 2006 and ended Jersey Post's monopoly on the provision of postal services, the JCRA has awarded four licences to existing and new operators in Jersey's postal sector.

To date, the impact of Regency, HSFS and Citipost on Jersey Post's market share has been small. Hub Europe has gained more market share than the others, but overall, in the bulk mail sector in which each of the new licensees operates, their combined share is estimated to be no more than 1.5%-1.6%.

However, the impact of the entry of new licensees and the competition that they have provided to Jersey Post in relation to bulk mail services, is considerably greater than this market share data might suggest.

Set out below is a description of each of the operators holding Class 1 licences and the nature of their licensed businesses. We then analyse the effect of the introduction of competition in bulk mail on the performance of Jersey Post and outcomes for bulk mail customers.

i. Regency

Regency applied for a Class 1 licence in early 2007 in order to ensure that it could continue to undertake an existing activity, involving the conveyance of a small amount of licensed letters, in full compliance with the Postal Law. These letters include mainly research material from London-based investment houses and insurance brokers, which is printed overnight, transported to Southampton Airport, and conveyed to Jersey on the first flight. In addition, Regency conveys similar material on behalf of a number of Jersey-based travel agents. All of these documents fall within the licensable limits of under £1.30 or 500g per item, and Regency had been conveying and delivering such items for a small number of business customers for several years prior to the enactment of the Postal Law. At the time of granting the licence, the turnover generated by this service was [Redacted] a year. Regency has informed us that, if anything, this service is declining due to e-substitution and estimates the size of its licensable business to be no more than [Redacted] a year.

ii. HSFS

HSFS was granted a Class 1 licence in June 2008 to convey outbound licensed letters to the UK, where they are collected by DHL Global Mail (UK) Ltd for onward conveyance and final delivery to international destinations. The product that HSFS is licensed to provide is available only to DHL account customers, and its licence imposes a cap of £310,000 a year in turnover from this

licensed product. We are informed that the company is currently comfortably able to operate within the cap.

Notwithstanding the above, it should be noted that most of this turnover constitutes new business for Jersey that HSFS has won from Guernsey Post, through one major financial institution moving its mail requirements from Guernsey to Jersey.

iii. Citipost

Citipost was granted a licence in November 2010 to convey outbound bulk mail packets and, from 1 January 2012, large letters. [Redacted]

iv. Hub Europe

Along with Citipost, Hub Europe was granted a licence in November 2010 to convey outbound bulk mail (first packets, and then, from 1 January 2012, large letters). [Redacted]

b. Jersey Post's response to competition

Whilst the effects of the introduction of competition have been limited in terms of customers switching from Jersey Post to the newly-licensed operators, customers have reported considerable improvement in the performance of Jersey Post. Bulk mailers have told us, almost universally, that the service they now receive from Jersey Post is much better than it was before Citipost and Hub Europe applied for a licence. Whereas only two years ago, bulk mailers complained to the JCRA about poor levels of customer service, high prices and a 'take it or leave it' approach, they now report that service levels are very much improved, with Jersey Post now behaving far more commercially and in a customer-orientated fashion. Whilst prices have not been reduced, the bulk mailers report that the company is now working more closely with customers to advise on ways in which to reduce postal costs, and is now far more responsive in dealing with problems and queries. Most bulk mail users now have dedicated customer service managers, which they say has made a considerable difference in the ease with which they can deal with Jersey Post. Such has been the turnaround in Jersey Post's service and attitude, the bulk mailers we spoke to now speak highly of the quality of service the company now provides, with the sole exception of the timeliness and quality of its services into Europe.

c. Should new licences be issued?

The licence applications that the JCRA currently has pending are both for bulk mail services. HSFS/DHL intends to provide end-to-end delivery to addresses in continental Europe in two to three days, compared to the five to eight days it typically takes for mail carried by Jersey Post.

Similarly, TNT has said that it too can ensure end-to-end deliveries into Europe in 2-3 days. TNT's application also seeks approval to provide bulk mail services to the UK.

In its application, HSFS/DHL proposes that it will use the spare capacity on an existing DHL aircraft service, which is currently used to convey DHL's express mail in and out of the Island. If awarded a licence to convey bulk mail, HSFS contends that it would deliver Jersey-origin mail to DHL's Leipzig hub in Germany by 9am the following morning. By being able to inject mail into European postal networks one day after posting, HSFS claims that it will be able to beat competitors' services into Europe by at least 4-5 days. In addition, HSFS/DHL says that each mail item will be able to be fully tracked and traced.

The TNT application stated that it would send mail originating in Jersey to the UK, where it would be injected into the TNT network based in London for onward distribution throughout Europe.

The evidence suggests that there is demand, both current and prospective, for the postal services which would be provided by HSFS/DHL and TNT. Specifically, as part of the work in considering Citipost's and Hub Europe's licences, eight of the main fulfilment companies in Jersey were interviewed about the desirability of having other providers of postal services to satisfy their requirements. All eight were supportive of the introduction of further competition, on the basis that it could be expected to lead to a reduction in prices, an improvement in quality of service (such as rapidity of delivery) and the choice of services on offer. As part of this review, we asked the same companies about their views concerning the HSFS/DHL and TNT applications. All considered that licences should be granted to these operators.

Jersey Post has been trying to improve its services into Europe (other than the UK and Crown Dependencies), but to date, it has relied exclusively on Royal Mail for providing these services. We have been told that whilst the transport links from the UK to continental Europe are relatively quick and efficient, much of mail originating from the Channel Islands gets delayed by European customs.

Some fulfilment companies, such as ILG, have switched off their German and French language websites, because their customers and suppliers no longer tolerate the lengthy times it takes for product to reach European destinations from Jersey. In today's fast-moving, consumer-driven electronic retailing world, getting the product to the end customer quickly, cheaply and efficiently is vitally important.

Exports by the fulfilment industry to continental Europe already represents about 15% of all bulk mail dispatched from Jersey: almost 7m items per year, and about £10m in annual postage revenues alone. The fulfilment companies have told us that markets in continental Europe are extremely important to them, as they believe that exports to these markets could potentially grow by up to 20%-30% a year. With the impending decline in UK-based orders from April next year, European markets are especially attractive, as LVCR, in some form, will continue to apply to their imports from outside the EU.

Whilst the continental European markets are still small in comparison to the UK, if the growth forecasts of the industry are sustained over the next three years, the European market could double in size to about 14m items per year. Additionally, the growth of this market might go some way to offsetting the massive forecast decline after April 2012 in the industry as a whole. We believe that opening up postal routes to continental Europe would be good for the fulfilment industry and good for Jersey's economy as a whole: a potential loss of up to 800 jobs in the fulfilment industry would be extremely damaging for Jersey, in particular through its effects on unemployment²⁹.

Jersey Post has been aware for some years now that its customers are not satisfied with the service it offers to continental Europe. We are aware that Jersey Post has tried to introduce alternatives; the latest being commissioning a ship operated by Huelin Renouf to call at the French port of Cherbourg on the northern Normandy peninsula whilst on its way to the UK, which it currently does three times per week. The idea was that the mail could then be injected into the nearest La Poste mail centre for onward distribution throughout Europe.

The JCRA published Initial Notices proposing the grant of licences to TNT and DHL on 24 November 2010 and 13 December 2010 respectively. Both were opposed by both Jersey Post and the CWU.

Given that the financial state of Jersey Post is now significantly stronger than previously thought, this has important implications for the JCRA in so far as our licensing of new operators is concerned. Previously, Jersey Post argued that the JCRA should not award new licences, particularly in the bulk mail sector, as this would impact on Jersey Post's profitability and the USO would be jeopardized. As Jersey Post has now demonstrated in its most recent budget that the USO is profitable and does not rely on a cross-subsidy from bulk mail, this previous argument as to why the pending applications for bulk mail licences from TNT and HSFS/DHL should be rejected now falls away.

The JCRA therefore concludes that where an application meets the criteria of unmet demand and we are satisfied that our duties under Article 8(2) of the Postal Law are met, then the JCRA should grant a licence.

We put one strong caveat on this statement. Whilst we now have no reason to refuse to licence TNT and HSFS/DHL, we believe a prudent approach is to put a moratorium on the grant of any further licences, certainly for the next three years. We say this because there have been unprecedented declines in letter volumes in the past five years with further declines to follow. We support Jersey Post's quest to provide the USO profitably and we commend the new management in the steps it has recently taken to bring the company back to a sustainable path.

²⁹ In November 2011, there were 1,530 people registered unemployed and actively seeking work in Jersey (Source: States of Jersey Statistics Unit)

Recognizing the fact that the company has already undergone significant recent changes and the fact that its finances could still be subject to big changes from unforeseen developments, we are of the view that it is now appropriate to take stock, let the company and markets settle down and review the need to issue new licences in 2015.

The JCRA now concludes as a result of this review that:

- The award of the licences to TNT and DHL would not impact on Jersey Post's ability to fund the USO;
- there is potentially large unmet demand for bulk mail postal services into continental Europe;
- the fulfilment Industry might be in a position to stem some of the financial and jobs losses arising from the recent UK Treasury announcement on LVCR if it were able to access fast routes to Europe; and
- the award of the licences would thereby boost the economy of Jersey.

The JCRA is minded to issue licences to TNT and DHL by issuing new Initial Notices in January 2012.

d. The future of postal regulation

The JCRA has two main duties under Article 8 of the Postal Law.

Article 8(1) imposes a primary duty to ensure that demanded postal services are provided both within Jersey and between Jersey and the rest of the world.

Article 8(2) requires the JCRA to promote competition where appropriate such that it is in the best interests of postal users and the economy of the Island.

During this review, the JCRA has considered whether, in light of changes in the postal sector, regulation should also change. A key feature of the regulation of Jersey Post has been the ability to impose price controls on the regulated company where the company is shown to be dominant in a particular market. It is an approach widely used by regulators to regulate operators with significant market power, and encourages efficiency and fair prices in circumstances where the normal commercial pressure to deliver them may not exist. The JCRA has imposed price controls on Jersey Post for three separate periods: 2008-2010, 2011 and most recently from 1st January 2012 for a further one year period.

However, potential changes in the postal sector, in particular the possible reductions in the bulk mail market and changing behaviour of ordinary postal customers (with increasing levels of e-substitution or for business customers, ABA hybrid mailing), reduce the ability or incentives for Jersey Post to set prices well beyond cost or to make excessive profits. Similarly, market forces

would also appear to set appropriate incentives for Jersey Post to seek further efficiencies from its business. Finally, excessive price increases may accelerate the rate at which consumers shift from using the postal service, further reducing volumes.

Given these changes, the JCRA intends to review in 2012 the appropriateness of imposing any further price control for Jersey Post beyond 2012, whilst at the same time looking at ways in which vulnerable consumers can be protected from price increases.

The JCRA still believes that the production of regulatory accounts³⁰ remains an important element of the regulatory regime and we will look to work with Jersey Post to ensure such accounts are produced to a level that is appropriate for the Jersey market.

³⁰ Regulatory accounts are prepared to provide financial information about regulated businesses for use by the regulator, the industry, investors, consumers and other stakeholders. They are used for:

- monitoring performance against the assumptions underlying a current price control;
- informing future price control reviews;
- assisting in the detection of certain anti-competitive behaviour such as unfair cross-subsidisation and undue discrimination at levels of disaggregation appropriate to the relevant market; and
- assisting in comparative competition, which is the process of benchmarking a company's performance in relation to other companies' performance.

8. Conclusion

This review of the postal industry, we believe, will help put in place a framework for the continued development of the postal sector in Jersey. We look forward to working with all postal operators and the Minister in ensuring that Jersey postal users receive an efficient, affordable and high quality postal service, capable of delivering a self-funded, sustainable USO, whilst promoting competition where it is appropriate.

