



## **Jersey Post Limited**

Size-Based Pricing Proposals (SBP)

**Notification of price changes on 8 May 2010 for Licensed Postal Packet services under condition 20.2 of Jersey Post's Class II Postal Services Licence**

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## 1. EXECUTIVE SUMMARY

This document sets out the rationale for introducing Sized Based Pricing (SBP) in Jersey. The main reason for introducing SBP at this time is that significantly declining mail volumes mean that economies of scale and inherent cross subsidies within our current pricing structure are no longer sustainable. Our current pricing structure no longer adequately reflects our costs and specifically those of our main supply chain partner, Royal Mail. Royal Mail has implemented SBP in its charges to us. Customers will now have the opportunity to purchase postage based on the item size as well as its weight. Jersey Post (JPL) is also simplifying its tariff structure to make all products and services more accessible to its customers. Mail will now be sold in the following industry standard sizes which were introduced in the UK & Isle of Man in 2006 and will be introduced in Guernsey in 2010:

- Letters
- Large Letters
- Packets

JPL has carried out an impact analysis which shows that 66% of its customers will see little or no change after the introduction of SBP. To continue to offer choice to its customers and to mitigate the impact for those affected, JPL is also introducing a number of additional services which include;

- Introduction of a standard 'on Island' 3 day delivery service, at a significant discount. JPL forecasts that approximately 80% of local mail will migrate to this service as the majority of on Island social mail does not require a next day service.
- Introduction of a new parcel service with simplified tariffs together with reduced rates for account customers.
- A new bulk large letter and packet service. This service is available from JPL's dedicated bulk mail operation, J logistics. The service provides a competitive migration path from the standard public rates and enables those clients meeting the access criteria to post from as little as 25 packets at a time. JPL will work with these customers to ensure they are accessing the most cost effective service.

Despite the real cost pressures faced by JPL to proposed prices compare favourably with those in other jurisdictions i.e.

		<b>Jersey Post (Proposed) 08/05/2010</b>	<b>Guernsey Post 01/04/2010</b>	<b>Royal Mail 06/04/2010</b>
Local - Standard	100g	36p	n/a	32p
Local - Premium	100g	39p	36p	41p
UK	100g	45p	45p	n/a
Europe	20g	45p	50p	60p
International	10g	55p	55p	67p

The SBP proposal outlined in this document reflects the fact that real competitive pressure operates on the Group in the form of competitors, supplier choice and substitution products. JPL is mindful of its social responsibilities in keeping its services affordable for all.

## 2. INTRODUCTION

Jersey Post Limited (JPL) is submitting its plans to revise its regulated postal products from 8<sup>th</sup> May 2010 within the current price control period established by the Jersey Competition Regulatory Authority (JCRA) on 22 November 2007. The current Price Control period ends on 31 December 2010.

The purpose of this Notification is to seek the JCRA's views on the scope and scale of the product change required to better reflect the costs of the services we provide. The new products being introduced replace our existing price controlled products and better reflect an item's size and weight. This pricing structure is referred to as Size Based Pricing (SBP).

SBP has been introduced in a number of countries such as the UK, Isle of Man, Guernsey, Denmark, Germany, Ireland, Australia, Japan, and the United States. In the UK, SBP was adopted in August 2006 and is generally known as Pricing in Proportion ("PiP"). JPL believes that the SBP model operated by Royal Mail is a sound basis on which to base its proposals. For this reason a brief background to how PiP was introduced in the UK is included within this Price Notification.

JPL first introduced SBP to its bulk customers in 2005 and, by introducing SBP across its full range of Postal Packets, Jersey Post is ensuring industry standards are adhered to.

In summary Jersey Post's proposals are to:

- introduce SBP for local, UK, European and International letters up to 2kg, simplifying tariffs where possible;
- simplify its tariffs between 2kg and 10kg;
- introduce a new service offering a 3 day delivery standard for local letters providing customers with greater choice;
- continue to offer cost reflective business tariffs lower than public tariffs; and
- align its public tariffs with its bulk straight line prices.

This submission **does not** affect the bulk business tariffs which are excluded from the JCRA Price Control and have been size-based since 2005.

This Price Notification results in an overall increase in revenue generated by JPL of 3.8% (£257,000). The 3.8% proposed increase is within the range of price increases discussed with the JCRA and its advisors Frontier Economics in December 2009. Following extensive sampling carried out by JPL, it has been determined that 4% of locally posted mail (21% excluding bulk mail) will be affected by the further introduction of SBP.

The impact analysis that JPL has carried out shows that 66% of customers will see little or no increases.

To continue to offer an alternative choice of products and services to its customers, and to mitigate increases for those most affected, JPL has introduced a bulk large letter and packet service. This service is available from JPL's dedicated bulk mail operation, J logistics. The service provides a competitive migration path from the standard public rates and enables those clients meeting the access criteria to post

from as little as 25 packets at a time. JPL will work with these customers to ensure they are accessing the most cost effective service as well as keeping the access criteria under review.

JPL will continue to work with its customers in identifying what they can do to minimise the impact of the proposed new price structure, having already completed this with their logistics customers.

At this time JPL is unable to offer a new standard service for items to the UK, however this will be kept under review. The JCRA has been provided with a further confidential and customer-specific document which also demonstrates compliance with the JCRA Price Control.

### **3. BACKGROUND TO THE PROPOSED TARIFF CHANGES**

#### **3.1. The cost of the Universal Service Obligation (USO)**

Since JPL was incorporated on the 1 July 2006 it has transformed itself into a successful commercial business dealing with the conflicting pressures of providing a social postal service in the form of the Universal Service Obligation (USO) and delivering a financial return to its shareholder, the States of Jersey.

Customers require postal prices that are competitive. Historically the profits generated from the business sector have funded the cost of the Island's USO. However, faced with competition from alternative media and new entrants to the market, both of which have had a significant and adverse impact on volumes generated by the business sector, this cross-subsidy is no longer sustainable.

The purpose of the JCRA's Price Control, which was finalised in November 2007, was to assist JPL in funding the cost of the USO. The USO is outlined in JPL's Class II Public Postal Operator's Licence issued by the JCRA as follows:

- "To provide at least one Collection of Mail, generated within the Island of Jersey, which should be made from each Access Point each Working Day;
- 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, each Working Day;
- 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;
- The Licensee shall use all reasonable endeavours to set collection times at the latest possible times to access key transport connections;
- 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;
- 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; and
- 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."

JPL's 2009 (Jan - June) performance against targets as reported to the JCRA for next day delivery are as follows:

	JCRA Target	Actual Performance	% by which the target was exceeded
Jersey to UK	82%	87%	5%
UK to Jersey	82%	88%	6%
Jersey to Guernsey	84%	88%	4%
Guernsey to Jersey	84%	85%	1%
Jersey to Jersey	95%	97%	2%

[Source: Report to JCRA, 11 August 2009]

The funding of the USO, which JPL forecasts to cost £5m in 2010, continues to be adversely affected by the dramatic decline in letter mail volumes (2009:14%, projected 2010: 9%) as a result of the world-wide recession and electronic substitution. The downward trend is expected to continue. However because JPL's licence requires it to maintain the USO, JPL's costs do not decline in proportion as a significant number of the underlying costs are fixed. For example, a reduction in mail volumes does not automatically equate to a simple reduction in the number of delivery staff. Property development on the Island is increasing the number of delivery points that require a daily delivery service. In simple terms, JPL has the same number of postmen and postwomen delivering less mail to an increasing number of addresses every day.

