

JCRA Media Release

7 April 2010

JCRA Allows Jersey Post's Plans on Size-Based Postal Pricing to Proceed

The Jersey Competition Regulatory Authority (“JCRA”) has determined that Jersey Post Limited (“JP”) may proceed with its current intention to introduce Sized-Based Pricing (“SBP”) from 8 May 2010. SBP will allow JP to determine postal prices by both the size and weight of the item, as opposed to the weight only which is used now. JP intends to introduce SBP for letters, large letters, and packets sent to local, UK, European, and International addresses. In addition, along with SBP JP also intends to introduce a new, local discounted “standard” three-day delivery service, compared to a “priority” next-day delivery service, whereby the standard tariff for the delivery of a letter in Jersey would be 36p, while the priority next-day service would be 39p (the current cost of a local stamp is 37p).

JP estimates that, as a result of SBP, there would be an overall price increase of 2% across all formats; that customers posting letters will see little or no impact; whilst customers posting light large items will pay 27% more, and those posting packets will pay approximately 10% more. Overall, JP calculates that they would raise an additional £257,000 pa (3.8%) in revenues.

In February this year, the JCRA launched a consultation on the matter and the period for final submissions closed on Friday 5 March. During the consultation period, the JCRA received six responses, many of which expressed concern at price increases on particular postal products that would arise from SBP, especially concerning the price of certain light weight packets and large letters. The JCRA has determined, however, that JP’s proposed

prices are cost justified, and reflect prices for the same products offered by Royal Mail, Guernsey Post and Isle of Man Post. Moreover, the prices are compliant with the price control on postal services the JCRA imposed on JP at the start of 2008.

Another concern raised during the consultation was a large stock of C4 size envelopes held by certain parishes in Jersey. This was largely a transitional issue, and the concern was raised by the Comité des Connétables. In particular, the JCRA understood that at least one parish held large stocks of C4 envelopes and therefore faced increased costs from the introduction of SBP, with potential broader knock-on effects to rate payers. The JCRA asked JP to resolve this issue with the parish, which JP agreed to do. JP subsequently confirmed to the JCRA that it has resolved this issue with the relevant parish authorities. Furthermore, the JCRA understands that JP has been working with its major customers throughout the consultation period to ensure they have an understanding and maximize the benefits that SBP offers them.

The JCRA also has reviewed JP's communications plans with respect to SBP, which will help all postal customers prepare for the implementation date of 8 May 2010.

The JCRA therefore concludes that there is not a requirement at this stage for it to initiate further regulatory action concerning JP's proposals to introduce SBP. However, in ensuring that JP is as an efficient postal provider as possible, the JCRA is undertaking an efficiency review of JP's licensable activities which will help inform the next price control which is due to start on 1 January 2011.

All enquiries concerning this Media Release should be directed to the JCRA's Executive Director, Chuck Webb, on +44 (0)1534 514990.

About the JCRA

The JCRA is an independent authority established by the States of Jersey to enforce Jersey's competition law and regulate its telecommunication and postal sectors. In each of these areas, the JCRA's primary mission is to promote consumer welfare through efforts that encourage lower prices and greater choice and innovation in the goods and services available in Jersey. The JCRA is recognized internationally as a leading voice in the application of competition law and policy in small economies.

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