In summary, the JCRA concludes that:

- the USO is currently sustainable without cross-subsidisation from Jersey Post's fulfilment business, and this situation should persist for the short- to medium-term;
- further changes to the scope of the USO (e.g. the number of delivery days) are not required at this stage, although the long-term sustainability of the USO may necessitate that Jersey Post consider how the USO is delivered. In particular, we note that Jersey Post may wish to revisit whether its obligation to provide "reasonable" access points could be delivered in a different way to its current approach;
- the fulfilment industry faces a very questionable future and one way to help it survive is for the JCRA to issue licences to HSFS/DHL and TNT without further delay in order to grow the European markets as quickly as possible;
- the JCRA believes that the delivery of letters should not be further liberalized until at least 2015, so as to give the postal sector a chance to stabilize;
- the appropriateness of price controls on Jersey Post will be reviewed by the JCRA in 2012, with the JCRA considering if there are more effective ways of ensuring that Jersey Post pursues cost efficiency and cost-reflective pricing.

Annexes

Annex 1: Direction from the Minister for Economic Development

27th June 2011

Economic Development Department
Liberation Place,
St Helier, Jersey, JE1 1BB
Tel: +44 (0)1534 448886
Fax: +44 (0)1534 448171

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

Dear Mark

Re: Direction Under Article 9 of the Postal Services (Jersey) Law 2004.

Under Article 9(1) of the Postal Services (Jersey) Law, I direct the Authority to undertake a full review of current and future market conditions given recent changes in the external environment as described below.

Introduction

Article 8 of the Postal Services (Jersey) Law 2004 sets out the Minister's primary duties relating to the provision of postal services, specifically:

- To ensure that 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;
- To ensure that Jersey Post has sufficient financial resources to discharge its liabilities;

Further duties specified in Article 8 (insofar as they are consistent with the above primary duties) include:

- To protect and further the short-term and long-term interests of users of postal services within Jersey and, where appropriate, by promoting competition among persons engaged in commercial activities connected with postal services in Jersey;
- To promote efficiency, economy and effectiveness in commercial activities connected with postal services in Jersey;
- To further the economic interests of Jersey;
- To impose a minimum of restrictions on persons engaged in commercial activities connected with postal services in Jersey;
- 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
- To have regard to any special needs of persons who are disabled or have limited financial resources or have particular needs.

The Minister's primary and other duties under Article 8 of the Law are shared by the JCRA.

Under Article 9 of the Postal Services Law (2004) ('the Law') the Minister for Economic Development can provide written directions and guidance to the JCRA on matters relating to postal services if he considers that it is in the public interest to do so in respect of the principles, procedures or policies to be followed by the Authority in relation to the implementation of any social or environmental policies in respect of postal services or philatelic services.

In my previous letter, I described potential changes to UK VAT that could reduce or remove Low Value Consignment Relief (LVCR). The UK Budget speech included announcements by the UK Government that clarified the position. With effect from November 2011 the UK will reduce the LVCR threshold to £15 and beyond that potentially may reduce it further and may even remove LVCR. Such a change in the market may potentially impact on Jersey Post's ability to provide a universal postal service in Jersey and consequently impact on the provision of a key social service.

Given the changes in the market and having consulted with the JCRA and to ensure continuing fulfilment of his duties under Article 8 of the Law, as Minister for Economic Development I wish to make a direction under Article 9 (1) (a) of the Law.

Direction under Article 9 of the Law.

The Economic Development Minister directs the Authority to undertake a full review of the market which covers, but is not necessarily limited to, the following:

A strategic review of the postal sector in Jersey that has direct regard of the duties imposed on the Minister for Economic Development and the JCRA under Article 8 of the Law. The review should include evaluation and consideration of:

- a) The current state of the market – including, but not limited to: volumes, competition, customer behaviour, supplier behaviour (including that of Royal Mail), drivers of demand for postal services, substitution of physical mail with electronic communications, funding of the USO and the ongoing financial viability of Jersey Post. This component of the review should also aim to assess the impact to date of liberalisation of the Jersey postal market on Jersey Post, alternative providers, consumers and customers.
- b) The future state of the market – to explore trends in future market development and the likely impact of these on Jersey Post, alternative providers, consumers and customers. This should take account of the factors included in (a) above and the likely development of those factors in the future. This section should explicitly consider the impact of actual and proposed changes to the level of the LVCR and the impact on the financial position of Jersey Post.
- c) Any other factors that the JCRA considers to be relevant including, but not limited to, whether a further review of the USO should be undertaken.

The strategic review should include consultation with all stakeholders to gather evidence and views to support the JCRA's analysis.

My overriding objective in issuing this Direction and the review is to determine whether as Minister I am meeting my obligations under Article 8 of the Law. In directing the JCRA in this manner I understand that this will restrict the JCRA's ability to award any further Class 1 postal licences until the review is complete.

Yours sincerely



Senator Alan Maclean
Minister for Economic Development

cc: John Curran, Chief Executive, JCRA

Annex 2: Statement by the Minister for Economic Development on 27 June 2011

Under the Postal Services (Jersey) Law, the Economic Development Minister has an obligation to ensure that postal services are provided, both within Jersey and between Jersey and the rest of the world.

In order for Jersey Post to fulfil its obligations it is important to ensure that it has sufficient financial resources available. In recent weeks and months a material threat to Jersey Post revenues has emerged with the potential to impact on these obligations. Members will be aware that, in his budget statement on 23rd March of this year, the UK Chancellor of the Exchequer announced changes to VAT Low Value Consignment Relief, more commonly known as "LVCR". Under the current LVCR arrangements, items imported into the UK from non-EU jurisdictions, with a value of less than £18, do not attract UK VAT currently levied at 20%. The Chancellor announced that, with effect from November 2011, the limit would be reduced to £15 and that furthermore, HM Treasury would be consulting the EU with regards to further changes to LVCR aimed at reducing or eliminating VAT losses.

The particular focus of the UK Chancellor's action was the import of goods such as CDs and DVDs from the Jersey and Guernsey online retail or "fulfilment" sector at prices below the LVCR threshold that generated what the UK Treasury consider to be significant VAT losses. Jersey's fulfilment sector is an important contributor to the economy which we must seek to protect. The sector directly employs approximately 1000 staff, the majority of whom are locally qualified.

Since 2005, when the issue of VAT losses to the UK became a prominent issue in the UK my department has been in active discussion with the UK Treasury and has taken action to ensure that abuse of LVCR is not a facet of the Island's fulfilment sector.

Since the Chancellor's speech we have worked closely with Senator Cohen in his new 'external relations' role which has opened up valuable access to UK Ministers and senior officials.

In addition, the Channel Islands Brussels Office is working at EU level to ensure that EU officials have a thorough and accurate understanding of the fulfilment sector in both Jersey and Guernsey before any decision is made on action that could have a detrimental impact on the fulfilment sector in both islands.

However despite our best efforts, there is still a material risk that the UK Treasury and the EU will take action that could threaten the sustainability of the sector in its current form.

If this were to happen it could result in a significant loss of revenue to Jersey Post. This is a complex area which, at least in part, is impacted by factors over which we have no direct control, however in the area of postal regulation I do have the power to act.

I am determined that, in discharging their role as postal regulator, the JCRA has a fully developed view of the current and future market, indeed given the role of postal services within our community, I consider it in the public interest.

Therefore, under Article 9(1) of the Postal Services Law, I have today issued a direction to the Jersey Competition and Regulatory Authority to undertake a full review of the current and future market conditions that may impact on Jersey Post given recent changes and future risks to the market that I have outlined to Members.

My overriding objective in issuing this direction and the review is to determine whether as Minister I am meeting my obligations under Article 8 of the Law.

In directing the JCRA in this manner I understand that this will restrict the JCRA's ability to award any further Class 1 postal licences until the review is complete.

Annex 3: Jersey Post Regulatory Financial Statements 2007-2010

Table Redacted

Annex 4: Condition 12 of the Class II licence issued to Jersey Post under Article 15 of the Postal Law

12. UNIVERSAL SERVICE OBLIGATION

12.1 The Licensee shall, in the Island of Jersey, fulfil the Universal Service Obligation (“USO”) as defined in Condition 12.3. The Licensee shall comply with any Direction given from time to time by the JCRA in respect to the USO.

12.2 The Licensee shall defray the full cost of the USO set out in this Condition from profits generated by the Licensed Services, except when otherwise permitted by Condition 24.1. In the event that the provision of the USO can be demonstrated to represent an unfair burden on the Licensee, the JCRA may, with a view to reducing the burden associated with providing the USO, review the extent and frequency of the services comprising the USO and, in addition or as an alternative, may introduce a mechanism for Other Licensed Operators to contribute to the net cost of the USO. The determination of such net cost shall be made by the JCRA following consultation by the JCRA, on the appropriate mechanism to be used.

12.2.1 Subject to any Direction given by the JCRA, profits made by the Licensee in connection with Philatelic Services shall not be included in profits generated by the Licensed Services, and shall be regarded as the Licensee’s proprietary funds.

12.3 The USO 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 each Collection Day;
- 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 each Delivery Day;
- c) To procure, to the extent within the Licensee’s control, the delivery of Mail to destinations outside the Island of Jersey at least at the same frequency as at the Licence Commencement Date, or at such other frequency as may be agreed by the JCRA;
- d) The Licensee shall use all reasonable endeavours to set collection times at the latest possible times to access key transport connections;
- e) To provide preferential Postage rates for literature for the blind and partially sighted as defined in the relevant Postal Scheme up to Universal Postal Union weight limits;
- f) To 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) To provide those Postal Services which the Licensee is required to provide to satisfy the USO at affordable prices and at a uniform tariff throughout the Island of Jersey;
- h) To provide services for registered and insured Mail;
- i) To treat Mail generated from outside the Island of Jersey no less favourably than Mail generated from within the Island of Jersey in terms of delivery times, or as otherwise agreed by the JCRA; and
- j) To procure the provision, from time to time, of preferential rates in respect of Mail to addresses within the BFPO (British Forces Post Office), or as otherwise agreed by the JCRA.

Annex 5: Efficiency savings for Jersey Post postal operations identified by Consult Sirius

Initiatives included	2010	2011	2012	2013	Total
Skills mix grade change					
Q1 2010	133,000	133,000	133,000	133,000	532,000
Q2 2010	102,600	136,800	136,800	136,800	513,000
Q2 2011	0	142,500	190,000	190,000	522,500
Automation	0	186,600	373,200	373,200	933,000
6 to 5 days	0	0	544,600	544,600	1,089,200
Team leaders	71,250	95,000	95,000	95,000	356,250
Volume reduction & process change	55200	110400	110400	110400	386400
Efficiency	0	0	34800	46400	81200
Overtime	98000	98000	98000	98000	392000
Annual Leave	0	268000	268000	268000	804000
Close office at 1900	0	83,600	83,600	83,600	250,900
Flatter management structure	0	169,500	339,250	408,250	917,000
Total Savings	460,050	1,423,400	2,406,700	2,487,300	6,777,400

Annex 6: Summary of Other Reviews Undertaken of the Postal Sector

Since 2004, there have been numerous reports undertaken into various aspects of postal services in Jersey, by the JCRA, the Economic Development Department and the Economic Affairs Scrutiny Panel.

- a) September 2004 – JCRA Consultation Paper on ‘Regulating Postal Services in Jersey – an Overview’
- b) October 2004 – JCRA consultation paper on ‘Universal Service Obligations’
- c) May 2006 – ‘The impact of the fulfilment policy on the incorporation of Jersey Post’. The Economic Affairs Scrutiny Panel
- d) November 2006 – ‘Fulfilment Industry Policy’ – presented by the Economic Affairs Scrutiny Panel
- e) June 2010 - Green Paper by the Minister for Economic Development about the ‘Provision of the Universal Service Obligation (USO) in postal services in Jersey’.
- f) December 2010 - JCRA consultation on the ‘proposal to amend, at the request of Jersey Post their Public Postal Operators Licence so that collections and deliveries of mail may be reduced from current 6 days per week to 5 days per week’.