### 3.2. Financial Overview

Article 8(3) of the Postal Services (Jersey) Law 2004 (the "Law") requires the JCRA and the Minister for Economic Development to consider whether the services provided by JPL are, amongst other things:

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

Condition 20.3 of JPL's Class II Public Postal Operator Licence (the "JPL Licence") states that the JCRA may, after consultation with JPL, determine the maximum level of charges that JPL may apply for Licensed Services or Postal Services provided to fulfil the USO in such a manner as to ensure that the prices:

- enable the Licensee to have sufficient resources to fulfil the USO;
- are not excessive;
- are not predatory; and
- in the case of Postal Services provided to fulfil the USO, are affordable.

Further, Condition 20.4 of the JPL Licence states that all published prices, discount schemes and special offers of, or introduced by, JPL for Licensed Services shall be:

- transparent and non-discriminatory; and
- cost-justified.

The JCRA discharges these duties by imposing a price control on JPL.

The changes to the pricing structure being introduced by overseas delivery partners require JPL to review the "size" based element of its public tariff pricing structure. In doing so JPL has also taken the opportunity to include the "size" element into the local tariffs reflecting the extra cost of collecting, processing and delivering a "large letter" or "packet" compared to a "letter" of the same weight. The principle is commonly referred to as "Size-Based Pricing" or "SBP".

The move to SBP ensures that JPL's tariffs are increasingly cost reflective, with the broader communication market's competitive forces setting our prices and consequently the profit or loss earned by JPL i.e. email and e-retailing are real competitive threats. For example:

- consumers frequently purchase goods from the internet for off island delivery and it is only rarely these items are posted from Jersey;
- countervailing purchasing power is regularly used by our major customers to hold down the price they pay;
- companies frequently offer incentives to their customers for online transactions and services such as online billing; and
- electronic substitution is reducing the amount of physical letters.

In its Price Control, the JCRA determined that JPL was allowed to earn certain revenues in order to partially fund the USO, with the balance of the funding coming from JPL's non price controlled products. Jersey Post was effectively left to manage its own costs and consequently its profitability. Real competitive pressures faced by JPL, most noticeably from the internet, Royal Mail and Guernsey Post, have resulted in declining traditional mail volumes which in turn has resulted in JPL not recovering the Price Controlled Revenue target set by the JCRA, putting more pressure on JPL's non-price controlled business to fund the USO. JPL estimates that, even by implementing the proposals in this document, it will fall short of the JCRA revenue target by £1m, reflecting the real competition JPL faces in its market place.

#### **4. KEY ISSUES IMPACTING ON THE TRADING PERIOD 2010/2011**

##### **4.1. Royal Mail contract**

Jersey Post and Royal Mail are both committed to the development of a more sustainable and a more commercial agreement, one which reflects the actual cost of the format of mail which is handled. In 2006 Royal Mail introduced pricing based on the size of the mail item as well as its weight, following the lead of many of the postal administrations around the world.

In Jersey it costs on average 48% more to sort, handle and deliver larger local letters and 110% more for a local packet than standard size letters. Large and irregular shaped packages take up more space in postbags and vans and cost more to handle. This means that most light but bulky items are priced below cost. Royal Mail has been increasingly reflecting these handling costs in their agreements with Jersey Post since 2007, to the extent where it is no longer possible to continue to provide prices simply based on the weight of the item.

JPL has continued to review the UK mail market to identify alternative delivery partners, with the capability to provide more competitive solutions whilst maintaining the level of quality our customers demand. This review confirmed that;

- Royal Mail is the only provider who can offer a reliable UK-wide last mile delivery solution;
- Whilst at the tariff level there are potential savings from Royal Mail's downstream access (DSA) products they are not a viable solution for public tariff mail due to sortation, documentation and “trunking” costs as well as minimum access criteria.
- The costs borne by Jersey Post for European and International mail are regularly benchmarked to ensure they reflect market value.

In addition to restraining Public Tariff increases, JPL has also introduced lower business tariffs since 2007 to reflect the efficiencies it achieves when processing business mail. Typically these prices are 4% cheaper than public tariffs.

#### 4.2. Operational efficiency opportunities

Prior to setting JPL's Price Control in November 2007, the JCRA conducted an Efficiency Review of JPL's business. The JCRA concluded that "Jersey Post was an efficient operator although it is appropriate in line with overseas experience to expect Jersey Post to seek a modest target for further efficiency savings."<sup>1</sup> The JCRA assessed the "modest" target as £2.8m over the period of the Price Control, which ends on 31 December 2010. JPL is currently forecast to meet the targeted efficiencies.

- JPL works closely with the JCRA regarding on-going efficiency reviews. Further initiatives to transform its cost base over 2010 - 2012 have already been discussed with the JCRA and are designed to maximise efficiencies, reduce our cost base and keep any future price rises to a minimum.
- A further efficiency review is scheduled to be carried out by the JCRA before the next Price Control period.

Key to delivering business success is the Group's 'Partnership' working approach which is delivering significant changes within our business through open dialogue and involvement of stakeholders and, in particular, the Communications Workers' Union (CWU).

#### 4.3. Advantages and disadvantages of SBP

JPL considers that in the light of the underlying cost drivers and the significant cost increases in the new Royal Mail contract, there are likely to be a number of advantages and disadvantages to SBP, compared with retaining the existing weight-based structure. These are briefly described below.

##### 4.3.1. Advantages

- more cost-reflective prices, resulting in fairer prices to customers;
- a fairer pricing structure, with customers facing prices that reflect, as well as reasonably possible, the costs incurred in conveying their postal items;
- protecting mailers of smaller items from the cost increases associated with larger items;
- allow mailers of larger items to mitigate the cost increases by switching to smaller sizes; and

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<sup>1</sup> JCRA, Initial Notice Concerning Jersey Post Price Control 24/09/07



- removal of pricing distortions which limit the scope for competition outside the ‘licensable area’.

#### 4.3.2. Disadvantages

- an initial increase in complexity as it is likely to be more difficult for postal users to calculate the right postage as both the weight and size of the item have to be taken into account. JPL will be working with its customers to reduce any impact;
- potentially higher costs to some customers in what is already a difficult economic environment. Mail might need to be redesigned to take advantage of lower priced products, customers’ equipment (such as scales) may need to be upgraded to help automate the process, etc.; and
- Potential additional costs of compliance (e.g. additional costs to ensure that items have appropriate postage and revised processes to calculate and recover any shortfall from addressees where appropriate).

Overall Jersey Post considers that the advantages outweigh the disadvantages.

#### 4.4. SBP in the UK

The process to introduce SBP in the UK started with Royal Mail consulting with some of its customers about the potential change to SBP<sup>2</sup> and in March 2005 Royal Mail published its SBP proposals. Following a period of public consultation Postcomm announced its decision to approve SBP in August 2005.

##### Rationale for introducing SBP

There have been four main reasons why Royal Mail and Postcomm decided to adopt SBP in the UK. Each of these reasons is set out below.

##### 4.4.1. Better alignment of prices with cost

Royal Mail introduced SBP to bring its pricing structure more into line with its costs. Whereas UK mail prices had historically been set purely based on weight, the size and shape of items largely determined the costs of collecting, sorting and delivering letters and packets<sup>3</sup>. Royal Mail argued that different formats of mail (Letters, Large Letters, and Packets) incur significantly different handling costs. For example, items that cannot be easily machine sorted usually take up more transportation capacity. Also items that cannot be delivered through letterboxes incur higher costs than those items that can, for example, because several delivery attempts may have to be made. On the other hand, letters (broadly speaking, thin items up to half of A4 size) are less costly. The items that tend to impose larger costs are Large Letters (broadly speaking, items up to A4 size and up to an inch thick, sometimes known as “Flats”) and Packets (bulky items). Royal Mail also argued that under purely weight-based pricing the prices for heavier weight items were significantly in excess of the cost of handling these items.

