



**Jersey Competition Regulatory Authority**

**Determination re: Jersey Post Limited's Price Control**

**19 November 2010**

**Determination of 19 November 2010 under Condition 20.3 of Jersey Post Limited's Licence issued by the Board of the JCRA to:**

**Jersey Post Limited**

Condition 20.3 of the licence issued to Jersey Post Limited's ('Jersey Post') licence (the 'Licence') allows the JCRA to determine the maximum level of charges Jersey Post may apply for Licensed Services or Postal Services to fulfil the Universal Service Obligation.

***Whereas:***

Due to the current uncertainty in the Jersey mail market with declining mail volumes, coupled with Jersey Post's own plans to implement a £4.4m cost savings plan by 2012, the JCRA believes it is prudent to still protect postal users from large price hikes and therefore proposes to roll-over the current 2008-2010 price control to 2011.

***The JCRA hereby determines as follows:***

1. The JCRA will cap the maximum level of charges Jersey Post may apply for Licensed Services or Postal Services to fulfil the Universal Service Obligation (the 'price control')
2. The scope of the price control shall be limited to the services listed in Appendix 1 of this Determination.
3. Any reference to year refers to a calendar year.
4. Concerning the services covered by this Determination, Jersey Post shall set its prices for these services and any new services introduced that do or can compete with the services listed in Appendix 1 so that the Actual Revenue it receives for these services does not exceed the Allowed Revenue. Actual Revenue in each year of the control is the amount of revenue that has actually been collected by Jersey Post in respect of these services in that year.
5. The Allowed Revenue for any given year subject to the price control (i.e. 'year T') will be determined as the sum, over all services listed in Appendix 1 (including any new services introduced that do or can compete with the services listed in Appendix 1), of the base price  $P_T$  multiplied by actual volume for that product in year T. So for example:
  - $P_{2011}$  is of the base price  $P_{2010}$  (which are those prices as at 1 January 2010) multiplied by  $(100\% + (RPI_{2011} - P_0))$
6. In paragraph 5,  $P_0$  is determined as 4.0, X is determined as 1.8,  $RPI_{2011}$  is determined as the percentage change in the value of the RPI series produced by the States of Jersey Statistics Unit between June 2009 and June 2010.
7. A correction factor shall apply to the calculation of Allowed Revenue in the event that Jersey Post has recovered more or less Actual Revenue than Allowed Revenue in the previous control year. This correction factor shall adjust the level of Allowed Revenue that can be recovered in that control year by the difference between Actual Revenue and Allowed Revenue in the previous control year together with interest applied to the difference based on a level of interest rate equal to Bank of England base rate plus 4 per

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cent points if Actual Revenue exceeds Allowed Revenue and at Bank of England base rate Actual Revenue is smaller than Allowed Revenue.

8. An Automatic Volume Adjustment (AVA) shall apply to the calculation of Allowed Revenue in the event that total mail volume in the price regulated area deviates by at least 5 per cent from the total volume forecast for that control year. If total volumes are more than 5 per cent lower than forecast, Allowed Revenue will be decreased by a percentage amount equivalent to half the difference between the percentage reduction in volumes below forecast and 5 per cent. This reflects the assumption that on average 50 per cent of costs are fixed and 50 per cent are variable. Similarly, if total volumes are more than 5 per cent higher than forecast, then Allowed Revenue will be increased by a percentage amount equivalent to half the difference between the percentage increase in volumes above forecast and 5 per cent. The 2008-2010 price control assumed volumes forecasts would remain stable, however in reality these have declined in some years by more than 10%, resulting in Jersey Post under recovering its allowed revenue by 7-8%. In the 2011 price control, the JCRA will apply a revised forecast of -5% which has been agreed with Jersey Post.
9. Jersey Post is allowed to increase prices for individual products and services within the price regulated area by more than RPI-X subject to Licence Conditions 20.2 and 20.4. This does not preclude recourse by the JCRA to Licence Condition 20.5. It should be noted that Article 16 of the Competition (Jersey) Law 2005 also applies which prevents Jersey Post from charging prices for any individual products that may be deemed to be excessive.
10. The  $P_0$  and X factors have been calculated on the basis of an allowed 3 per cent profit margin on operating and capital expenditure associated with the provision of the services in Appendix 1 and a fair share of the operating losses on Jersey Post's retail business unit. The actual profit margin earned by Jersey Post is neither restricted nor guaranteed. If Jersey Post achieves cost reductions that exceed those assumed feasible and forming the basis for the  $P_0$  and the X factors, its profit margin, *ceteris paribus*, will exceed the 3 per cent profit margin that has been allowed. The converse also applies.
11. In the event of unforeseen events which occur during the price control period and which are accepted by the JCRA as being outside of Jersey Post's control, Jersey Post may apply to the JCRA for a revision of this Determination. If such circumstances occur during the last 6 months of the price control period and which are accepted by the JCRA as being outside Jersey Post's control, the additional costs that Jersey Post incurs as a result of these unforeseen circumstances will be taken into account in setting the control for the next price control period.
12. By the 31<sup>st</sup> March following the end of any control year, Jersey Post shall provide a written report to the JCRA, in a form agreed by the JCRA, on its compliance with this Determination.
13. The control period will run from 1 January 2011 - 31 December 2011.
14. This Determination shall be come into effect on 1 January 2011.