Annex 7: JCRA Survey of Bulk Mailers – summary of results

1 Please state whether you agree or disagree with each statement as things stand today:

In the past 12 months:	Prices reduced significantly	Choices improved	Quality has improved
[redacted]			
[redacted]	disagree	don't know	disagree
[redacted]	disagree	agree but not sure	disagree
[redacted]	disagree	unchanged	unchanged
[redacted]	agree	agree	disagree
[redacted]	disagree	agree	disagree
[redacted]	disagree	agree	agree
[redacted]	disagree	disagree	disagree
[redacted]	disagree	disagree	disagree
[redacted]	disagree	agree	agree

2. On a scale of 1 to 10 where 10 is agree very strongly and 1 is disagree very strongly, please state how strongly you agree or disagree with the following statements:

	I am in favour of the bulk mail market in Jersey being opened to further competition	I believe that there are sufficient postal operators and the JCRA should not issue any more licences	The existing mail service providers in Jersey provide good value for money	The existing mail service providers in Jersey provide a good service
[redacted]				
[redacted]	3	7	7	8
[redacted]	5	9	5	6
[redacted]	5	6	7	8
[redacted]	1	10	8	8
[redacted]	4	4	1	3
[redacted]	1	10	5	9
[redacted]	10	1	8	8
[redacted]	6	2	3	4
[redacted]	7	3	5	6

Average	4.7	5.8	5.4	6.7
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3. On a scale of 1 to 10 where 10 is agree very strongly and 1 is disagree very strongly, please state how strongly you agree or disagree with the following statements:

	I am in favour of the bulk mail market in Jersey being opened to further competition	I believe that there are sufficient postal operators and the JCRA should not issue any more licences	The existing mail service providers in Jersey provide good value for money	The existing mail service providers in Jersey provide a good service
[redacted]	DNA	DNA	DNA	DNA
[redacted]	3	7	7	8
[redacted]	5	9	5	6
[redacted]	5	6	7	8
[redacted]	1	10	8	8
[redacted]	4	4	1	3
[redacted]	1	10	5	9
[redacted]	10	1	8	8
[redacted]	6	2	3	4
[redacted]	7	3	5	6
Average	4.7	5.8	5.4	6.7

Q4. Which of the following statements best describes your organisation's current position?
(Please tick box)

	We would never move mail from Jersey Post to another provider	We would consider moving mail to another provider, but not all our mail	We would consider moving all of our mail to another provider
[redacted]			
[redacted]	x		
[redacted]		x	
[redacted]		x	

[redacted]			already moved all
[redacted]			x
[redacted]			x
[redacted]			x
[redacted]		x	
[redacted]			x

Q5. Please list the proportions of your products that fall into the following price bands:

	>£18.00	£15.00 - £18.00	£12.00 - £15.00	£10.00 - £12.00	<£10.00
[redacted]					
[redacted]	10%	20%	50%	20%	
[redacted]	5%	15%	50%	20%	10%
[redacted]	0.50%	7%	13.50%	10%	69%
[redacted]	100%	2%	8%	70%	
[redacted]					
[redacted]	varies as 3PS provider				
[redacted]		70%			30%
[redacted]	DNA				
[redacted]	20%	15%	18%	12%	35%

Q6. How will the following real and possible reductions in LVCR affect your business?

	>£18.00 - £15.00	£15.00 - £12.00	£12.00 - £10.00
[redacted]			
[redacted]	-10%	-50%	100%
[redacted]	very little	25%	75%
[redacted]	DNA	DNA	DNA
[redacted]	Negligible	Slightly reduced profitability	£200,000 profit reduction
[redacted]			

[redacted]			
	20%	25%	35%
[redacted]	DNA	DNA	DNA
[redacted]	Minimal	Fairly significant	
[redacted]	DNA	DNA	DNA

7. On a scale of 1 to 10, where 1 is completely unimportant, and 10 is very important, how important is it to your organisation that services into Europe are generally improved?

[redacted]	8
[redacted]	0
[redacted]	10
[redacted]	7
[redacted]	n/a
[redacted]	10
[redacted]	10
[redacted]	10
[redacted]	5
[redacted]	10

8. If end to end delivery service into Europe of up to 3 days were available, what is your estimated increase in volume of bulk mail that your organisation would send per year

	% increase	No. items
[redacted]		
[redacted]		
[redacted]	15%	1,000
[redacted]	30%	100,000
[redacted]		
[redacted]	400%	1,200,000
[redacted]	100%	700,000
[redacted]	30%	
[redacted]	50%	300,000
[redacted]	50%	150,000+

Annex 8: JCRA Survey of Commercial Postal Users – summary of results

Q1. What proportion of your mail (by volume) is currently sent to :

	UK, IOM and other CI	Europe	International
[redacted]	92%	7%	0.1
[redacted]	10%	5%	1%
[redacted]	1%	1%	1%
[redacted]	5%	3%	1%
[redacted]	35%	17%	47%
[redacted]	30%	20%	50%
[redacted]	91%	0	9%

Q2. How much money does your organisation spend per month on sending these items

[redacted]	4400
[redacted]	750
[redacted]	13,250
[redacted]	13,000
[redacted]	3,500
[redacted]	58,000
[redacted]	2,250
[redacted]	62,500

Q3. What % increase in postal charges would prompt your company to start seeking alternative postal services providers?

	<5%	5% - 10%	10%- 20%	20% and above	Would not switch	Not answered
[redacted]						x
[redacted]						x
[redacted]						x
[redacted]					x	
[redacted]	x					
[redacted]		x				
[redacted]		x				
[redacted]	x					

Q4. On a scale of 1 - 10, how would you rate quality of service provided by Jersey Post in the last 12 months?

[redacted]	4
[redacted]	7
[redacted]	5
[redacted]	6
[redacted]	7
[redacted]	8.5
[redacted]	6
[redacted]	8
Average	5.7

Q5. Scale of 1 to 10, how would you rate the overall price of the postal service in last 12 months

[redacted]	4
[redacted]	5
[redacted]	8
[redacted]	4
[redacted]	6
[redacted]	8.5
[redacted]	6
[redacted]	3
Average	5.6

Q6. Scale of 1 to 10, how satisfied are you with the overall postal service

[redacted]	5
[redacted]	7
[redacted]	6.5
[redacted]	5
[redacted]	7
[redacted]	8.5
[redacted]	6
[redacted]	8
Average	6.6

Q7. Do you believe the quality of service provided by Jersey Post in the last 12 months has improved, deteriorated or remained the same?

	Improved	Deteriorated	Remained the same	Don't Know
[redacted]		x		
[redacted]		x		
[redacted]			x	
[redacted]		x		
[redacted]		x		
[redacted]			x	
[redacted]		x		
[redacted]			x	
Total		5	3	

Q8. As far as providing services into the UK, European and International destinations are concerned, on a scale of 1 to 10 , how well does Jersey Post score in quality of service?

	UK, IOM, CI	European	International
[redacted]	n/a	n/a	n/a
[redacted]	9	9	9
[redacted]	n/a	n/a	n/a
[redacted]	7	7	7
[redacted]	8	8	8
[redacted]	9	9	9
[redacted]	n/a	n/a	n/a
[redacted]	n/a	n/a	n/a

Q11. On as scale of 1-10 where 10 is agree strongly, please state how strongly you agree or disagree with the following statements

	In favour of bulk mail market opening further	Sufficient operators already	JP provides good value for money	JP provides a good service
[redacted]	1	10	6	4
[redacted]	1	10	5	7
[redacted]	9	4	5	7
[redacted]	1	10	4	4
[redacted]	4	6	6	6
[redacted]	9	6	5	5
[redacted]	10	1	3	3
[redacted]	10	1	1	8
Total	5.6	6.0	4.4	5.5

Q12. Do you use hybrid mail services

	Yes	No	If Yes, Proportion of mail sent
[redacted]	x		42%
[redacted]		x	
[redacted]	n/a		
[redacted]	x		90%
[redacted]		x	
[redacted]		x	100%
[redacted]	x		100%
[redacted]	x		60%

Q13. Would you consider moving to another provider?

	Never move mail from JP	Would consider moving mail to another provider, but not all	Would consider moving all of mail to another provider	Don't know
[redacted]	x			
[redacted]		x		
[redacted]			x	
[redacted]			x	
[redacted]			x	
[redacted]				
[redacted]			x	
[redacted]			x	

Postal Services Research JCRA

October, 2011

Postal Services Research Background

Against a background of increasing competition and declining market size in a number of areas, the JCRA has been directed to undertake a full review the postal services in Jersey, a utility that they regulate. As an integral part of that review, Island Analysis was asked to carry out an independent piece of research which ascertains the views and opinions of Jersey residents on the Island's current postal service and other related issues in the Island which can impact on future postal demand.

Methodology

Quantitative face-to-face research

It was recommended that to ensure a complete cross-section of island residents (age gender, household location, etc.) was covered by the research (usage of postal services is very different between age profiles), a face-to-face survey be carried out with a representative sample of island residents. Each interview was designed to last longer than 5 minutes.

750 surveys were undertaken on-street and face to face around a range of locations in Jersey. The completed number of 750 surveys generates a margin of error of 3.6% on all survey sample results considered as a whole.

Questionnaire design was agreed between Island Analysis and JCRA to ensure that the best use of time was made during interviews and questionnaires achieved all of the objectives intended by the JCRA. Questions are contained in Appendix 2.

Summary findings

- Three respondents in ten (30%) rarely or never posted items of mail. A half (52%) posted items of mail no more than several times a year. 11% stated they posted items of mail often (several times a month) and 7% very often (daily/several times a week).
- Three fifths (57%) indicated that volumes of mail to be posted would remain the same in future. Approximately one in ten (11%) stated the volume of mail they post will increase and almost a fifth (17%) stated it would decrease (due to competition from email and social networking).
- Almost half of people (51%) indicated that they spent 50p per week or less on posting letters and parcels.

- 46% of respondents were 'Satisfied' or 'Very satisfied' at the time of interview with the current letter mail service. This compares favourably with 11% of respondents who indicated dissatisfaction. The reason most often quoted for being dissatisfied was 'no Saturday post' and deliveries taking a long time.
- Satisfaction for the overall service offered by Jersey Post appears to have declined during the last 12 months: 33% of respondents support this view while only 6% of respondents indicate the service offered by Jersey Post has improved.
- The mean average rating of quality of service provided by Jersey Post when sending mail was 5.9, or 'ok' on a rating scale where 1 was the score given for very poor quality and 10 for exceptional quality.
- Almost three fifths of those interviewed (57%) thought that it was important or very important for local mail to be received the next day.
- Over half of the survey sample (51%) indicated that less than 50% of their mail was time sensitive. A further 18% of people stated that they did not know what percentage of their mail was time sensitive. However, one in ten people considered the majority all of their mail as time sensitive.
- A strong preference was indicated among the survey sample for 5 delivery days per week. There were also additional comments received on this subject which indicated there was a desire to see the return of Saturday as a delivery day.
- Approximately one in ten (12%) people stated that they received addressed mail on each of the 5 delivery days, 31% receive mail every 3 to 5 days and 38% every 2 to 3 days.
- The mean average rating of value for money for postal charges was 5.8 on a rating scale where a score of 1 is awarded for very poor value for money and 10 is awarded exceptional value for money.
- The most common problems experienced during the previous twelve months was late delivery (45%) or missed delivery (45%). Nearly one in five (18%) people had reported mail being lost or damaged.
- 20% stated they visited a post office very frequently (once/twice per week); a further 30% visited a post office branch frequently (once/twice per month). The remaining people visited a post office branch less than once per month.
- The most popular reason for visiting a post office branch was to post letters (52%) and parcels (48%). Of the non-traditional uses the most popular was currency exchange, indicated by over one third (35%) of people.
- The mean average rating of the quality of counter services was 6.4 (ok to good) on a rating scale where 1 was very poor quality and 10 exceptional quality.
- 30% of respondents considered the queuing times at Jersey Post post offices to be 'good' or 'very good' compared to 17% 'poor' or 'very poor'.
- The post offices were rated even more favourably in terms of opening hours and location, with 53% rating both topics as 'good' or 'very good'.
- 60% of respondents said accessing a post office in Jersey was either 'easy' or 'very easy'.