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<sup>2</sup> <http://www.royalmailgroup.com/portal/rmg/content1?catId=23200532&mediald=23700549>

<sup>3</sup> Royal Mail News Release at <http://www.royalmail.com/portal/rm/content1?catId=400126&mediald=11000125>

#### 4.4.2. Enabling sustainable and effective competition

Postcomm issued a consultation document on the Royal Mail proposals in April 2005<sup>4</sup>. The Postcomm consultation set out that there were a number of strategic reasons why Royal Mail wanted to better align its prices with costs. From 1 January 2006, Royal Mail lost its remaining monopoly within the UK postal services market. The market is now fully open to any licensed competitor wishing to provide customers with alternative products and services.

#### 4.4.3. Acting in a more commercial manner

Royal Mail was responding to increasing pressure from its shareholder (the Government) to act in a more commercial manner. In the past, Royal Mail focussed more on its overall profitability than on a commercial assessment of the margins earned on different types of mail items.

#### 4.4.4. Fairer and more appropriate prices for customers

Finally, Royal Mail wished to continue to develop and encourage its customers to use efficient posting methods. This is only possible if customers pay the costs that Royal Mail reasonably incurs in providing services to them. Generally speaking, it can be considered fairer and more appropriate for customers to pay prices that reflect, as well as reasonably possible, the costs incurred in conveying their postal items.

### 4.5. Projected impact of SBP in the UK

The April 2005 Postcomm consultation explained that the pricing of about two thirds of the volume of products affected by SBP would not change. This was due to Royal Mail's proposal to keep the standard letter price for all products unchanged. In addition, Royal Mail's proposal to extend the 0-60g weight step up to 100g would result in a price decrease for heavier letters within this step.

It was therefore envisaged that the '*rebalancing*' under SBP would affect about one third of the volume from all products affected by SBP. The consultation also pointed out that the general effect was to raise prices for relatively light but large or unusually shaped postal items, and to lower prices for relatively heavy postal items. Initially, Royal Mail did not propose to introduce SBP for international mail. It is important to note that Postcomm had already made it clear that they would not allow Royal Mail to increase its overall revenue as a result of the introduction of SBP. As part of its assessment Postcomm would ensure that Royal Mail's proposals would be "revenue neutral".

The situation in Jersey is slightly different. At the time Royal Mail introduced SBP, the price control imposed on them by Postcomm did not allow them to increase their overall prices, hence the requirement to be revenue neutral. In Jersey, the Price Control imposed on Jersey Post by the JCRA does allow for increases in prices, particularly as mail volumes are falling.

Royal Mail also proposed a rebate scheme for some of the worst affected customers in the two years following the introduction of SBP. This was to be based on the increase in a customer's total postage bills following SBP and the total amount the customer spends with Royal Mail. In practice this only covered large businesses and it

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<sup>4</sup> <http://www.psc.gov.uk/postcomm/live/policy-and-consultations/consultations/pricing-in-proportion/141803120final.pdf>

seems that only one customer benefited from this scheme<sup>5</sup>. Consequently Jersey Post does not propose to introduce a similar scheme.

#### 4.6. Postcomm assessment criteria

After having received Royal Mail's proposals to adopt SBP, Postcomm raised a number of specific issues during the consultation process, such as:

- the robustness of Royal Mail's cost data;
- the cost reflectivity of Royal Mail's proposals;
- the revenue neutrality of Royal Mail's proposals;
- the appropriate length of notice period before such a change in price structure could be introduced;
- Royal Mail's communication programme for informing postal users of such a change in price structure;
- Royal Mail's mitigation scheme; and
- the extent to which Royal Mail would be able to adjust the indicative prices it has proposed for PiP before final implementation.

The consultation process resulted in Postcomm developing a number of specific criteria to assess Royal Mail's proposals. Postcomm required Royal Mail to demonstrate that its proposals would:

- be revenue neutral (within the context of the wider price control);
- lead to prices for the service being more cost reflective than they would be if the existing pricing basis were retained;
- be introduced in a manner that avoids unreasonable changes for users of the service;
- not lead to a circumvention relating to non-price terms; and
- not lead to a failure to provide services priced in a manner referred to in the European Postal Services Directive (e.g. prices "geared to costs").

Postcomm also pointed out that in practice the first three criteria would be the most significant and be the primary focus of its review. JPL has been working with the JCRA during the second half of 2009 to address similar issues raised by this Price Notification.

#### 4.7. Advantages and disadvantages of SBP

The adoption of SBP in the UK involved a lengthy consultation process and resulted in the final plans being submitted by Royal Mail to Postcomm in April 2005, which are set out in Postcomm's consultation document<sup>6</sup>. The proposals involved:

- weight steps to reflect the fact that weight was a partial driver of cost;
- a maximum thickness of Large Letters of 5mm and a maximum weight of 100g;
- a maximum thickness of Large Letters of 25mm and a maximum weight of 750g;

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<sup>5</sup> [http://www.psc.gov.uk/postcomm/live/news-and-events/commentary/COMmentary\\_Issue\\_11.pdf](http://www.psc.gov.uk/postcomm/live/news-and-events/commentary/COMmentary_Issue_11.pdf)

<sup>6</sup> <http://www.psc.gov.uk/postcomm/live/policy-and-consultations/consultations/pricing-in-proportion/141803120final.pdf> , paragraph S.16

As part of its consultation process, Postcomm undertook an impact assessment, which concluded that<sup>7</sup>:

*“Royal Mail’s revised SBP proposal is a price rebalancing exercise, which means that there are some prices that rise and others that fall. However, Postcomm believes that the potential benefits from improved cost reflectivity of pricing justify the change being proposed, particularly given the changes Royal Mail has made since its original proposal.”*

JPL did give consideration to the OUR Final Decision<sup>8</sup> to adopt a slightly more complex price structure than that adopted by Royal Mail and IOM. The OUR increased the number of Large Letter products from four to six increasing customer choice at the expense of increasing complexity. JPL has decided, in light of Royal Mail and IOM experience, that sufficient customer choice is available by providing four Large Letter products but will keep this under review.

#### 4.8. Impact of SBP in the UK

In October 2007 Postcomm published a document assessing the impact of the introduction of SBP in the UK<sup>9</sup>. The report noted that a number of organisations had surveyed small business users about the impact of SBP. All of the surveys reported that business costs had risen as a result of SBP, or that SBP had a negative impact on businesses. Postcomm noted that the results of the surveys were of interest, but of limited validity due to survey techniques used and the risk of self-selection bias and the lack of precision in data collection.

Postcomm also asked Royal Mail to submit any analysis about the impact of SBP. Royal Mail responded that it had undertaken little analysis. Nevertheless, it was thought that the two main effects on the demand for postal services had been that (some) customers had:

- substituted one format for another, i.e. they were encouraged to switch to formats that were cheaper to mail; or
- abandoned postal services and moved to other forms of communication media, because SBP was too complicated.

