

**QUESTIONS TO BE ASKED OF THE PRESIDENT OF THE COMMITTEE FOR POSTAL  
ADMINISTRATION ON TUESDAY, 20th APRIL 2004 BY DEPUTY G.C.L. BAUDAINS OF  
ST. CLEMENT**

**Question 1**

Postal rates generally were increased on 6th April 2004, with the largest increases affecting parcels. Would the President outline what considerations the Committee gave to the effect these increases would have on local business and account for the fact that local letter rates are more expensive than UK internal rates?

**Answer**

The Postal Committee is mindful of the impact that any increase has on local business but was also aware that the increases to charges levied by Royal Mail were unavoidable and had to be addressed immediately. Jersey Post is developing and progressing a number of initiatives to help local businesses, in particular it is working to identify ways in which Jersey Post can reduce or avoid costs by work sharing or changes and enhancement to the original production of the mail items. Wherever these savings can be realised, the benefits are passed on.

The Committee also felt it preferable, and made efforts to ensure all increases were introduced at the same time to avoid business customers incurring additional cost and inconvenience associated with changing their posting meters and associated equipment several times within a short period of time.

With regard generally to letter rates being more expensive than in the UK, one could be forgiven for assuming that short local distances might result in lower rates than on the mainland. To fully appreciate the economics involved one must consider the elements that are involved in mail services.

1. Overheads including the operation of a sub-post office network in the Parishes.
2. Collection.
3. Sortation.
4. Transportation within postal jurisdiction (not relevant in Jersey local to local).
5. Door to door delivery.

By far the most labour intensive and therefore expensive element is 5 - Door to door delivery, whereas 4 - Transportation within postal jurisdiction, starts to become more significant at increasing weights.

Jersey local to local price for the initial weight step for letter post covering items up to 60g is more expensive than in the UK but is still amongst the lowest in Europe (as detailed in the attached tables in Appendix A), and at higher weight steps above 60g Jersey becomes lower priced than the UK. This variance reflects the fact that the basic cost of providing any service, particularly one as labour and resource intensive as the postal service, is unavoidably higher in Jersey than in the UK.

Efficient and reliable postal services are crucial to any economy and my Committee believes that the long term provision of such services is best assured by Jersey Post carefully matching its charging structures for each service on a cost plus basis so as to ensure reasonable profitability for its shareholders (The Jersey Public) whilst at the same time wisely investing in its future technological infrastructure such as sortation automation and all the while also being subject to the strictest scrutiny from an independent regulator once incorporated as well as being open to competition as appropriate.

**Question 2**

Would the President explain the rationale behind the increases in parcel rates and in particular explain why -

- (a) 50gm registered post to the UK is now £6 but only £4.70 to Australia and £3.75 from the UK to Jersey?

- (b) there is no compensation available with recorded delivery to the UK?
- (c) costs for compensation Special Delivery have risen in many cases by over 100 per cent, for example 500gm with £2,500 compensation to U.K. which has risen from £5.30 to £12.00?
- (d) a 3kg parcel to the U.K. has risen from £4.25 to £11.20 (164 per cent increase) and a 1kg parcel to Ireland has risen from £4.40 to £17.50 (398 per cent increase)?

**Answer**

- (a) Unfortunately Deputy Baudains is not making reasonable comparisons, and appears to be confusing different types of service.

History Approximately 18 months ago Royal Mail carried out a review of their enhanced mail services portfolio. The result as it affected Jersey Customers was as follows -

Old Service	Action	New Service
'Recorded Delivery UK/Jersey'	Re-branded	'Signed For'
'International Recorded'	Re-branded	'International Signed For'
'Registered Mail UK/Jersey'	Re-branded	'Proof of Delivery'
'Special Delivery UK/Jersey'	No change	'Special Delivery'

Features of each service -

- Signed For - Proof of posting and signature on delivery
- Intl Signed For - Proof of posting and signature on delivery, compensation up to £30
- Proof of Delivery - Enhanced 'Signed For' with copy of receipt signature returned to sender
- Special Delivery - Guaranteed next working day delivery, tracked and traced, proof of posting, signature on delivery incl. time, compensation £250 (upgrades available to £2,500)

Cost comparisons for a 50gm letter.

	Jersey - UK	UK - Jersey	Jsy - Australia	UK - Australia
Signed For and Intl Signed For	.90p (.57+Jsy post)	.87p (.57+UK post)	£4.07	£4.72
Proof of Delivery	£3.10	£3.07	Not available	Not available
Special Delivery	£6.00	£3.75	Not available	Not available

Special Delivery is a guaranteed next working day delivery service offering a money back guarantee (subject to reasonable exemptions such as bad weather, detention by UK customs, etc.). Special Delivery includes compensation against loss or damage of up to £250 with further options for insurance of either £1,000 or £2,500. Special Delivery also offers full track and trace capabilities throughout the journey and a confirmation of delivery which can be confirmed either by telephone or on the internet.

Why is the Jersey to UK Special Delivery Service more expensive than the equivalent UK to Jersey price for the same service?