- One tenth (10%) of respondents thought there were too few post offices in Jersey. However, nearly three quarters (72%) indicated the number was about right.
- Less than one third (30%) of people said they bought stamps only from post offices. The remaining 70% buy stamps from other outlets such as newsagents, convenience stores and garages.
- Almost half (48%) of survey participants said they used the post office at Broad Street. Over a third (35%) of people used sub-post offices such as those located in Spar and Co-operative stores. 22% of people used Rue des Pres and 19% Central Market post offices.
- The mean average rating of Jersey Post's value for money was 6.2, on a rating where a score of 1 was appointed for very poor value for money and 10 for exceptional value for money.
- 40% of people are prepared to pay a premium for faster postal services, whilst almost a third (33%) would not be prepared to do this.
- One third (33%) accept that there may be a need to reduce delivery days in rural parishes to maintain postal charges at their current rates. Overall there was not much geographic difference in the results, apart from the parishes of St Peter and St Ouen. Respondents resident in these parishes were more likely to indicate disagree/ strongly disagree proportionately.
- Over half (56%) of respondents think that latest postal times at key post offices and post boxes are about right, in comparison to an eighth (13%) that disagree/strongly disagree with this.
- Just over two thirds (68%) of the surveyed population agreed that queuing times in post offices should be kept to less than 5 minutes.
- Over two fifths (42%) agreed with the statement 'Opening hours in post offices should be longer', in comparison to under a fifth (18%) that disagreed. The remaining two fifths (39%) did not express any particular view.
- 45% of people agreed that basic postal services should be provided at more outlets such as convenience stores and garage forecourts, whilst almost a fifth (19%) disagreed with this statement.
- Over half of respondents (52%) indicated they would be happy for basic postal services to be provided by a mobile post office van in some of the more rural parishes in Jersey.
- 29% of those surveyed stated they would be satisfied with 3 delivery days per week This is consistent with the results given in Figure 11 where 31% of people said they would be satisfied with 3 delivery days (or fewer).
- Despite having been read and considered the statement over one-quarter (26%) of respondents would be dissatisfied with the reduction in service from 5 days to 3.

Survey Profile

751 on-street surveys were conducted in Jersey during the month of October, 2011. It was ensured that a complete cross-section of island residents in terms of age, gender and location of household was covered in the research.

Gender

The gender profile of the survey sample compared favourably with that of the population, 56% of respondents were female and 44% male.

Age profile

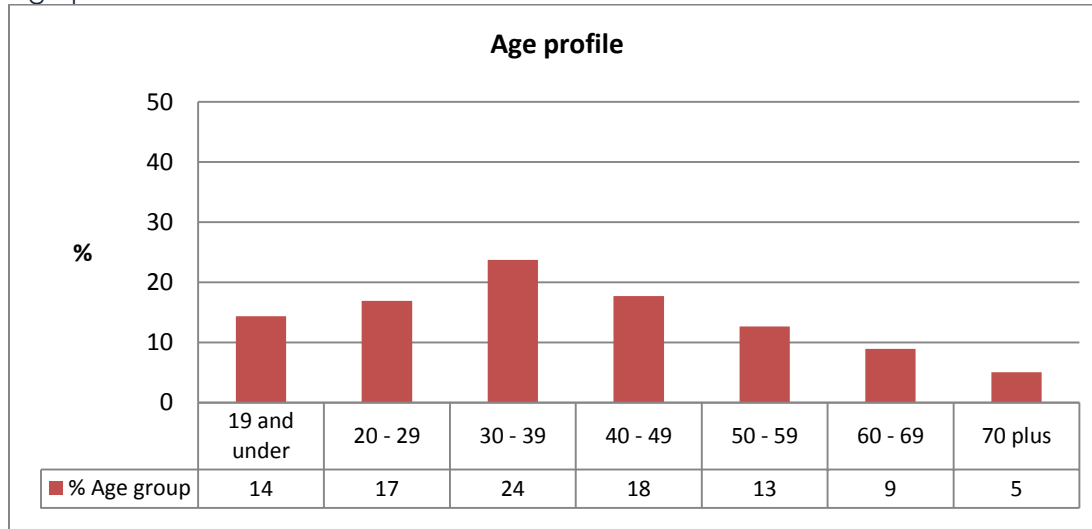


Figure 1

The age profile of the survey sample also compared favourably with that of the population (2001 census), the mode average age range also occurs at 30 to 39 in accordance with the published census figures. The distribution of the sample is also proportionate although those people aged 19 or under or 70 plus are slightly underrepresented.

Parish distribution

Respondents were also asked to indicate in which parish they resided. Half of respondents (50%) lived in the densely populated parishes of St. Helier, St. Saviour and St Clement while the remaining 50% of respondents lived in the remaining parishes. All parishes were represented appropriately as per census figures.

Survey Profile

Usage and satisfaction with service

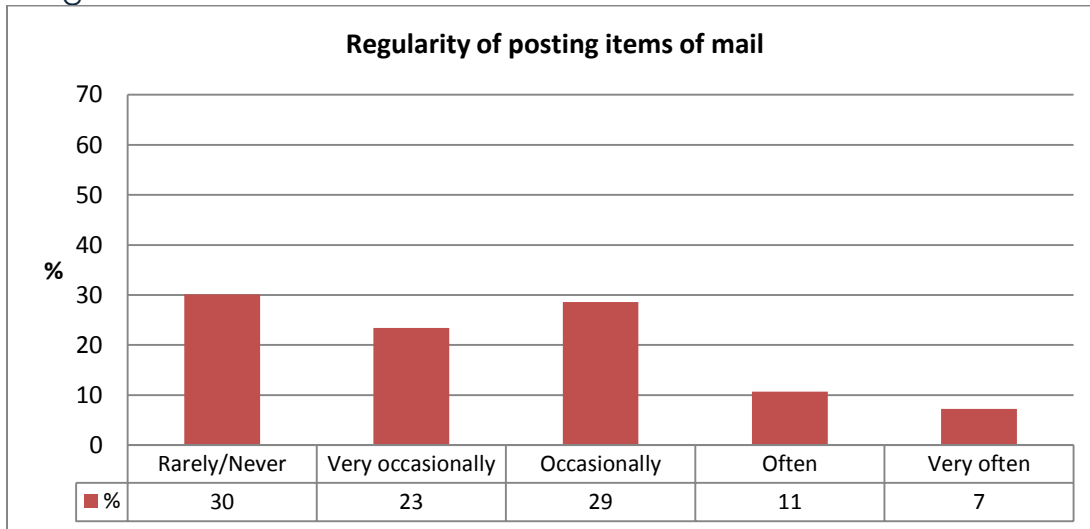


Figure 2

Three respondents in ten (30%) rarely or never posted items of mail. A further five in ten (52%) posted items of mail no more than several times a year. 11% stated they posted items of mail often (several times a month) and 7% very often (daily/several times a week) (Figure 2).

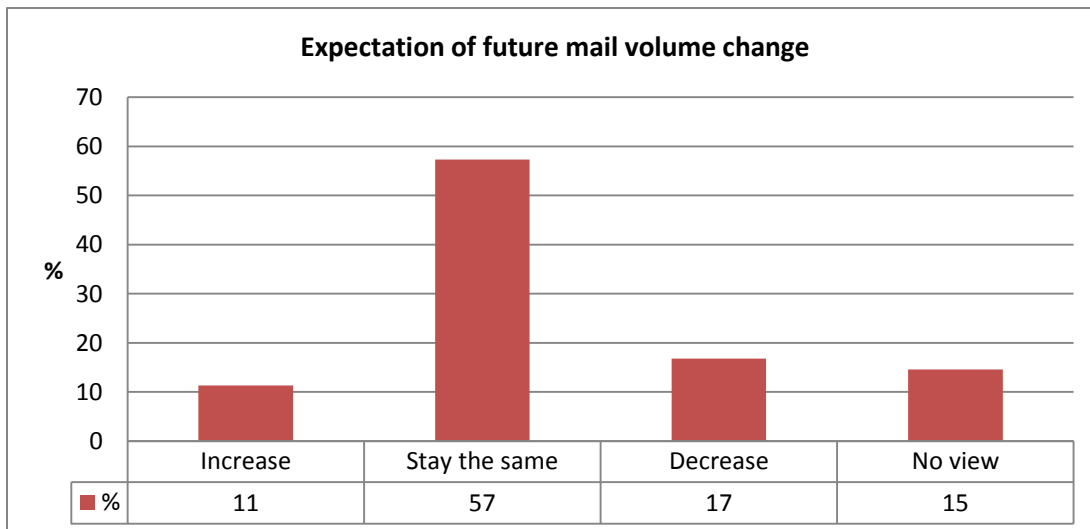


Figure 3

Respondents were also asked to predict what was likely to happen to the volume of mail they post in the future (Figure 3). The majority (57%) indicated that it would remain the same. Many of them stated that they only used the post to send birthday and Christmas cards, which they would continue to do in the future. Approximately one in ten (11%) think the volume of mail they post will increase and almost two in ten (17%) stated it would decrease (due to competition from email and social networking). 15% of respondents had 'no view'.

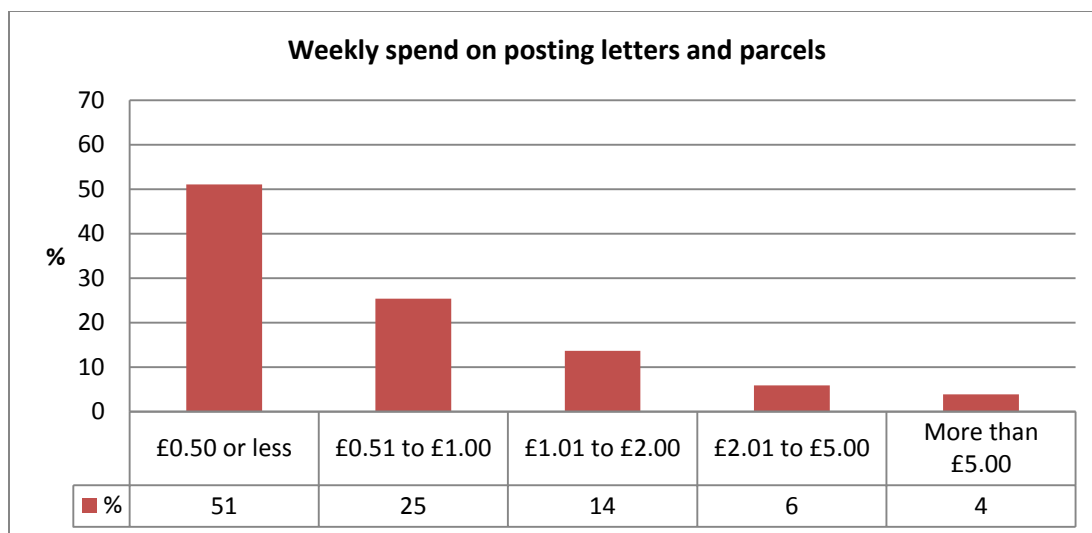


Figure 4

Over half of respondents (51%) indicated that they spent 50p per week or less on posting letters and parcels. A quarter (25%) spend between 50p and £1 per week while the remaining quarter (24%) spend more than £1 per week on posting letters and parcels (Figure 4).