The Postcomm report’s main findings were as follows:

- Royal Mail implemented SBP well;
- the effects on the demand for postal services are difficult to track;
- suppliers to the postal industry were made aware of and responded to SBP;
- Post Offices responded well to SBP;
- Royal Mail’s mitigation scheme had limited availability and only one customer benefited from it;
- The National Audit Office (NAO) complimented Postcomm’s Impact Assessment; and
- Postwatch research has been invaluable in helping track the effects of SBP.

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<sup>7</sup> <http://www.psc.gov.uk/postcomm/live/policy-and-consultations/consultations/pricing-in-proportion/14473SBPAnnex.pdf>

<sup>8</sup> OUR : Guernsey Post Proposed Tariff Changes - Final Decision December 2009.

<sup>9</sup> [http://www.psc.gov.uk/postcomm/live/policy-and-consultations/consultations/pricing-in-proportion/2007\\_10\\_22\\_PiP\\_Closure.pdf](http://www.psc.gov.uk/postcomm/live/policy-and-consultations/consultations/pricing-in-proportion/2007_10_22_PiP_Closure.pdf)

JPL will closely monitor the impact of SBP on its customers and work with the JCRA to assess the ongoing impact on the Jersey Postal Market.

#### **4.9. SBP of international mail products in the UK**

Royal Mail's March 2005 revised application to Postcomm did not propose the introduction of SBP for any of its international products. However, at a later stage in the process Royal Mail notified Postcomm of its intention to extend SBP to its international products (e.g. retail, surface and airmail international products).

Postcomm stated in its August 2005 decision document<sup>10</sup> that it would first need to assess whether international products have a higher proportion of their costs vary by weight. Postcomm noted that the cost structure for international mail is significantly different from that for inland mail, encompassing as it does both air freight charges and international contractual arrangements. Although, Postcomm did not rule out the possibility of extending SBP to include international products, it said it would expect Royal Mail to come forward with a justification for its proposal to extend SBP to these products.

The situation in Jersey is different to that of the UK with a significantly greater proportion of the Island's mail being delivered in other jurisdictions and the charges JPL pays other administrations are increasingly size and weight based. In Guernsey the OUR have allowed Guernsey Post to introduce SBP for European and International Mail from 1 April 2010.

#### **4.10. Similarities between the UK and Jersey regulatory regimes**

It could be argued that the regulatory regimes in the UK and Jersey are similar, including broadly speaking similar objectives. In both regimes it is recognised that cost reflectivity and competition can play key roles in protecting postal customers. As previously outlined, the main drivers to introduce SBP in the UK were:

- Better alignment of prices with cost
- Enabling sustainable and effective competition
- Acting in a more commercial manner
- Fairer and more appropriate prices for customers

Within Jersey, JPL believes that cost reflectivity and competition are important tools in protecting postal customers, as long as the USO funding is being met. JPL believes that the introduction of SBP can contribute to increasing competition and greater cost reflectivity which would have a beneficial impact on postal users through greater choice and fairer prices.

#### **4.11. Difference between UK and Jersey**

##### **4.11.1. Revenue neutrality**

In the UK, Postcomm made clear at an early stage in the process that any Royal Mail proposals to introduce SBP would have to be revenue neutral which reflected the Postcomm Price Control at the time. The introduction of

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<sup>10</sup> <http://www.psc.gov.uk/postcomm/live/policy-and-consultations/consultations/pricing-in-proportion/17024PiPdecdoc.pdf>

SBP in the UK therefore consisted of the ‘rebalancing’ of tariffs, with tariffs for relatively light but large or unusually shaped postal items going up and tariffs for small and thin, but relatively heavy, postal items going down.

The Price Control imposed on JPL by the JCRA does not require JPL’s proposals to be revenue neutral, but the revenues must not exceed those allowed.

#### **4.11.2. Standard Mail**

Unlike Royal Mail, Jersey Post does not currently offer two different classes of local service to the public. However following feedback from its customers, who have indicated that they would like a choice in service levels available to them we now plan to introduce a new Standard Service for delivery within three days. Jersey Post believes that, with the introduction of SBP where some prices will rise considerably, it is appropriate to offer a standard and premium class postal service in Jersey to mitigate the impact.

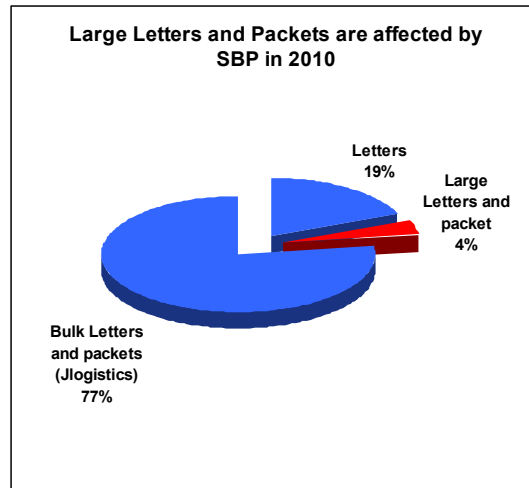
#### **4.11.3. European and International mail products**

Although Royal Mail has not so far adopted SBP for the international mail products it offers to its UK customers, it has introduced SBP for the charges it levies on JPL for delivery of international mail. JPL is proposing to introduce an adaptation of SBP for International mail, which mirrors the formats for the UK and local mail in terms of format. Because the price of European and International mail is greater than local or UK mail, JPL believes that postal users would be disadvantaged if the number of weight steps were similarly reduced. To help achieve JPL’s aim of simplifying its tariffs, JPL has simplified its European and International tariffs by reducing the current three zones into two, namely ‘Europe’ and ‘Rest of the World’ i.e. merging the current two “international” tariffs.

### **5. PROPOSED PRICES**

#### **5.1. Pricing principles**

Before considering any changes to its tariffs, JPL has strived to minimise any unavoidable increases in cost. Where possible, prices are maintained, reduced or alternatives provided for customers. JPL estimates that 4% of locally posted mail is affected by the proposed changes:



Inevitably a small sector of Jersey Post's customers will see increases in the prices they pay, similar to those increases experienced by customers in other jurisdictions where SBP has been introduced. Under SBP the price customers pay is more cost reflective with:

- customers posting letters seeing little or no impact;
- customers posting light large items paying more; and
- customers posting heavy large items paying less.

In determining its prices under the proposed new structure JPL has followed the following principles:

- all products must have a positive Net Revenue, making a positive contribution to the fixed cost USO;
- customer choice will be increased;
- all product prices must better reflect their relative costs;
- simplification of JPL overall tariff structure;
- opportunities for arbitrage will be avoided by assessing all prices in relation to each other across JPL's whole portfolio of products; and
- the Net Revenue from each product will be determined by the market.

## 5.2. 2010/2011 price objectives

In support of these principles JPL has set the following objectives:

- to implement SBP on 8 May 2010;
- to ensure that prices are competitive and increasingly cost reflective;
- to ensure ongoing choice for our customers;
- to simplify the service offering;
- to reduce the level of cross-subsidy that currently exists between different formats (sizes) of mail;
- to reduce the level of cross-subsidy that currently exists between business and social mail;
- to maintain the public reputation of JPL throughout the exercise; and

- to ensure that the submission is prepared and progressed in line with the requirements of the JCRA.

### 5.3. Public tariff proposal

JPL is proposing a restructuring of its tariffs for both social and business customers (excluding Bulk Mail customers<sup>11</sup>) so that our products:

- are more cost reflective;
- make an appropriate contribution; and
- provide customers with choice.