**19 November 2010**

**By Order of the Board of the JCRA**

## Attachment to the Initial Notice to Jersey Post Limited dated 19 November 2010

<b>Licensed products and services</b>	<b>£ (prices at 25/11/10)</b>
Local letter 100g - Standard	£0.36
Local letter 100g - Priority	£0.39
Local Large Letter 100g - Standard	£0.54
Local Large Letter 100g - Priority	£0.60
Local Large Letter 250g - Standard	£0.81
Local Large Letter 250g - Priority	£0.90
Local Large Letter 500g - Standard	£1.08
Local Large Letter 500g - Priority	£1.20
Local Large Letter 750g - Standard	£1.35
Local Large Letter 750g - Priority	£1.50
Local Packet 100g - Standard	£0.72
Local packet 100g - Priority	£0.80
Local Packet 250g - Standard	£0.99
Local packet 250g - Priority	£1.10
Local Packet 500g - Standard	£1.26
Local packet 500g - Priority	£1.40
Local Packet 750g - Standard	£1.89
Local packet 750g - Priority	£2.10
Local Packet 1000g - Standard	£2.52
Local packet 1000g - Priority	£2.80
Local Packet 1250g - Standard	£3.15
Local packet 1250g - Priority	£3.50
Local Packet 1500g - Standard	£3.78
Local packet 1500g - Priority	£4.20
Local Packet 1750g - Standard	£4.41
Local packet 1750g - Priority	£4.90
Local Packet 2000g - Standard	£5.04
Local packet 2000g - Priority	£5.60
	Standard/Account rate
Local parcels 1kg	-
Local parcels 2kg	£7.50 / £7.00
Local parcels 3kg	£7.50 / £7.00
Local parcels 4kg	£7.50 / £7.00

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Local parcels 5kg	£7.50 / £7.00
Local parcels 6kg	£7.50 / £7.00
Local parcels 7kg	£7.50 / £7.00
Local parcels 8kg	£7.50 / £7.00
Local parcels 9kg	£7.50 / £7.00
Local parcels 10kg	£7.50 / £7.00
UK, IoM and other CI- Letter 100g	£0.45
UK, IoM and other CI - Large Letter 100g	£0.72
UK, IoM and other CI - Large Letter 250g	£1.02
UK, IoM and other CI - Large Letter 500g	£1.32
UK, IoM and other CI - Large Letter 750g	£1.62
UK, IoM and other CI - Packet 100g	£1.30
UK, IoM and other CI - Packet 250g	£1.70
UK, IoM and other CI - Packet 500g	£2.30
UK, IoM and other CI - Packet 750g	£3.50
UK, IoM and other CI - Packet 1000g	£4.20
UK, IoM and other CI - Packet 1250g	£4.90
UK, IoM and other CI - Packet 1500g	£5.60
UK, IoM and other CI - Packet 1750g	£6.30
UK, IoM and other CI - Packet 2000g	£7.00
European Letter - 10g	£0.45
European Letter - 20g	£0.45
European Letter - 40g	£0.55
European Letter - 60g	£0.69
European Letter - 80g	£0.84
European Letter - 100g	£0.98
European Large Letter - not over 100g	£1.06
European Large Letter - not over 150g	£1.42
European Large Letter - not over 200g	£1.78
European Large Letter - not over 250g	£2.14
European Large Letter - not over 300g	£2.50
European Large Letter - not over 350g	£2.86
European Large Letter - not over 400g	£3.22
European Large Letter - not over 450g	£3.58
European Large Letter - not over 500g	£3.94