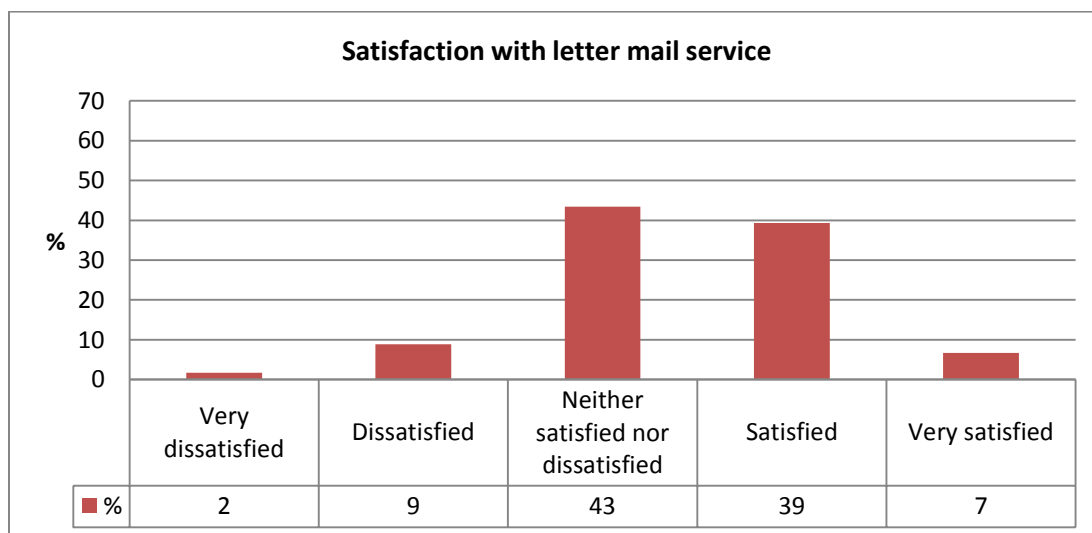


Figure 5

Despite the low volumes of mail usage illustrated in Figures 2 and 4, satisfaction with the current letter mail service in the island appears to be high (Figure 5). 46% of respondents were 'satisfied' or 'very satisfied' at the time of interview. 11% indicated dissatisfaction. The reasons most often quoted for being dissatisfied were there being 'no Saturday post' and deliveries taking a long time. 43% of respondents were neither satisfied nor dissatisfied.

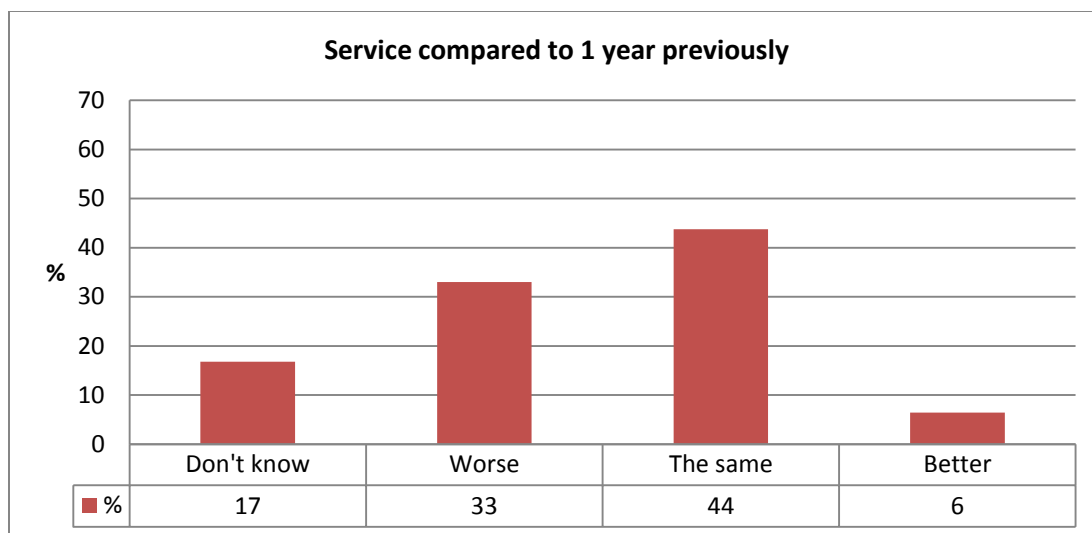


Figure 6

Satisfaction for the overall service offered by Jersey Post appears to have declined during the last 12 months: 33% of respondents support this view while only 6% of respondents indicate the service offered by Jersey Post has improved (Figure 6).

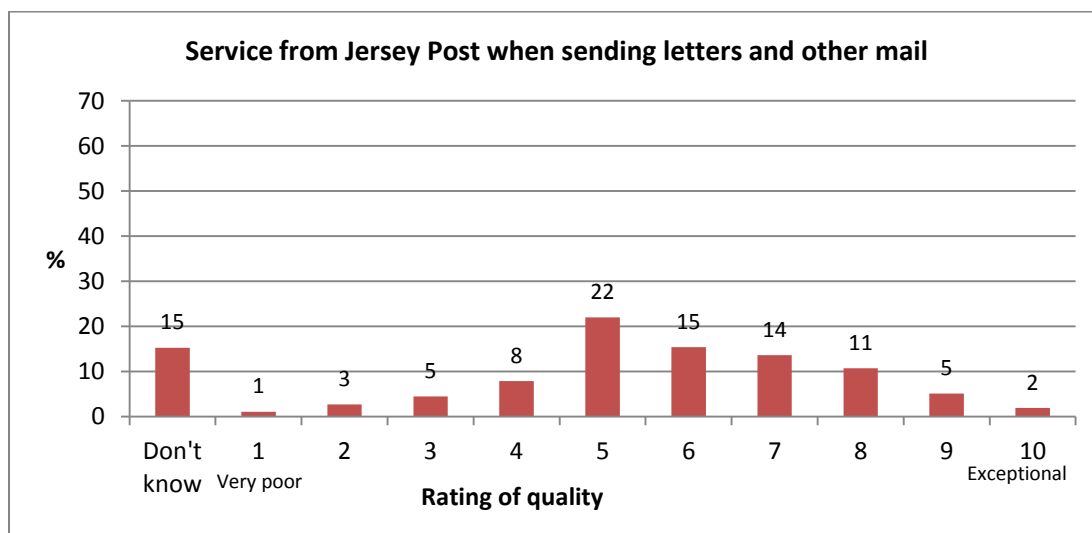


Figure 7

The mean average rating of quality of service provided by Jersey Post when sending mail was 5.9, or 'ok' on a rating scale where 1 was the score given for very poor quality and 10 for exceptional quality. The spread of results can be seen in Figure 7.

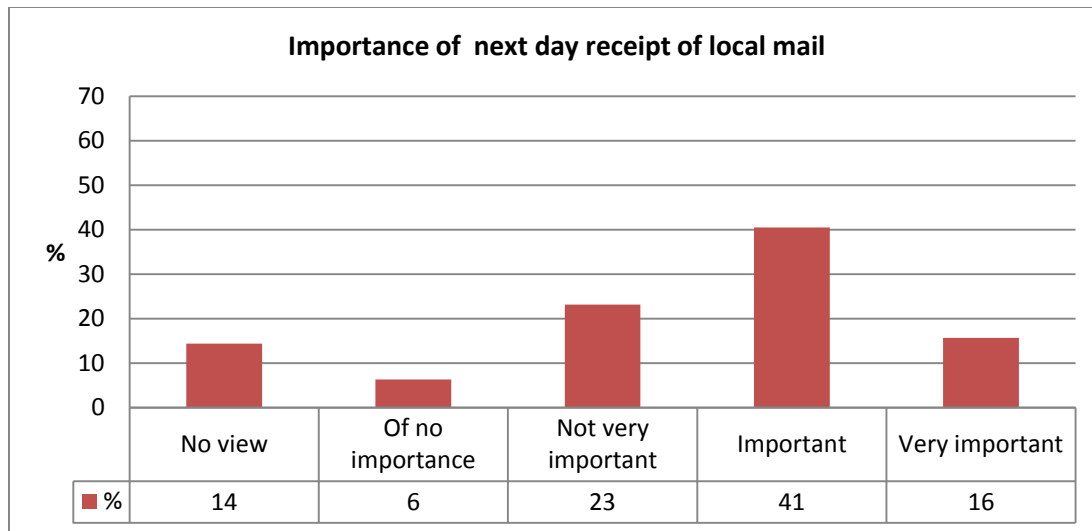


Figure 8

Almost three fifths of those interviewed (57%) thought that it was important or very important for local mail to be received the next day (Figure 8). Approximately three tenths (29%) did not think that it was very important.

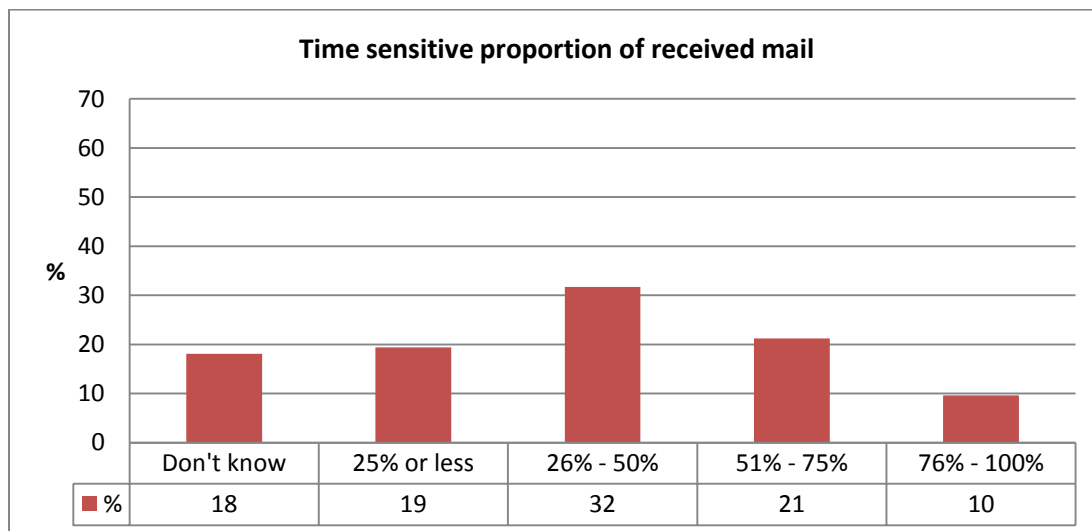


Figure 9

Over half of the survey sample (51%) indicated that less than 50% of their mail was time sensitive (Figure 9). A further 18% of people stated that they did not know what percentage of their mail was time sensitive. However, one in ten people considered the majority all of their mail as time sensitive.



Figure 10

A preference was indicated among the survey sample for 5 delivery days per week (56%), there were far fewer indicating that other lesser days would be satisfactory (Figure 10). There were also additional comments received on this subject which indicated there was a desire to see the return of Saturday as a delivery day.

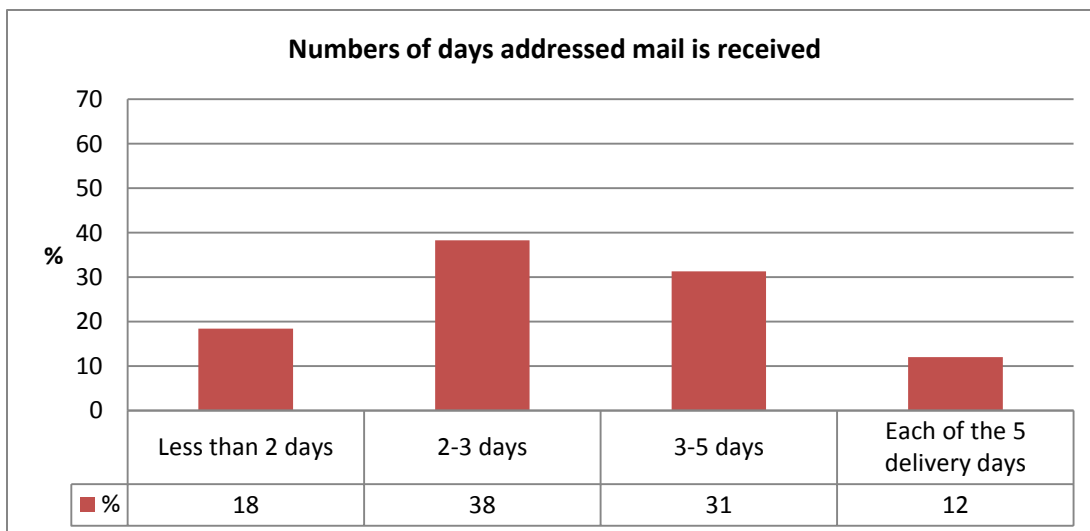


Figure 11

Approximately one in ten (12%) respondents stated that they received addressed mail on each of the 5 delivery days. Almost two in ten (18%) stated that they received addressed mail on fewer than 2 days per week. The most popular indicated frequency of mail receipt is 2 to 3 days (38%).