Aligning our prices with our cost profile is not a new approach in itself, as this was successfully introduced in 2005 for our bulk letters and packet customers. Whilst these customers experienced a learning curve in implementing new processes, the benefits were delivered by minimising the impact of increasing charges from Royal Mail. However certain anomalies have built up over time with our standard tariffs, which we wish to address.

As outlined above, the real driver for change at this time is the change in structure of the charges we incur and what we pay other operators, and in particular Royal Mail, for handling our outbound mail.

As discussed previously, in August 2006 Royal Mail introduced 'Pricing in Proportion' ('PiP') to the UK. It costs Royal Mail (and indeed JPL) more to sort, handle and deliver larger envelopes and items than smaller letters. Large and irregular shaped packages take up more space in postbags and vans and cost more to handle. In effect, before Royal Mail's PiP was introduced, most light but bulky items were priced below cost, whereas smaller, heavier items were generally overpriced. Royal Mail therefore changed their business and social pricing systems to more accurately reflect their costs. In addition Royal Mail charges their postal partners, including JPL, using the same mechanism.

The cost arguments that apply to Royal Mail and other postal authorities also apply to JPL. JPL therefore plans to introduce size-based postal charges to ensure that its pricing is more cost-reflective going forward.

### 5.4. Our Current Pricing

There is no distinction between the different sizes of items. Prices increase from a fixed base in fixed weight steps, which are different depending on whether an item is for delivery in Jersey, UK or further afield. For tubular or cylindrical packages, the maximum length is 900mm. In addition, the item's length, when added to twice the diameter, must not exceed 1,040mm.

Our proposed pricing structure:

- The proposal is to introduce SBP for all mail. Whilst the level of our cost of handling local mail is not directly impacted by Royal Mail charges, the same cost drivers apply in terms of handling larger items, and re-delivery of those items which cannot be put through a letter box if customers are not available to accept them.

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<sup>11</sup> Weight- and volume-related tariffs were introduced for these customers in 2005



The changes in summary:

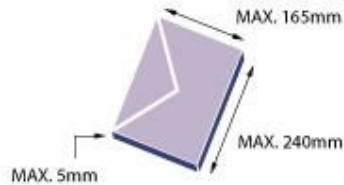
- Under SBP there will be three categories of mail, mirroring those in the UK: Letter, Large Letter and Packets, each based on size as well as a maximum weight of 2kg.
- To continue to provide choice to our business and residential customers posting within Jersey, we propose to introduce a standard service as well as the existing priority service. The target delivery for standard service will be 95% of mail delivered within 3 days following the day of posting. The priority service remains unchanged.
- Currently the Standard service has only been introduced for local mail where consolidation of mail can result in real delivery cost savings. The fixed cost of the “mail plane” and our agreement with Royal Mail do not currently provide an opportunity to introduce a similar service for UK, European or international mail. We will keep this under review.
- JPL proposes to introduce a simplified parcel tariff for local, UK, IOM and other CI destinations, which will benefit customers posting larger and heavier items. The proposal is to introduce two bands for local and three for UK, IOM and other CI destinations. A reduced account tariff for parcels will also be introduced.
- Headline prices are shown below; please see Annex 1-2 for full pricing schedule.

## 6. PRODUCT DESCRIPTION

### 6.1. Local, UK, IOM, & Other CI

#### 6.1.1. Letters

C5 or under. Up to 100g. Less than 5mm thick\*.



For example: most letters; postcards; bills and statements; some brochures and catalogues; most greetings cards.

\*5mm thick is the equivalent of 12 pieces of A4 standard photocopied/office printed paper folded in half in a C5 envelope.

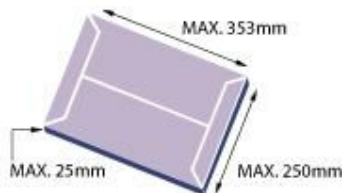
		Weight (g)	Jersey		UK, IOM & Other CI's	
			Current	Proposed	Current	Proposed
Standard	Stamp	Up to 100	n/a	36p	n/a	n/a
	Account**	Up to 100	n/a	34p	n/a	n/a
Priority	Stamp	Up to 100	37p	39p	42p	45p
	Account**,	Up to 100	36p	36p	41p	40p

\*\*Postage Account & Franking Meter customers

Those customers choosing to use the Standard Service will experience a 3% reduction in the price of a basic letter.

#### 6.1.2. Large Letters

C4 or under. Up to 750g. Less than 25mm thick.



For example: letters containing unfolded A4 paper; most brochures, catalogues and company reports; CDs & DVDs.

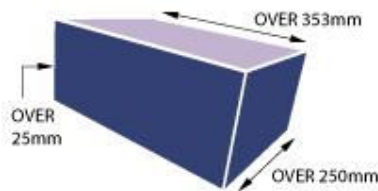
		Weight (g)	Jersey		UK, IOM & Other CI's	
			Current	Proposed	Current	Proposed
Standard	Stamp	Up to 100	n/a	54p	n/a	n/a
	Account**	Up to 100	n/a	52p	n/a	n/a
	Stamp	101-250	n/a	81p	n/a	n/a

	Account**	101-250	n/a	78p	n/a	n/a
<b>Priority</b>	Stamp	Up to 100	37p	60p	42p	72p
	Account**	Up to 100	36p	58p	41p	68p
	Stamp	101-250	97p	90p	£1.33	96p
	Account**	101-250	94p	86p	£1.29	91p

\*\*Postage Account & Franking Meter customers

### 6.1.3. Packets

More than 353mm long or 250mm wide. Up to 10 kilos. More than 25mm thick.



For example: Most books; VHS cassettes; parts and samples; most cylindrical packages.

		Weight (g)	Jersey		UK, IOM & Other CI	
			Current	Proposed	Current	Proposed
<b>Standard</b>	Stamp	Up to 100	n/a	72p	n/a	n/a
	Account**	Up to 100	n/a	69p	n/a	n/a
	Stamp	101-250	n/a	99p	n/a	n/a
	Account**	101-250	n/a	95p	n/a	n/a
<b>Priority</b>	Stamp	Up to 100	37p	80p	42p	£1.30
	Account**	Up to 100	36p	77p	41p	£1.24
	Stamp	101-250	97p	£1.10	£1.33	£1.70
	Account**	101-250	94p	£1.05	£1.29	£1.60

\*\*Postage Account & Franking Meter customers

#### 6.1.4. Impact of proposed changes

- In addition to the public price changes, it is proposed to continue a discount rate of approximately 4% for Postage Account and Franking Meter customers to reflect the lower cost of collecting revenue from these payment channels. This will continue to assist start up and small businesses that do not post enough mail to qualify for our bulk mail discounts.
- JPL will continue to offer a 60g Business Tariff and High Volume Postal Account Tariff for mail delivered between the Channel Island's and the UK to support both small- and medium-sized businesses.
- Details of the proposed prices above are shown in Annexes 1 and 2. In headline terms:
  - 89% of local mail will see a lower price (based on a mix of priority and standard services being used).

	% of mail	Weighted Average increase/decrease <sup>12</sup>	
Letter	89%	(2%)	(1p)
Large Letter	9%	27%	14p
Packet	2%	10%	11p
<b>Total</b>	<b>100%</b>	<b>2%</b>	<b>1p</b>

- 94% of customer mailings to the UK, IOM & other CI's will attract only a very slight increase in price.

	% of mail	Average increase	
Letter	76%	2%	1p
Large Letter	18%	3%	2p
Packet	6%	10%	28p
<b>Total</b>	<b>100%</b>	<b>4%</b>	<b>3p</b>

#### 6.1.5. Price benchmarking

The tables below show the relative price of a 50g and 100g local letter across a selected sample of European countries. The proposed price is shown in red and is one of the most cost-effective prices.

