



Senator Alan Maclean
Minister Economic Development
Jubilee Wharf
Esplanade
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7th December 2010

Dear Minister

Class 1 Postal License Application by TNT Post UK Limited

I write with reference to the application to the JCRA, by TNT Post UK Limited, for a class 1 Postal License, currently going through its initial notice, which is due to end on 23rd December 2010.

Firstly I would like to try to establish our motives for the comments contained within this letter. You will be aware that after much public debate HubEurope were recently granted a Class 1 license by the JCRA, along with Citipost Down Stream Access (DSA).

Jersey is a fragile economy, as no doubt this weeks Budget debate will highlight. The primary reason HubEurope originally applied for its Class 1 license was to offer an alternative to Citipost DSA who, we felt - as a non local company - would compete with Jersey Post and siphon valuable revenue and taxes from the Jersey economy, giving little or nothing back. Our driving force was not primarily to compete with Jersey Post, but to keep postal revenues and profits within the Island economy. In fact because of our unique product, a two day tracked service, HubEurope is not directly threatened by TNT's 3 day DSA offering. HubEurope has and will continue to support Jersey with initiatives such as 'saving the Central Market Post Office'.

In reality the competition offered by HubEurope and Citipost DSA is little more than a "wake up call" for Jersey Post, who have already been forced to take a responsible look at their costs and service offering. To that end competition has been effective. The introduction of competition has done little to effect the USO as it was directed some years ago that deliveries could drop to 5 days a week if required without further consultation. HubEurope has no immediate interest in exploiting the delivery element of its license, which allows us to deliver any inbound items from outside Jersey. Citipost's lack of local infrastructure would also indicate low enthusiasm for inbound mail.

Very few people have a full understanding of the postal market in the Island and how that relates to postal matters in the UK. There is a very polarised and ill informed view that Jersey Post only earns its revenue from exporting items. At the time of writing there are 51 operators in the UK licensed by Postcomm to compete with Royal Mail. Each one of these licensees has the ability to carry mail from the UK and hand it to a delivery agent in another jurisdiction. Whilst Jersey Post acts as the delivery agent for Royal Mail, it also acts as the commercial delivery agent for practically all of the others for which it is paid around 15p per incoming item to Jersey.

I am sure that TNT can tell you about themselves better than I, here are some extracts from their website:-

TNT Post is part of the TNT Group which provides businesses and consumers worldwide with an extensive range of services for their mail and express delivery needs. Headquartered in the Netherlands, TNT serves more than 200 countries, employs around 161,500 people and reported revenues of €11 billion for 2007.

Second largest UK postal company, handling over 160 million items a month

We deliver 15 billion items per year in Europe

In past communications with TNT I was made aware of their Channel Island inbound volumes:-

As discussed yesterday, please find the details on TNT UK's volumes to Jersey and Guernsey:

- Mail is currently consolidated in our depot in Bristol and then transported to the IMC in Dorset
- In April we sent 125,000 to Jersey and 87,000 to Guernsey

In simple terms this means a revenue of over £250,000 a year to Jersey Post for the delivery of TNT's items, a figure that is likely to grow.

If we now turn our attention to the 'perceived money maker' - outbound items. As you will see from the extracts from TNT's website they are the second largest UK postal company handling nearly **2 billion** items a year in the UK. In simple terms they have the economies of scale to **totally wipe out Jersey Post. This is a real possibility.** In my own discussions with TNT about the size of the Jersey postal market, estimated in excess of 75M items per year, TNT made it quite clear that they were not simply interested in taking a share of the market. The JCRA when inviting competition into Jersey, surely cannot expect any Island utility or business to compete with multi national goliaths, who by their very nature have a dominance of position that far outweighs what the Royal Mail is able to compete with, let alone Jersey Post.

I do not exaggerate when I say that to allow TNT a Class 1 license to operate in Jersey will see the demise of Jersey Post, which will then threaten the USO. The social impact of this will be significant as well as the mounting financial and political pressure on the States, as Jersey Post services become increasingly expensive and onerous to maintain.

Jersey Post's 5 day delivery commitment under the USO could become unsustainable and any further reduction in obligatory services to, for example a 3 day per week delivery, places Jersey Post at a competitive disadvantage with rival operators continuing with inbound deliveries at a higher frequency. This scenario can only aggravate Jersey Post's current problems, potentially creating a business "death spiral".

Given the considerable concern expressed over the issuing of the HubEurope and Citipost licences, I am very surprised that the TNT application has generated virtually no public interest or comment. TNT has the potential to totally destabilise the local postal industry, whilst removing taxable revenue and employment opportunity from Jersey.

I am available should you wish to discuss this matter in more depth.

Yours sincerely

Christopher Bee

Director

c.c. Senator Paul Routier, Connètable Len Norman, Mike King, Paul Hamilton, Peter Body