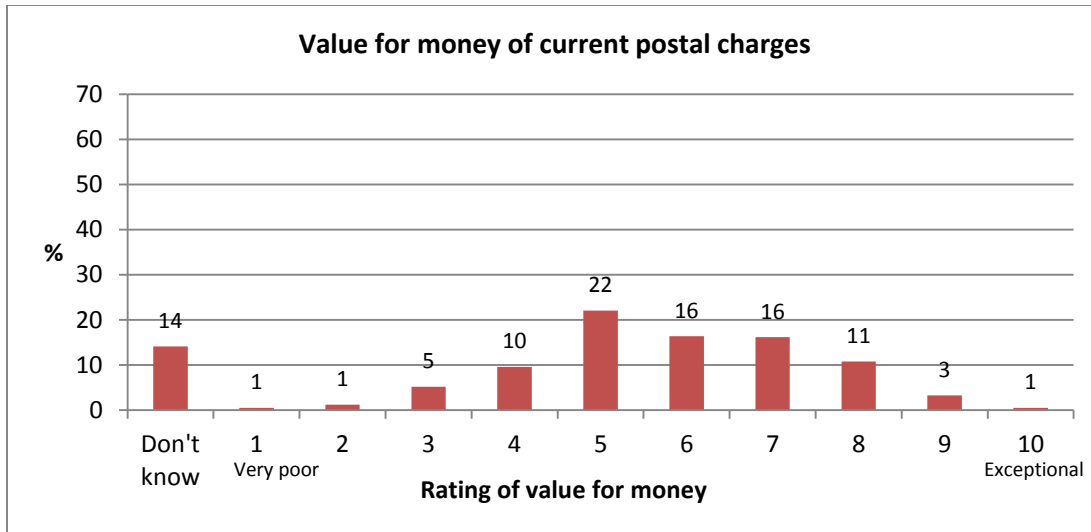


Figure 12

The mean average rating of value for money for postal charges was 5.8, on a rating scale where a score of 1 indicates very poor value for money and 10 is awarded for exceptional value for money (Figure 12).

Issues and problems

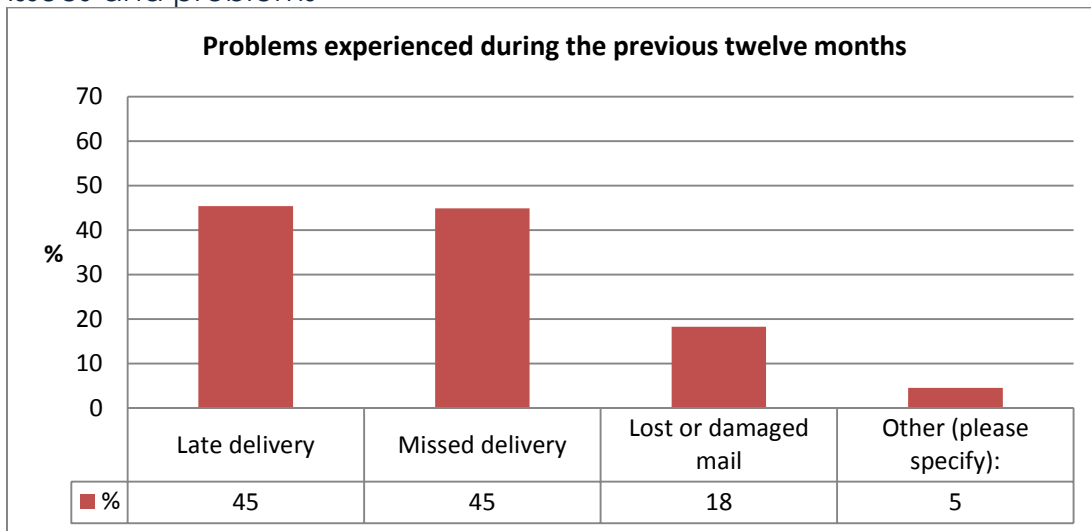


Figure 13

The most common problems experienced during the previous twelve months was late delivery (45%) or missed delivery (45%). Nearly one in five (18%) people had reported mail being lost or damaged.

Post offices and counter services

This section concerns post offices in Jersey and the use of the counter services.

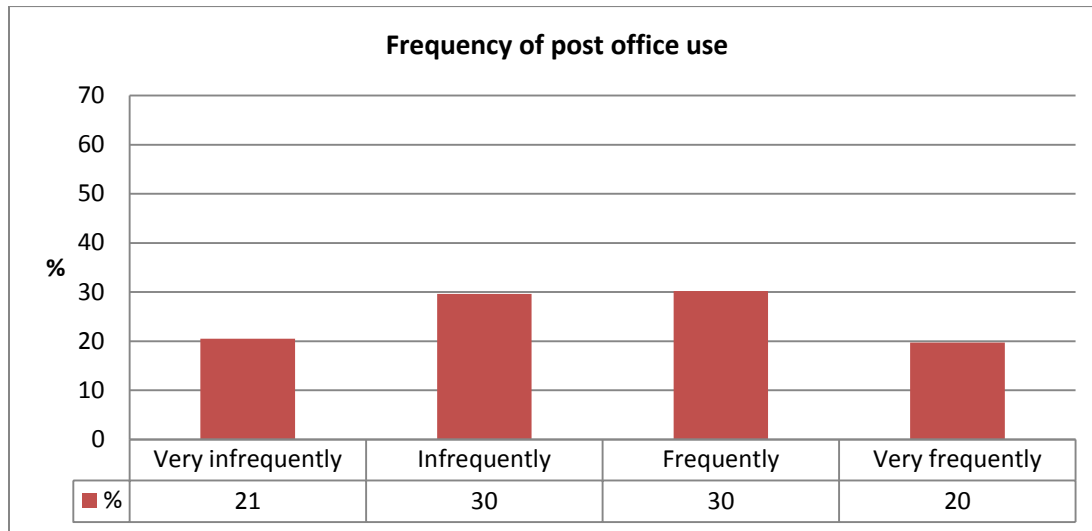


Figure 14

The survey sample was asked, excluding Christmas, how frequently they visited a post office branch. 20% stated they visited a post office very frequently (once/twice per week); a further 30% visited a post office branch frequently (once/twice per month). The remaining people visited a post office branch less than once per month (Figure 14).

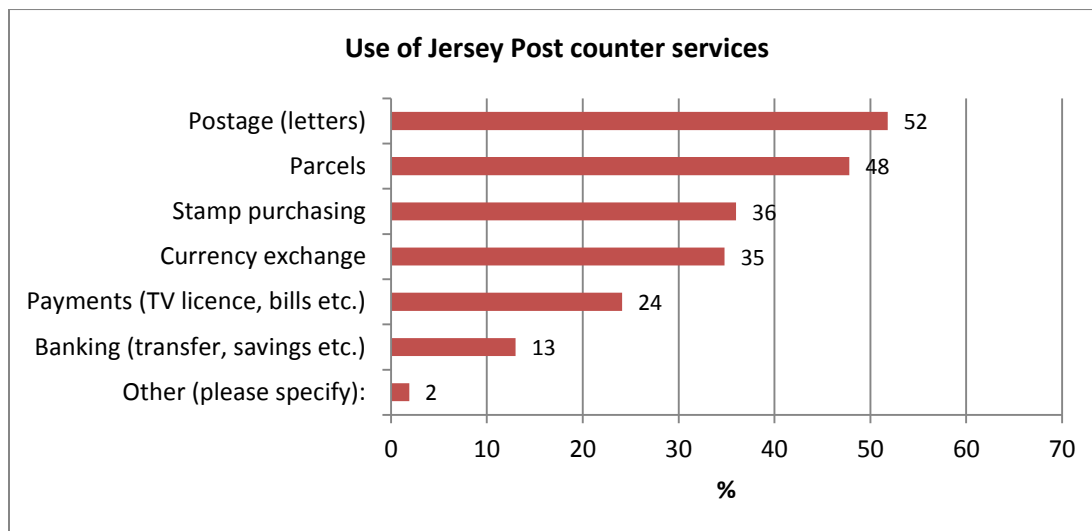


Figure 15

The most popular reason for visiting a post office branch was to post letters (52%) and parcels (48%). Of the non-traditional uses the most popular was currency exchange; over one third (35%) of people made use of the currency exchange service available at the post office.

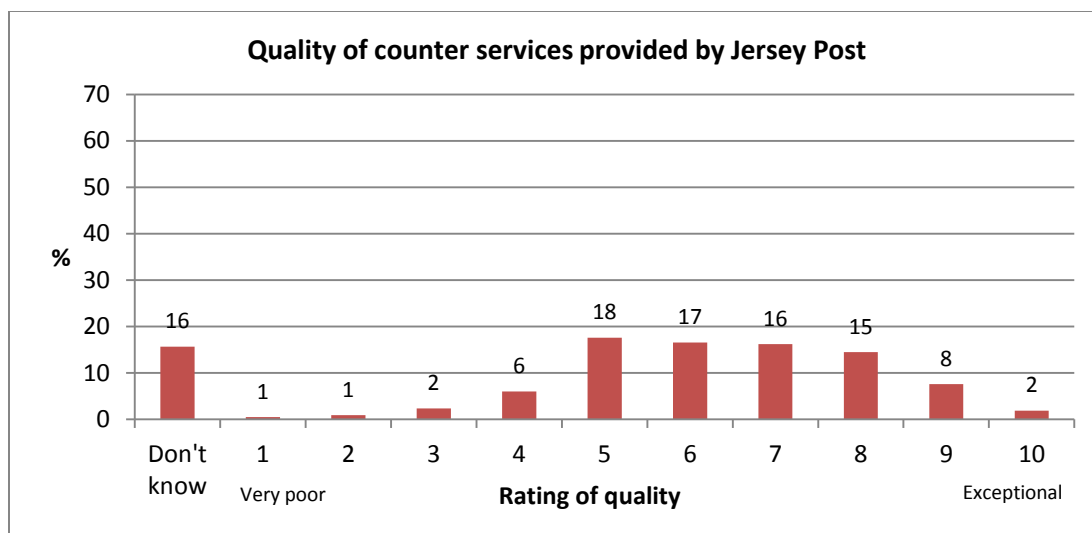


Figure 16

The mean average rating of the quality of counter services provided by Jersey Post was 6.4, on a rating scale of quality where 1 is very poor quality, and 10 is exceptional quality. The full range is indicated in Figure 16, two thirds of responses indicating scores between 5 and 8.

Overall rating of Jersey Post offices

The surveyed population was asked to give an overall rating of Jersey Post offices with regards to queuing times, opening hours and location of the post offices.

	Very poor %	Poor %	Average %	Good %	Very good %
Queuing times	3.2	13.7	53.1	24.6	5.4
Opening hours	0.3	4.7	41.8	45.0	8.2
Location of post offices	0.9	3.8	41.8	39.6	13.8

Figure 17 (totals may not be 100% due to rounding)

30% of respondents considered the queuing times at Jersey Post offices to be 'good' or 'very good' compared to 17% 'poor' or 'very poor'.