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European Large Letter - not over 550g	£4.30
European Large Letter - not over 600g	£4.66
European Large Letter - not over 650g	£5.02
European Large Letter - not over 700g	£5.38
European Large Letter - not over 750g	£5.74
European Packet - not over 100g	£1.51
European Packet - not over 200g	£2.23
European Packet - not over 300g	£2.95
European Packet - not over 400g	£3.67
European Packet - not over 500g	£4.39
European Packet - not over 600g	£5.11
European Packet - not over 700g	£5.83
European Packet - not over 800g	£6.55
European Packet - not over 900g	£7.27
European Packet - not over 1000g	£7.99
European Packet - not over 1100g	£8.71
European Packet - not over 1200g	£9.43
European Packet - not over 1300g	£10.15
European Packet - not over 1400g	£10.87
European Packet - not over 1500g	£11.59
European Packet - not over 1600g	£12.31
European Packet - not over 1700g	£13.03
European Packet - not over 1800g	£13.75
European Packet - not over 1900g	£14.47
European Packet - not over 2000g	£15.19
	Business/Personal
International Letter - 10g	£0.51 / £0.55
International Letter - 20g	£0.76 / £0.80
International Letter - 40g	£1.10 / £1.15
International Letter - 60g	£1.45 / £1.50
International Letter - 80g	£1.80 / £1.85
International Letter - 100g	£2.15 / £2.20
International Large Letter - not over 100g	£2.45 / £2.48
International Large Letter - not over 150g	£3.32 / £3.36
International Large Letter - not over 200g	£4.20 / £4.24

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International Large Letter - not over 250g	£5.08 / £5.12
International Large Letter - not over 300g	£5.96 / £6.00
International Large Letter - not over 350g	£6.84 / £6.88
International Large Letter - not over 400g	£7.72 / £7.76
International Large Letter - not over 450g	£8.60 / £8.64
International Large Letter - not over 500g	£9.48 / £9.52
International Large Letter - not over 550g	£10.36 / £10.40
International Large Letter - not over 600g	£11.24 / £11.28
International Large Letter - not over 650g	£12.12 / £12.16
International Large Letter - not over 700g	£13.00 / £13.04
International Large Letter - not over 750g	£13.88 / £13.92
International Packet - not over 100g	£3.08 / £3.11
International Packet - not over 200g	£4.83 / £4.87
International Packet - not over 300g	£6.59 / £6.63
International Packet - not over 400g	£8.35 / £8.39
International Packet - not over 500g	£10.12 / £10.16
International Packet - not over 600g	£11.88 / £11.92
International Packet - not over 700g	£13.64 / £13.68
International Packet - not over 800g	£15.40 / £15.44
International Packet - not over 900g	£17.16 / £17.20
International Packet - not over 1000g	£18.92 / £18.96
International Packet - not over 1100g	£20.68 / £20.72
International Packet - not over 1200g	£22.44 / £22.48
International Packet - not over 1300g	£24.26 / £24.24
International Packet - not over 1400g	£25.96 / £26.00
International Packet - not over 1500g	£27.73 / £27.77
International Packet - not over 1600g	£29.49 / £29.53
International Packet - not over 1700g	£31.25 / £31.29
International Packet - not over 1800g	£33.01 / £33.05
International Packet - not over 1900g	£34.77 / £34.81
International Packet - not over 2000g	£36.53 / £36.57
European airmail postcards – 20g	£0.45
International airmail postcards – 10g	£0.55
International air letter – 10g	£0.55

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International pre-paid aerogramme – 10g	£0.55
Direct Mail	
Signed for (Recorded delivery) (≤20kg)	£0.80
International signed for (Recorded) £30 max comp (≤20kg)	£4.25
International signed for (Recorded) £100 max comp (≤20kg)	£6.75
<b>Special Delivery</b>	
Compensation up to £50 - 100g (by 9am)	£13.06
Compensation up to £500 - 100g (by 1pm)	£7.27
Compensation up to £50 - 500g (by 9am)	£15.48
Compensation up to £500 - 500g (by 1pm)	£9.68
Compensation up to £50 - 1kg (by 9am)	£17.08
Compensation up to £500 - 1kg (by 1pm)	£11.26
Compensation up to £50 - 1.5g (by 9am)	£17.08
Compensation up to £500 - 1.5g (by 1pm)	£11.96
Compensation up to £50 - 2kg (by 9am)	£18.45
Compensation up to £500 - 2kg (by 1pm)	£12.70
Compensation up to £500 - 3kg (by 1pm)	£14.04
Compensation up to £500 - 4kg (by 1pm)	£15.37
Compensation up to £500 - 5kg (by 1pm)	£16.66
Compensation up to £500 - 6kg (by 1pm)	£19.29
Compensation up to £500 - 7kg (by 1pm)	£20.92
Compensation up to £500 - 8kg (by 1pm)	£22.87
Compensation up to £500 - 9kg (by 1pm)	£24.15
Compensation up to £500 - 10kg (by 1pm)	£25.49
Compensation up to £1000 - 100g (by 9am)	£15.48
Compensation up to £1000 - 100g (by 1pm)	£9.68
Compensation up to £1000 - 500g (by 9am)	£17.88
Compensation up to £1000 - 500g (by 1pm)	£12.10
Compensation up to £1000- 1kg (by 9am)	£19.83
Compensation up to £1000- 1kg (by 1pm)	£14.08
Compensation up to £1000 - 1.5g (by 9am)	£19.83
Compensation up to £1000 - 1.5g (by 1pm)	£14.96
Compensation up to £1000 - 2kg (by 9am)	£21.66