*Comparison of postage charges for 50g and 100g letters (after introduction of proposed SBP)*

<sup>12</sup> These average increases are calculated based on forecast volumes and prices and include assumptions about customer choosing more efficient products which JPL has provided in confidence to the JCRA



The table below shows a comparison of the prices being proposed by Jersey Post against the agreed 2010 rates for Guernsey Post and Royal Mail for a basic letter:

		<b>Jersey Post (Proposed) 08/05/2010</b>	<b>Guernsey Post 01/04/2010</b>	<b>Royal Mail 06/04/2010</b>
Local - Standard	100g	36p	n/a	32p
Local - Premium	100g	39p	36p	41p
UK	100g	45p	45p	n/a
Europe	20g	45p	50p	60p
International	10g	55p	55p	67p

## 6.2. European and International price proposal

JPL is also proposing a restructuring of its European and International tariffs for both social and business customers (excluding Bulk Mail customers)<sup>13</sup> to ensure that services are:

- more cost reflective;
- making an appropriate Net Revenue; and
- providing customers with choice.

As outlined above, the real driver for change at this time is the change in structure of the charges we pay other operators for handling our European and International mail.

The impact of the new charges from our delivery partners is that small reductions in the overall charge disguise large increases for higher weight steps and reductions for lower weight steps.

<sup>13</sup> Weight and volume related tariffs were introduced for these customers in 2005

### 6.2.1. Our Current Pricing

- There is no distinction between the format of items. Prices increase from a base of 20gm in 20gm weight steps with a maximum weight of 2 kilos. The maximum size is 610 x 460 x 460mm. For tubular or cylindrical packages, the maximum length is 900mm. In addition, the item's length when added to twice the diameter must not exceed 1,040mm.
- JPL currently offers one European Pricing "Zone" and two International Pricing "Zones". The distinction between the two international "Zones" has become blurred over time and it is proposed to merge them into one International "Zone".

### 6.2.2. Our proposed pricing structure

- The proposal is to introduce SBP for all European and International Mail, maintaining one European pricing zone and combining the existing two International pricing zones into one new International Pricing Zone.
- The Airmail Postcard Rates to Europe and International destinations has on average the same costs and tariff as a 20g letter, consequently it is proposed to remove these separate tariffs.

### 6.2.3. The changes in summary:

- Under SBP there will be three categories of European and International mail: Letters, Large Letters and Packets. For detail see previous diagrams.
- JPL will continue to offer a 20g Business Tariff for mail delivered to European and a 10g Business Tariff for International destinations to support both small- and medium-sized entities.
- Postage Accounts and Franking Meter customers will continue to be offered rates that reflect the lower cost of processing their mail. Postal Accounts are available, subject to conditions, to customers who spend more than £25 in one transaction.

58% of European mailings will experience a 6% reduction in price, the impact of SBP on European Postings is summarised below (more details can be found in Annex 2):

	% of mail	Weighted Average increase/decrease	
Letter	58%	(6)%	(3)p
Large Letter	27%	36%	33p
Packet	15%	20%	47p
<b>Total</b>	<b>100%</b>	<b>15%</b>	<b>14p</b>

Overall International (Zone 1 & 2) customer mailings will see a price increase by 1% with 67% of postings experiencing a 16% reduction. The impact of SBP on International Postings is summarised below (more details can be found in Annex 3):

	% of mail	Weighted Average increase/decrease	
Letter	67%	(16)%	(23)p
Large Letter	21%	22%	55p
Packet	14%	9%	54p
Total	100%	1%	3p

### 6.3. Parcels price proposal

JPL has looked to simplify its parcel tariff across its Local and UK products as well as introducing new rates for Account customers.

		Weight (g)	Jersey	
			Current	Proposed
Standard	Stamp	2kg-10kg	£7.54	£7.50
	Account**	2kg-10kg	£7.54	£7.00
	Stamp	10kg - 30 kg	£10.65	£10.00
	Account**	10kg - 30 kg	£10.65	£9.50

		Weight (g)	UK, IOM & Other CI's	
			Current	Proposed
Standard	Stamp	2kg-5kg	£13.52	£10.00
	Account**	2kg-5kg	£13.52	£9.50
	Stamp	5kg - 10 kg	£14.95	£12.00
	Account**	5kg - 10 kg	£14.95	£11.40
	Stamp	10kg - 30 kg	£17.08	£14.00
	Account**	10kg - 30 kg	£17.08	£13.30

### 6.4. Bulk Large letter and Packet Unsorted service

To continue to offer a choice of products and services to its customers JPL has introduced a bulk large letter and packet service. This service is available from JPL's dedicated bulk mail operation, J logistics. The service provides a competitive migration path from the standard public rates and enables those clients meeting the access criteria to post from 25 packets at a time.

## 7. CUSTOMER IMPACT

JPL is mindful of the experiences of some of Royal Mail and IOM Post Office customers when PiP (SBP) was introduced in those jurisdictions. JPL anticipates that some customers may experience a similar impact when JPL adopts SBP. JPL estimates that 66% of customers will experience little or no change, the remaining customers may experience significant changes if they make no changes to the profile of their mailings.

- JPL has analysed the potential impact on a sample of customers paying greater than £10,000 p.a. in postage

<b>% increase in postage bills</b>	<b>Number of customers</b>	<b>% of sample</b>
0-10%	12	66.0
11-30%	1	5.5
31-70%	0	0.0
>70%	5	28.5
<b>Total</b>	<b>18</b>	<b>100%</b>

- Those customers most affected post lightweight bulky items under 100g, changes in mail volumes no longer make those prices sustainable. The impact will be lessened for these clients as they can now take advantage of the bulk rates offered by JPL.
- JPL is minimising the impact on business customers affected by the introduction of SBP by maintaining advantageous rates for Postage Account and Franking Meter customers. JPL will also work with its customers posting gifts and merchandise to ensure the most suitable packaging is being used to access the most cost effective product. JPL will also work with customers posting letters to ensuring they maximise the benefits of our new SBP. JPL will continually review customers as their mail profile changes and discuss with them options to ensure the most cost effective product is used.

## **8. STAKEHOLDER ENGAGEMENT**

The process of engaging major customers in the introduction of SBP has already commenced and further activity is planned both over the coming weeks and in the run up to implementation of the SBP. The key stakeholders include:

- major customers;
- the Consumer Council;
- JPL employees;
- the Minister for Treasury & Resources;
- the Minister for Economic Development; and
- the JCRA.

An outline communication plan is at included at Annex 6.

## **9. IMPLEMENTATION OF PRODUCT AND PRICE CHANGES**

The objective of our communications plan is to ensure that all customers:

- are aware of the change to SBP by launch date, 8 May (the last price increase was on 6 May 2009);
- understand how to calculate the price of mail; and
- understand the reasons why JPL is implementing SBP.



During the period of review with the JCRA we will be in discussion with our major customers to help them fully understand the impact of the price changes on their systems and processes (e.g. billing) and to provide assistance with the transition.

## **10. CONCLUSION**

The changes to the pricing structure being introduced by overseas delivery partners require JPL to review the "size" based element of its public tariff pricing structure. In doing so JPL has also taken the opportunity to include the "size" element into the local tariffs reflecting the extra cost of collecting, processing and delivering a "large letter" or "packet" compared to a "letter" of the same weight. The principle is commonly referred to as "Size-Based Pricing" or "SBP".