The post offices were rated even more favourably in terms of opening hours and location, with 53% rating both topics as 'good' or 'very good'. 5% or less rated opening hours and location of post offices 'poor' or 'very poor' respectively.

Accessibility of post offices in Jersey

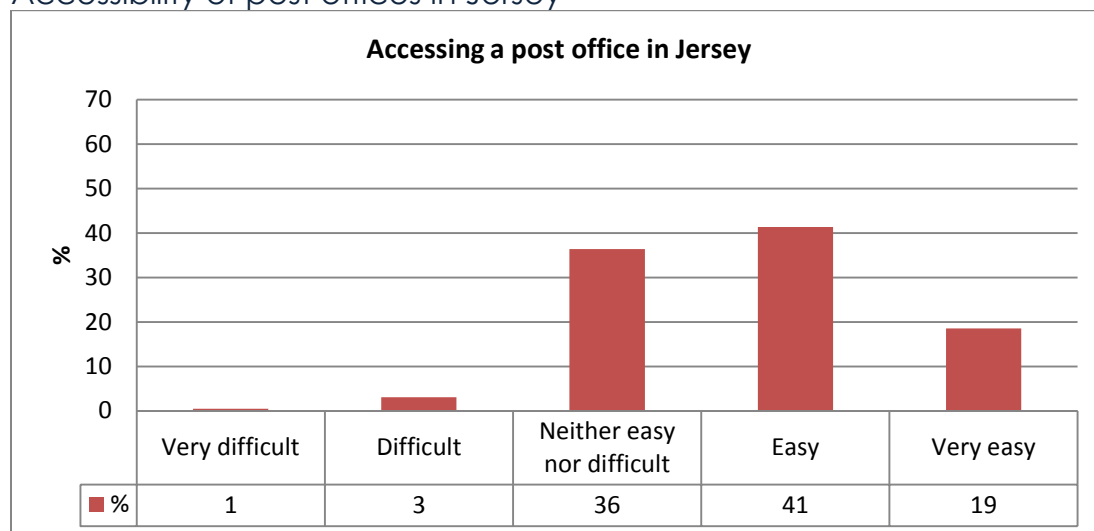


Figure 18

60% of respondents said accessing a post office in Jersey was either 'easy' or 'very easy'. The minority (4%) who said it was 'very difficult' or 'difficult' to access a post office did so because of age and mobility problems and because of inconvenient opening times (Figure 18).

When asked about the number of post offices in Jersey one tenth (10%) of respondents thought there were too few. However, nearly three-quarters (72%) indicated the number was about right.

Outlets where postal products and services purchased

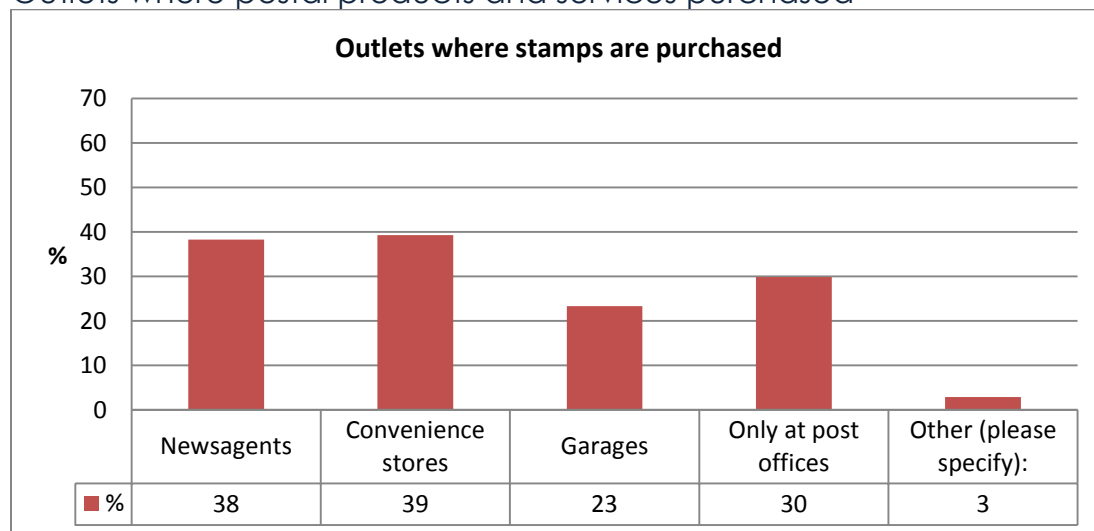


Figure 19

Figure 19 illustrates where people stated they bought stamps. Less than one third (30%) of people said they bought stamps only from post offices. The remaining 70% buy stamps from other outlets such as newsagents, convenience stores and garages.

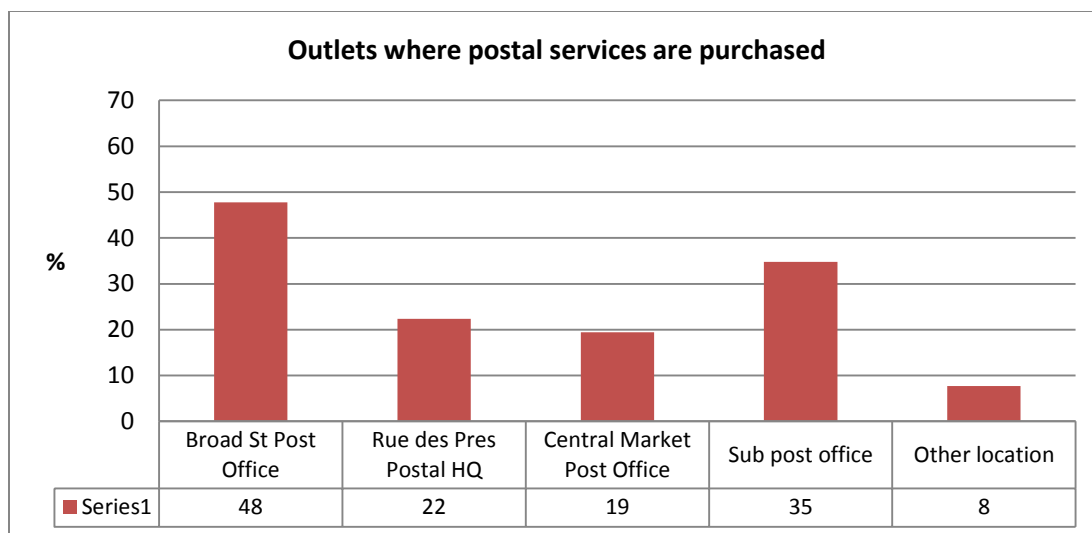


Figure 20

Almost half (48%) of survey participants said they used the post office at Broad Street (Figure 20). Over one third (35%) of people used sub-post offices such as those located in Spar and Co-operative stores. 22% of people used Rue des Pres (Postal HQ) and 19% used Central Market post offices.

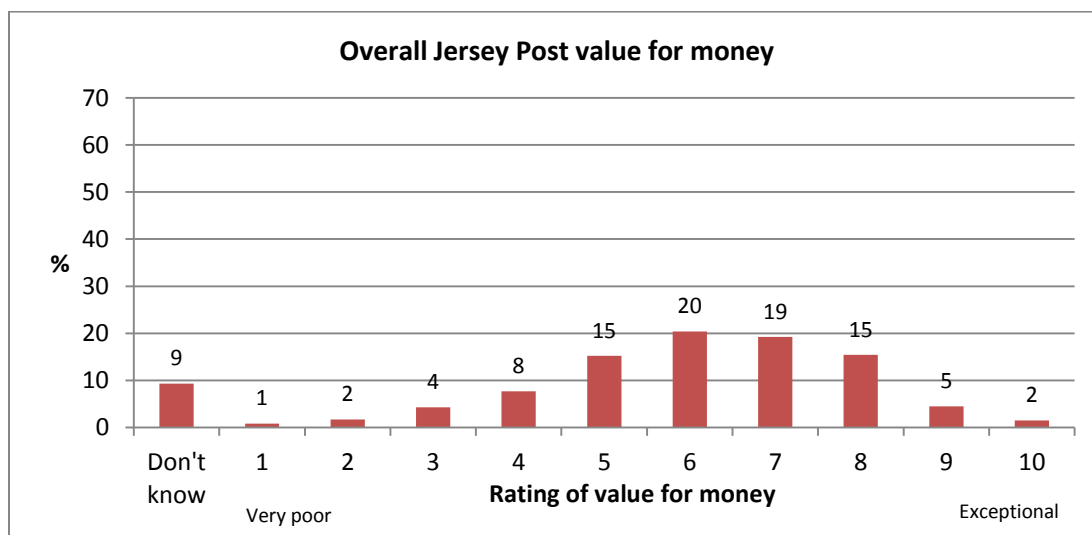


Figure 21

The mean average rating of Jersey Post's value for money was 6.2 (average to good), where 1 is very poor value for money and 10 is awarded exceptional value for money.

Survey participants were asked to indicate agreement with a range of statements on postal services (Figure 22).

	Strongly disagree %	Disagree %	No strong view %	Agree %	Strongly agree %
Speed of delivery is important and I'm prepared to pay higher postal charges for it	10.1	22.5	27.4	28.8	11.1
In exchange for keeping postal charges at their current rates I accept that there may be a need to reduce the frequency of delivery in rural parishes to say, 3 day per week	12.7	30.2	25.6	25.6	5.9
Latest postal times at key post offices and post boxes are about right	1.5	11.1	31.6	50.6	5.3
Queuing times in post offices should be kept to less than 5 minutes	1.1	4.1	36.6	48.2	19.3
Opening hours in post offices should be longer	6.1	12.0	39.6	33.3	9.1
Basic postal services should be provided at more outlets, e.g. convenience stores, parish halls, garage forecourts, etc.	6.3	12.9	35.4	37.0	8.0
I would be happy for basic postal services to be provided by a mobile post office van in some of the more rural parishes in Jersey	6.8	11.5	29.4	34.1	17.7

Figure 22

The results indicate that:

- 40% of people are prepared to pay a premium for faster postal services, whilst almost a third (33%) would not be prepared to do this.
- 33% accept that there may be a need to reduce delivery days in rural parishes to maintain postal charges at their current rates. Overall there was not much geographic difference in the results, apart from the parishes of St Peter and St Ouen. Respondents resident in these parishes were more likely to indicate disagree/ strongly disagree proportionately.
- 56% of respondents think that latest postal times at key post offices and post boxes are about right, in comparison to an eighth (13%) that disagree/strongly disagree with this.

- Just over two thirds (68%) of the surveyed population agreed that queuing times in post offices should be kept to less than 5 minutes.
- Over two fifths (42%) agreed with the statement 'Opening hours in post offices should be longer', in comparison to under a fifth (18%) that disagreed. The remaining two fifths (39%) of respondents did not express any particular view.
- 45% agreed that basic postal services should be provided at more outlets such as convenience stores and garage forecourts, whilst almost a fifth (19%) disagreed with this statement.
- Over half of respondents (52%) indicated they would be happy for basic postal services to be provided by a mobile post office van in some of the more rural parishes in Jersey

Frequency of delivery

"Worldwide postal service providers have seen a reduction in postal volumes of between 5% and 10% per annum over the last 7 to 8 years, and this looks to be continuing in future. Therefore, action is required to keep the mail delivery service in Jersey alive."

Having been read and had time to consider the above statement respondents were asked to indicate their level of satisfaction if delivery services were reduced from 5 to 3 times per week. The results are illustrated in Figure 23.



Figure 23

29% of those surveyed stated they would be satisfied with 3 delivery days per week. This is consistent with the results given in Figure 10 where the same proportion of people said they would be satisfied with 3 delivery days (or fewer).

Despite having been read and considered the statement over one-quarter (27%) of respondents would be dissatisfied with the reduction in service from 5 days to 3. 44% did not express an opinion either way.