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Compensation up to £1000 - 2kg (by 1pm)	£15.86
Compensation up to £1000 - 3kg (by 1pm)	£17.56
Compensation up to £1000 - 4kg (by 1pm)	£19.21
Compensation up to £1000 - 5kg (by 1pm)	£20.83
Compensation up to £1000 - 6kg (by 1pm)	£24.12
Compensation up to £1000 - 7kg (by 1pm)	£26.16
Compensation up to £1000 - 8kg (by 1pm)	£28.58
Compensation up to £1000 - 9kg (by 1pm)	£30.19
Compensation up to £1000 - 10kg (by 1pm)	£31.88
Compensation up to £2500 - 100g (by 9am)	£17.88
Compensation up to £2500 - 100g (by 1pm)	£12.10
Compensation up to £2500 - 500g (by 9am)	£20.29
Compensation up to £2500 - 500g (by 1pm)	£14.53
Compensation up to £2500- 1kg (by 9am)	£22.69
Compensation up to £2500- 1kg (by 1pm)	£16.90
Compensation up to £2500 - 1.5g (by 9am)	£22.69
Compensation up to £2500 - 1.5g (by 1pm)	£18.00
Compensation up to £2500 - 2kg (by 9am)	£24.87
Compensation up to £2500 - 2kg (by 1pm)	£19.03
Compensation up to £2500- 3kg (by 1pm)	£21.07
Compensation up to £2500 - 4kg (by 1pm)	£23.05
Compensation up to £2500 - 5kg (by 1pm)	£24.99
Compensation up to £2500 - 6kg (by 1pm)	£28.93
Compensation up to £2500 - 7kg (by 1pm)	£31.40
Compensation up to £2500 - 8kg (by 1pm)	£34.33
Compensation up to £2500 - 9kg (by 1pm)	£36.24
Compensation up to £2500 - 10kg (by 1pm)	£38.27
Business Reply (Local)	£90.93
Business Reply (UK, IOM and other CIs)	£90.93
Redirection (Local) – Residential Customers – 1 month	£19.51
Redirection (Local) – Residential Customers – 3 months	£31.72
Redirection (Local) – Residential Customers – 6 months	£51.25
Redirection (Local) – Residential Customers – 12 months	£89.08
Redirection (UK, IOM and other CIs) – Residential Customers – 1 month	£35.38

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Redirection (UK, IOM and other CIs) – Residential Customers – 3 months	£73.23
Redirection (UK, IOM and other CIs) – Residential Customers – 6 months	£130.59
Redirection (UK, IOM and other CIs) – Residential Customers – 12 months	£244.13
Redirection (International) – Residential Customers – 1 month	£52.85
Redirection (International) – Residential Customers – 3 months	£109.43
Redirection (International) – Residential Customers – 6 months	£195.13
Redirection (International) – Residential Customers – 12 months	£364.77
Redirection (Local) – Business Customers – 1 month	£35.38
Redirection (Local) – Business Customers – 3 months	£73.25
Redirection (Local) – Business Customers – 6 months	£130.62
Redirection (Local) – Business Customers – 12 months	£244.15
Redirection (UK, IOM and other CIs) – Business Customers – 1 month	£97.29
Redirection (UK, IOM and other CIs) – Business Customers – 3 months	£201.39
Redirection (UK, IOM and other CIs) – Business Customers – 6 months	£359.14
Redirection (UK, IOM and other CIs) – Business Customers – 12 months	£671.35
Redirection (International) – Business Customers – 1 month	£141.06
Redirection (International) – Business Customers – 3 months	£291.85
Redirection (International) – Business Customers – 6 months	£520.48
Redirection (International) – Business Customers – 12 months	£972.90
Standard PO Box Facility	£164.80
Retention of mail	£20.00
Poste Restante	FOC
Articles for the Blind	FOC
Mail to addresses within the British Forces Post Office	FOC
FreePost Local	£90.93
FreePost UK	£90.93