The introduction of SBP ensures ongoing choice for our customers. It removes the current cross-subsidy effect of a purely weight-based pricing structure and the prices charged are competitive and increasingly cost reflective. Further details have been provided to the JCRA in the confidential submission. Introducing SBP also enables us to simplify our service offering to our customers and introduce a standard that is already in use worldwide.

Analysis of public postal prices charged by Royal Mail, Guernsey Post, IOM Post and Jersey Post

Tariff Band	Format	Weight (g)	Royal Mail 1st Class 2010 pence	Royal Mail 2nd Class 2010 pence	Guernsey <sup>1</sup> 2010 pence	IOM 2009 pence	Jersey Post 2009 pence	Jersey Post Priority 2010 pence	Jersey Post Standard 2010 pence	Jersey Post Business Priority 2010 pence	Jersey Post Business Standard 2010 pence
Local	Letter	100	41	32	36	32	37	39	36	36	34
Local	Large Letter	100	66	51	48	50	37	60	54	58	52
Local	Large Letter	250	96	81	56	88	80	90	81	86	78
Local	Large Letter	500	132	111	78	121	156	120	108	114	104
Local	Large Letter	750	187	159	110	173	258	150	135	143	130
Local	Packet	100	139	117	71	100	37	80	72	77	69
Local	Packet	250	172	151	82	158	80	110	99	105	95
Local	Packet	500	224	195	108	209	156	140	133	133	121
Local	Packet	750	275	236	160	258	258	210	189	200	181
Local	Packet	1000	335	284	230	317	334	280	252	266	242
Local	Packet	1250	450	n/a	300	434	414	350	333	353	302
Local	Packet	1500	520	n/a	370	502	494	420	378	399	363
Local	Packet	1750	590	n/a	440	570	574	490	441	466	423
Local	Packet	2000	660	n/a	510	640	654	560	504	532	484
Local	Packet/Parcel	4000	822	n/a	1070	1240	1294	690	662	662	662
Local	Packet/Parcel	6000	1102	n/a	1630	1840	1368	920	883	883	883
Local	Packet/Parcel	8000	1382	n/a	2190	2440	1624	920	920	883	883
Local	Packet/Parcel	10000	1662	n/a	2750	3040	1631	920	920	883	883
Local Business Rate		60									31
Local High Volume Business Rate		60									29
Domestic	Letter	100	41	n/a	45	32	42	45	n/a	40	n/a
Domestic	Large Letter	100	66	n/a	58	50	42	72	n/a	68	n/a
Domestic	Large Letter	250	96	n/a	125	88	111	102	n/a	91	n/a
Domestic	Large Letter	500	132	n/a	195	121	222	132	n/a	120	n/a
Domestic	Large Letter	750	187	n/a	230	173	345	162	n/a	149	n/a
Domestic	Packet	100	139	n/a	90	100	42	130	n/a	124	n/a
Domestic	Packet	250	172	n/a	193	158	111	170	n/a	160	n/a
Domestic	Packet	500	224	n/a	280	209	222	230	n/a	217	n/a
Domestic	Packet	750	275	n/a	386	258	345	350	n/a	331	n/a
Domestic	Packet	1000	335	n/a	481	317	454	420	n/a	397	n/a
Domestic	Packet	1250	450	n/a	576	434	564	490	n/a	464	n/a
Domestic	Packet	1500	520	n/a	671	502	674	560	n/a	530	n/a
Domestic	Packet	1750	590	n/a	766	570	784	630	n/a	597	n/a
Domestic	Packet	2000	660	n/a	861	640	894	700	n/a	663	n/a
Domestic	Packet/Parcel	4000	822	n/a	1621	1240	1774	1317	n/a	1,264	n/a
Domestic	Packet/Parcel	6000	1102	n/a	2381	1840	2126	1381	n/a	1,326	n/a
Domestic	Packet/Parcel	8000	1382	n/a	3141	2440	2257	1438	n/a	1,380	n/a
Domestic	Packet/Parcel	10000	1662	n/a	3901	3040	2286	1495	n/a	1,435	n/a
Domestic Business Rate letters		60									35
Domestic High Volume Business Rate letters		60									34
Domestic Business Products (non stamp)		60									n/a

<sup>1</sup> The most applicable tariffs have been used for comparative purposes, full details can be found in the December 2009 OUR Final Decision on Guernsey Posts 2010 Tariffs

Annex 2

Analysis of public postal prices charged by Royal Mail, Guernsey Post, IOM Post and Jersey Post

Annex 2

Tariff Band	Format	Weight (g)	Royal Mail 1st Class 2010	Royal Mail 2nd Class 2010	Guernsey <sup>1</sup> 2010	IOM 2009	Jersey Post 2009	Jersey Post Priority 2010	Jersey Post Standard 2010	Jersey Post Business Priority 2010	Jersey Post Business Standard 2010
European	Letter	10	60	n/a	50	56	n/a	45	n/a	41	n/a
European	Letter	20	60	n/a	50	56	45	45	n/a	41	n/a
European	Letter	40	88	n/a	63	81	61	55	n/a	53	n/a
European	Letter	60	114	n/a	75	105	80	69	n/a	66	n/a
European	Letter	80	139	n/a	88	128	100	84	n/a	81	n/a
European	Letter	100	165	n/a	100	152	117	98	n/a	95	n/a
European	Large Letter	100	n/a	n/a	105	n/a	117	106	n/a	103	n/a
European	Large Letter	150	n/a	n/a	142	n/a	167	142	n/a	139	n/a
European	Large Letter	200	n/a	n/a	166	n/a	214	178	n/a	175	n/a
European	Large Letter	250	n/a	n/a	196	n/a	262	214	n/a	211	n/a
European	Large Letter	300	n/a	n/a	226	n/a	310	250	n/a	247	n/a
European	Large Letter	350	n/a	n/a	256	n/a	358.5	286	n/a	283	n/a
European	Large Letter	400	n/a	n/a	286	n/a	407	322	n/a	319	n/a
European	Large Letter	450	n/a	n/a	316	n/a	455	358	n/a	355	n/a
European	Large Letter	500	n/a	n/a	346	n/a	502	394	n/a	391	n/a
European	Large Letter	550	n/a	n/a	376	n/a	544.5	430	n/a	427	n/a
European	Large Letter	600	n/a	n/a	406	n/a	587	466	n/a	463	n/a
European	Large Letter	650	n/a	n/a	436	n/a	629.5	502	n/a	499	n/a
European	Large Letter	700	n/a	n/a	466	n/a	672	538	n/a	535	n/a
European	Large Letter	750	n/a	n/a	496	n/a	723	574	n/a	571	n/a
European	Packet	100	n/a	n/a	148	n/a	117	151	n/a	148	n/a
European	Packet	200	n/a	n/a	218	n/a	214	223	n/a	220	n/a
European	Packet	300	n/a	n/a	288	n/a	310	295	n/a	292	n/a
European	Packet	400	n/a	n/a	358	n/a	407	367	n/a	364	n/a
European	Packet	500	n/a	n/a	428	n/a	502	439	n/a	436	n/a
European	Packet	600	n/a	n/a	498	n/a	587	511	n/a	508	n/a
European	Packet	700	n/a	n/a	568	n/a	672	583	n/a	580	n/a
European	Packet	800	n/a	n/a	638	n/a	757	655	n/a	652	n/a
European	Packet	900	n/a	n/a	708	n/a	842	727	n/a	724	n/a
European	Packet	1000	n/a	n/a	778	n/a	927	799	n/a	796	n/a
European	Packet	1100	n/a	n/a	848	n/a	1012	871	n/a	868	n/a
European	Packet	1200	n/a	n/a	918	n/a	1097	943	n/a	940	n/a
European	Packet	1300	n/a	n/a	988	n/a	1182	1015	n/a	1,012	n/a
European	Packet	1400	n/a	n/a	1058	n/a	1267	1087	n/a	1,084	n/a
European	Packet	1500	n/a	n/a	1128	n/a	1352	1159	n/a	1,156	n/a
European	Packet	1600	n/a	n/a	1198	n/a	1437	1231	n/a	1,228	n/a
European	Packet	1700	n/a	n/a	1268	n/a	1522	1303	n/a	1,300	n/a
European	Packet	1800	n/a	n/a	1338	n/a	1607	1375	n/a	1,372	n/a
European	Packet	1900	n/a	n/a	1408	n/a	1692	1447	n/a	1,444	n/a
European	Packet	2000	n/a	n/a	1478	n/a	1777	1519	n/a	1,516	n/a
European Business Rate airmail letters		20								38	

