

**Comments on the JCRA Consultation**  
**Document 2004/5**  
**Regarding Postal Services**  
**Universal Service Obligations**

**29th October 2004**



## **1 Introduction**

- 1.1 The JCRA has developed Consultation Document 2004/5 entitled 'Postal Services - Universal Service Obligations' and has asked Jersey Telecom to comment on this by 29<sup>th</sup> October 2004.
- 1.2 Jersey Telecom welcomes this opportunity to provide its views, as part of the wider public debate, on proposals for the future of postal services in Jersey. It agrees to this document being published in its entirety by the JCRA on its website, or through other media, alongside responses of other interested parties. Jersey Telecom asks interested parties to take its responses to previous Consultation Documents into account when reviewing this document. The original Consultation Documents are available on the JCRA website, [www.jcra.je](http://www.jcra.je)

## **2 Answers to Questions**

***Q1. Do you think that there should be some definition of Universal Service Obligations for postal services in Jersey?***

Jersey Telecom believes that there should be some definition of universal service for postal services in Jersey.

***Q2. Do you think that the Universal Service Obligations in Jersey should closely mirror those in the UK, Guernsey and Europe?***

In view of the fact that Jersey is in Europe, even though not part of the EU, Jersey Telecom agrees that the local postal USO should generally follow that of our neighbours in terms of requirements. However see response to Q 7 regarding the funding of any commercially unviable elements of the USO.

***Q3. International mail accounts for 3% of mail volumes in Europe and more than 30% in Jersey. Given that Jersey people and businesses may have a greater reliance upon international mail than other countries should there be special provision for international mail and quality of service in Jersey's Universal Service Obligations?***

Given that Jersey Post has little control over outbound mail once it is handed over to another postal operator and even less control over the price charged by that operator, Jersey Telecom believes it would be pointless to attempt to impose special requirements for International mail and that, from a regulatory point of view, delivery to another operator should be treated in the same way as delivery to a local address. The Universal Service Obligation outlines a minimum service obligation. If such special provision is required, this should be reflected as such by being a more expensive, premium service.

***Q4. Is the proposed Universal Service Obligation appropriate for the postal customers of Jersey?***

It is the view of Jersey Telecom that a USO should specify a minimum level of expectation. On that basis Jersey Telecom believes that a five days per week delivery (rather than the six suggested) is adequate given that the finance industry generally only works Monday to Friday

and many other businesses are not open to receive mail on Saturday either. Jersey Telecom takes the view that the remaining provisions seem adequate without being unduly burdensome.

***Q5. Should the Universal Service Obligations be funded by allowing Jersey Post an exclusive licence in the 'reserved area' sufficient to earn profits to off-set the costs of the Universal Service Obligation Provision?***

A reserved area seems to be the generally accepted way forward, however this presupposes that there will be a cross subsidy. This skews the market, has an impact on the provisions of the Competition Law and inevitably means higher prices in the reserved area. This would effectively shut the reserved area to competition, with no open entry. Jersey Telecom cannot therefore support this course of action.

***Q6. Do consultees believe that the JCRA should operate a Compensation scheme, requiring all licensees to make a fair contribution to the costs of another licensee, because the latter is required to provide a universal postal service?***

Jersey Telecom believes that such a scheme would be costly to administer and would simply put up costs and therefore the price of postal services. It would also be difficult to accurately set the contribution level that other operators should make and it is likely to please no one. This would put the JCRA in a no win situation and should therefore be avoided.

***Q7. Do consultees believe that the JCRA require that the States fund Universal Service Obligations as a social provision, funded by taxation revenues?***

Jersey Telecom firmly believes that in a normal commercial environment, if the government wants a company to provide services which are not commercially viable, then the government should pay for those services, either in the form of payments to the user (e.g. as in the case of doctors bills) or a direct payment to the operator (e.g. as in the case of the bus service).

***Q8. Do consultees think that the Universal Service Obligations should be provided at cost, on a User pays principle?***

Jersey Telecom does not believe that this is a viable option. If the price of a USO service is charged at a fully economic rate then it is likely to be more expensive than a similar service which does not have a USO obligation. The Operator with the USO would therefore either be unable to compete on price or would be carrying an unfair burden by having to cross subsidise the USO from other more profitable services. In either case the operator with the USO could be at a significant disadvantage to those operators without a USO. If there is no cost to the USO then there is no issue, it is only when cost is incurred that an issue ensues.