Appendix 1

Additional comments provided by respondents

- Bring back Saturday post.
- There should be 5 delivery days per week. It takes enough time to get something delivered here let alone if there are only three days to deliver it.
- I do not agree with a 3 day delivery service and would be very unhappy if prices rose to ensure speed of delivery.
- Delivery times are all over the place and I really don't think you get value for money.
- Reducing delivery to 3 times a week would be awful for businesses.
- I don't agree that you have to pay extra to have a letter delivered the next day on the island.
- I rely on the postal service for my business and would be very upset if services were reduced to 3 days per week.
- I don't really send mail.
- The staff at Broad Street post office are miserable
- I think the postal service should be kept as it is.
- I would not be happy if delivery services were reduced.
- I would like Jersey Post to go back to early delivery of mail as I do not receive mail until late afternoon.
- The staff I meet are all polite, approachable and professional. They are good ambassadors for Jersey Post.
- Saturday delivery should be reinstated especially for cards, etc.
- Saturday post should come back.
- The counter staff need to be more helpful.
- Opening times at out of town post offices should be longer.
- I would rather lose a weekday delivery or two if the Saturday service was resumed. It makes signing for packages much more difficult for people who work 9am to 5pm on weekdays.
- It is an essential public service.
- Deliveries are fine but small sub-post offices should be open longer.
- Sub-post offices should be open longer.
- Opening hours in sub-post offices should be longer and bring back the old postal services for missed parcels.
- It's better value posting to the UK than local post.
- There should be parking for Broad Street post office.
- I don't believe we should have deliveries any less than 5 days per week due to important mail.
- I post Christmas cards in the UK as it is cheaper.
- Deliveries should still include Saturday.
- Jersey Post is good but because of staff cuts we no longer have weekend services which were necessary.
- Leave it as it is. It's fine.
- There are too few counter staff at work time.
- Bring back Saturday deliveries.
- Bring back Saturday deliveries. 1st and 2nd class stamps should not have been introduced. There is no evidence of differentiation and you shouldn't have to pay higher rates for next day delivery.
- Delivery could be earlier in the day.
- Jersey Post is doing a great job and hope they could continue without any problems.
- Current service is expensive & delivery time within island appalling.
- Lower prices and stop priority mail service. It shouldn't take longer than 24 hours to deliver locally without paying more.

- Service is getting worse. A Christmas card was returned to me in March. It was addressed clearly to Australia. The card had not left the island. That's very poor service.
- Saturday deliveries should be back and Broad Street post office should be open Saturday afternoon.
- Lower postal charges. They are too expensive.
- The counter staff at Broad Street post office are rude.
- Recruit more staff and deliver more often.
- Bring back Saturday deliveries please.
- Lost mail has been an issue in recent times.
- I would like a Saturday delivery.
- Bring back weekend collections.
- Bring back Saturday mail.
- Have more postal services in St. Ouen.
- Reducing postal service will encourage people to use them less.
- Sub-post offices should be open longer, especially those out of town.
- The number of delivery days needs to stay the same in case of important, time-sensitive mail.
- I am very happy with Jersey Post.
- The service to the UK is noticeably better.
- There should be somewhere else other than Commercial Street to pick up parcels.
- There are approx. 10 desks at Broad Street post office but I have never seen more than 4 open even at peak times. Because of this I have elected to order things online and pay for them to be gift wrapped rather than post them myself.
- I'm very happy with Jersey Post but think Saturday deliveries should be back in service.
- Priority post idea is not good as you will lose customers.
- Lower postal charges will keep customers.
- Keep up the good service but lower the cost of postage.
- No need to change. Jersey Post is fine as it is.
- I do not believe that to keep postal charges as they are rural parishes should suffer. If anything charges should be lowered.
- Saturday deliveries should return.
- I am very happy with Jersey Post. I have never had any problems.
- The parcel collection process should be quicker.
- Employ more staff rather than cut delivery times. The island is only 9 miles by 5 miles!
- Jersey Post does what I need it to do. I can't complain.
- Local deliveries are too slow.
- I may not send a lot of mail but I do receive a lot so I would not like the service to diminish.

Appendix 2

Jersey Competition Regulatory Authority (JCRA) Postal Services

These questions are being undertaken on behalf of the JCRA, who have been asked by the Minister of Economic Development to carry out a thorough review of postal services in Jersey. One of the key issues we have been asked to review is to determine the scope of core postal services (Universal Service Obligations) provided by Jersey Post.

By completing this questionnaire you are enabling the JCRA to determine if you (the customer) are receiving the service that should be provided, and also any amendments that may need to be made to legislation to allow the postal service to continue in future.

Gender	Age group	Parish	
<input type="checkbox"/> Male	<input type="checkbox"/> 19 and under	<input type="checkbox"/> Grouville	<input type="checkbox"/> St Martin
<input type="checkbox"/> Female	<input type="checkbox"/> 20 to 29	<input type="checkbox"/> St Brelade	<input type="checkbox"/> St Mary
	<input type="checkbox"/> 30 to 39	<input type="checkbox"/> St Clement	<input type="checkbox"/> St Ouen
	<input type="checkbox"/> 40 to 49	<input type="checkbox"/> St Helier	<input type="checkbox"/> St Peter
	<input type="checkbox"/> 50 to 59	<input type="checkbox"/> St John	<input type="checkbox"/> St Saviour
	<input type="checkbox"/> 60 to 69	<input type="checkbox"/> St Lawrence	<input type="checkbox"/> Trinity
	<input type="checkbox"/> 70 plus		

Usage and satisfaction with service

1. How often do you post items of mail?

- ☐ Rarely/Never
- ☐ Very occasionally (once a year)
- ☐ Occasionally (several times a year)
- ☐ Often (several times a month)
- ☐ Very often (daily/several times a week)

2. What do you think is likely to happen to the volume of mail that you post over the next few years?

- ☐ Increase
- ☐ Stay the same
- ☐ Decrease
- ☐ No view

Reason for your answer

3. On average, (excluding Christmas) how much do you think that you spend per week on postage? (Local stamp is 37p and UK stamp is 50p)

- ☐ £0.50 or less
- ☐ £0.51 to £1.00
- ☐ £1.01 to £2.00
- ☐ £2.01 to £5.00
- ☐ More than £5.00

4. How satisfied are you with the current letter mail service in the Island?

- ☐ Very satisfied
- ☐ Satisfied
- ☐ Neither satisfied nor dissatisfied
- ☐ Dissatisfied
- ☐ Very dissatisfied

If you answered 'dissatisfied or very dissatisfied', please explain why.

.....

5. Compared to 12 months ago, the service offered by Jersey Post is
- ☐ Better
 - ☐ Worse
 - ☐ The same
 - ☐ Don't know
6. How would you rate Jersey Post in terms of the letters and other mail you send to other people? (out of 10, with 10 = exceptional quality and 1 = very poor quality)
- Don't know 1 2 3 4 5 6 7 8 9 10
7. Of the local mail you send, how important is it that it arrives the next day?
- ☐ Very important
 - ☐ Important
 - ☐ Not very important
 - ☐ Of no importance
 - ☐ No view
8. Of the mail you receive, what proportion do you think is time sensitive?
- ☐ 25% or less
 - ☐ 26% to 50%
 - ☐ 51% to 75%
 - ☐ 76% to 100%
 - ☐ Don't know
9. How many deliveries per week would you be satisfied with?
- ☐ 5 days
 - ☐ 4 days
 - ☐ 3 days
 - ☐ 2 or less
10. How many days per week do you receive addressed mail?
- ☐ Each of the 5 delivery days
 - ☐ 3-5 days
 - ☐ 2-3 days
 - ☐ Less than 2 days
11. Taking all things into consideration, do you think that current postal charges offer value for money? (out of 10, with 10 = excellent value for money and 1 = very poor value for money)
- Don't know 1 2 3 4 5 6 7 8 9 10

Issues and problems

12. In the last 12 months, have you ever experienced any of the following with regards to the service received from Jersey Post?
- ☐ Late delivery
 - ☐ Missed delivery
 - ☐ Lost or damaged mail
 - ☐ Other: please specify

Counter services and post offices

13. Excluding the Christmas period, how frequently do you use a post office in Jersey?
- ☐ Very frequently (once/twice a week)
 - ☐ Frequently (once/twice a month)
 - ☐ Infrequently (once/twice a year)
 - ☐ Very infrequently (less than once a year)

14. Which Jersey Post counter services do you use? (please indicate all that apply)

- ☐ Postage (letters)
- ☐ Parcels
- ☐ Currency exchange
- ☐ Stamp purchasing
- ☐ Payments (TV licence, bills etc.)
- ☐ Banking (transfer, savings etc.)
- ☐ Other: please specify

15. In overall terms, how would you rate the counter services currently provided by Jersey Post? (out of 10, with 10 = excellent and 1 = very poor indeed)

Don't know 1 2 3 4 5 6 7 8 9 10

16. In overall terms, how would you rate the following with regards to the Jersey Post offices?

	Very poor	Poor	Average	Good	Very good
Queuing times					
Opening hours					
Location of post offices					

17. How easy is it for you to access a post office in Jersey?

- ☐ Very easy
- ☐ Easy
- ☐ Neither easy nor difficult
- ☐ Difficult
- ☐ Very difficult

If you answered 'difficult' or 'very difficult' to Question 17, please explain why.

18. In terms of the number of Post Offices open in Jersey, do you consider that:

- ☐ There are too many
- ☐ The number is about right
- ☐ There are too few
- ☐ No real view

19. Other than post offices, please indicate which of the following outlets you purchase stamps from (please tick all that apply)

- ☐ Newsagents
- ☐ Convenience stores
- ☐ Garages
- ☐ Only at post offices
- ☐ Other (please specify.....)

20. Where do you purchase your postal services from? (please indicate all that apply)

- ☐ Broad St Post Office
- ☐ Rue des Pres Postal HQ
- ☐ Central Market Post Office
- ☐ Sub post office (please specify where
- ☐ Other location (please specify where

General Issues

21. In overall terms, how would you rate Jersey Post in terms of value for money? (out of 10, with 10 = exceptional value for money and 1 = very poor value for money)

Don't know 1 2 3 4 5 6 7 8 9 10

22. Please indicate whether you agree with the following statements.(rating of either strongly disagree/disagree/no view/agree on each statement)

Speed of delivery is important and I'm prepared to pay higher postal charges for it	Strongly disagree	Disagree	No strong view	Agree	Strongly agree
In exchange for keeping postal charges at their current rates, I accept that there may be a need to reduce the frequency of delivery in rural parishes to say 3 days per week	Strongly disagree	Disagree	No strong view	Agree	Strongly agree
Latest postal times at key post offices and post boxes are about right	Strongly disagree	Disagree	No strong view	Agree	Strongly agree
Queuing times in post offices should be kept to less than 5 minutes	Strongly disagree	Disagree	No strong view	Agree	Strongly agree
Opening hours in post offices should be longer	Strongly disagree	Disagree	No strong view	Agree	Strongly agree
Basic postal services should be provided at more outlets, e.g. convenience stores, parish halls, garage forecourts etc.	Strongly disagree	Disagree	No strong view	Agree	Strongly agree
I would be happy for basic postal services to be provided by a mobile post office van in some of the more rural parishes in Jersey	Strongly disagree	Disagree	No strong view	Agree	Strongly agree

Worldwide postal service providers have seen a reduction in postal volumes of between 5% to 10% per annum over the last 7 to 8 years, and this looks to be continuing in future, therefore, action is required to keep the mail delivery service in Jersey alive.

23. With regards to the information above, how satisfied would you be if delivery services were reduced from 5 times to 3 times per week

- ☐ Very satisfied
- ☐ Satisfied
- ☐ Neither satisfied nor dissatisfied
- ☐ Dissatisfied
- ☐ Very dissatisfied

24. Have you any additional comments to make regarding Jersey Post?

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This Survey was printed on recycled paper.