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			pence	pence		pence	pence	pence	pence	pence	pence	pence
International Letter		10	67	n/a	n/a	55	62	55	55	n/a	51	n/a
International Letter		20	97	n/a	n/a	80	90	80	80	n/a	76	n/a
International Letter		40	146	n/a	n/a	105	135	130	115	n/a	110	n/a
International Letter		60	198	n/a	n/a	130	182	179	150	n/a	145	n/a
International Letter		80	251	n/a	n/a	155	231	230	185	n/a	180	n/a
International Letter		100	304	n/a	n/a	180	280	278.5	220	n/a	215	n/a
International Large Letter		100	n/a	n/a	n/a	182	n/a	278.5	248	n/a	245	n/a
International Large Letter		150	n/a	n/a	n/a	257	n/a	402.75	336	n/a	332	n/a
International Large Letter		200	n/a	n/a	n/a	307	n/a	526.5	424	n/a	420	n/a
International Large Letter		250	n/a	n/a	n/a	370	n/a	651	512	n/a	508	n/a
International Large Letter		300	n/a	n/a	n/a	432	n/a	774.5	600	n/a	596	n/a
International Large Letter		350	n/a	n/a	n/a	495	n/a	652.2525	688	n/a	684	n/a
International Large Letter		400	n/a	n/a	n/a	557	n/a	1024	776	n/a	772	n/a
International Large Letter		450	n/a	n/a	n/a	620	n/a	627.26	864	n/a	860	n/a
International Large Letter		500	n/a	n/a	n/a	682	n/a	1271.5	952	n/a	948	n/a
International Large Letter		550	n/a	n/a	n/a	745	n/a	1392.75	1040	n/a	1036	n/a
International Large Letter		600	n/a	n/a	n/a	807	n/a	1464	1128	n/a	1124	n/a
International Large Letter		650	n/a	n/a	n/a	870	n/a	902.7	1216	n/a	1212	n/a
International Large Letter		700	n/a	n/a	n/a	932	n/a	1756.5	1304	n/a	1300	n/a
International Large Letter		750	n/a	n/a	n/a	995	n/a	1877.75	1392	n/a	1388	n/a
International Packet		100	n/a	n/a	n/a	210	n/a	278.5	311	n/a	308	n/a
International Packet		200	n/a	n/a	n/a	335	n/a	526.5	487	n/a	483	n/a
International Packet		300	n/a	n/a	n/a	460	n/a	774.5	663	n/a	659	n/a
International Packet		400	n/a	n/a	n/a	585	n/a	1024	839	n/a	835	n/a
International Packet		500	n/a	n/a	n/a	710	n/a	1271.5	1016	n/a	1012	n/a
International Packet		600	n/a	n/a	n/a	835	n/a	1514	1192	n/a	1188	n/a
International Packet		700	n/a	n/a	n/a	960	n/a	1756.5	1368	n/a	1364	n/a
International Packet		800	n/a	n/a	n/a	1085	n/a	1999	1544	n/a	1540	n/a
International Packet		900	n/a	n/a	n/a	1210	n/a	2241.5	1720	n/a	1716	n/a
International Packet		1000	n/a	n/a	n/a	1335	n/a	2484	1896	n/a	1892	n/a
International Packet		1100	n/a	n/a	n/a	1460	n/a	2726.5	2072	n/a	2068	n/a
International Packet		1200	n/a	n/a	n/a	1585	n/a	2969	2248	n/a	2244	n/a
International Packet		1300	n/a	n/a	n/a	1710	n/a	3211.5	2424	n/a	2420	n/a
International Packet		1400	n/a	n/a	n/a	1835	n/a	3454	2600	n/a	2596	n/a
International Packet		1500	n/a	n/a	n/a	1960	n/a	3696.5	2777	n/a	2773	n/a
International Packet		1600	n/a	n/a	n/a	2085	n/a	3939	2953	n/a	2949	n/a
International Packet		1700	n/a	n/a	n/a	2210	n/a	4181.5	3129	n/a	3125	n/a
International Packet		1800	n/a	n/a	n/a	2335	n/a	4424	3305	n/a	3301	n/a
International Packet		1900	n/a	n/a	n/a	2460	n/a	4666.5	3481	n/a	3477	n/a
International Packet		2000	n/a	n/a	n/a	2585	n/a	4909	3657	n/a	3653	n/a
International Business Rate (Zone 1)		10										50

## Annex 4

### COMMUNICATION & EDUCATION PLAN

JPL is investing significantly to ensure that SBP is successfully communicated and understood by all of its customers by April 2010. A broad section of customers, organisations & associations will be communicated with to ensure this is achieved.

The objective of the communication and education plan is to ensure that all customers are aware of the change to SBP by April 2010 and that they understand how to calculate the price of mail and understand the reasons why we are doing it.

To achieve this we will employ a range of marketing techniques across a number of communication channels as detailed below:

#### **Press releases and follow ups**

A series of press releases will be issued to the local media between January and the 'go-live' date of 8 May 2010.

#### **Retail Network SBP Champions**

During March and April 2010 each retail outlet will have staff who are nominated as "SBP champions" and who will be there to educate customers and demonstrate how SBP works. They will demonstrate using the SBP measuring tool that will be developed and used by everyone from May 2010. By this time everyone on the Island will have received their own sizing template.

#### **Website, Customer Services & Retail Network Staff**

Press releases will be published on the JPL website and issued to the local media. Further explanation of SBP including FAQ's will also be available on the site and via the Customer Services telephone team and retail outlet teams.

#### **Direct Mail**

Leaflets will be sent out using JPL's islandMAIL service. The first, in January 2010, will reach all households and will explain the main advantages of moving to SBP. The second, in March, will communicate prices following the public consultation. Prior to implementation we will distribute a sizing template to each household and business in the Island.

#### **Advertising - Local Media**

The full range of local media will be used to reach social and business customers. The Jersey Evening Post is likely to be the key vehicle.

#### **Posters & Leaflets**

Literature will be available across the retail network, which includes Broad Street, Central Market and the sub-post offices to inform and educate customers about the workings and pricing structure of SBP.

#### **Internal Communications**

Press releases together with relevant Q&A's will be circulated via the Intranet prior to these appearing in the media. Additional communication will be carried out using the internal newsletter "Together We Work" at the appropriate times.

#### **Training**

A training programme will roll out in Q1 2010 to ensure that all customer-facing and other relevant colleagues are familiar with SBP.