According to Jersey Post's extensive cost research the correct price for this service is £6.00 – it is very labour intensive at every stage of the process. Royal Mail's price in our opinion must therefore be driven by one or a number of the following:-

1. downward price pressure from the UK Regulator wanting better quality of service before allowing a price increase;

2. political/marketing considerations having just withdrawn the old 'Standard Parcels' service (see answer to question 2(d).) resulting in substantial parcel price increases. (Parcel services to some degree overlap with Special Delivery);
  3. lack of true cost comparison information leading to a loss making service being subsidised by other services; and
  4. above 2 Kilo Jersey prices are much cheaper than the UK i.e. Are Royal Mail using 'Optical' low weight low entry price marketing to encourage use of higher weight band mailings at enhanced profit margin?
- (b) at the moment if customers require a compensation payable service they would have the option to use Special Delivery. However the question of the lack of compensation for the 'Signed For' service does appear to be an anomaly and will be discussed at the next opportunity by my Committee.
- (c) the Postal Committee and the Finance and Economics Committee believe that it is not appropriate for Jersey Post to lose money providing the Special Delivery service for low weight items. The pricing strategy is representative of the costs associated with provision of the service, a principle referred to in my answer to question 1 and question 2(a).
- (d) from the beginning of April, ParcelForce, Royal Mail's parcels division, have withdrawn the standard UK economy parcel service. It has been replaced by a fully tracked and traced delivery time assured service, which is provided at a much higher cost to Jersey Post.

In the case of International parcels and as a result of careful analysis by Jersey Post the new rates reflect the costs of conveyance and final delivery in the country of final destination.

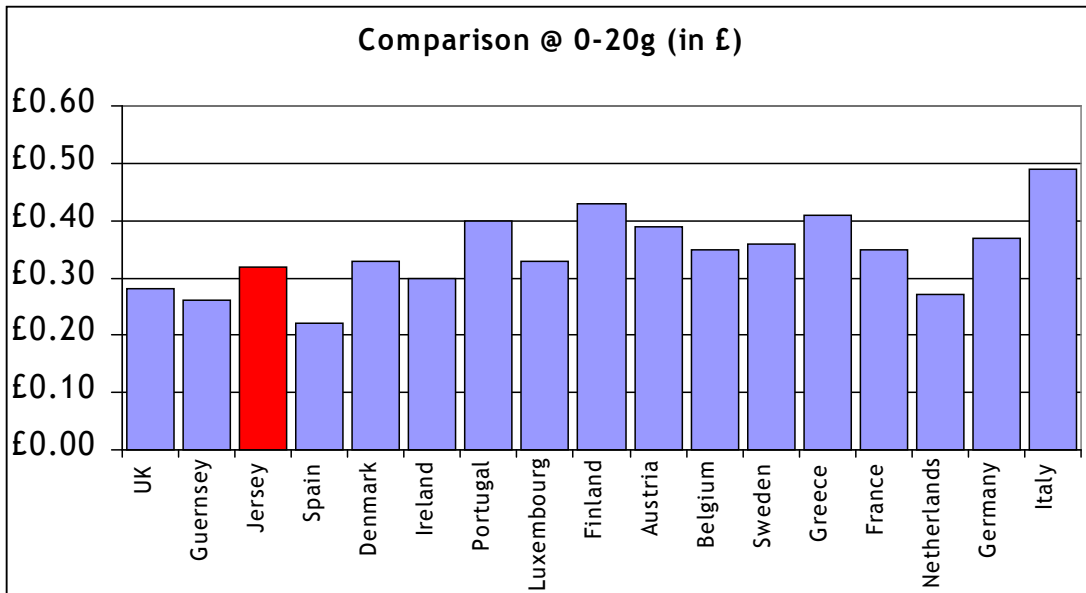
In the specific case of the Republic of Ireland it appears that in the past Jersey Post has been providing this parcel service at a significant loss. I have been unable to ascertain the exact reason for this other than to confirm that in general past prices have been based on the old Royal Mail system of pricing. The new parcel prices for the Republic of Ireland are now in keeping with the average of other destinations in Europe.

This analysis and new approach to pricing has highlighted several anomalies in the previous pricing structure, so much so that now over half of all International destinations have lower costs than before and many are at their lowest since 1995, there are many more winners (including some of our most popular destinations) than losers as can be seen from Appendix B.

**APPENDIX A.**

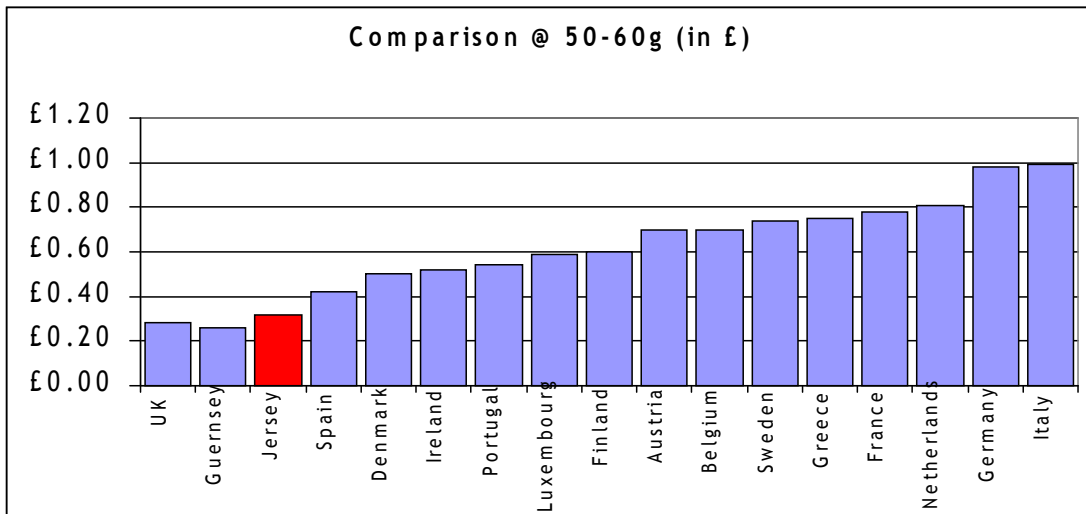
LOCAL LETTER RATES – Comparison to local letter rates in other countries.

The following table compares postage rates for an item at 20g.



However, a far more appropriate comparison is to compare postage at the 50-60g level as the average Jersey item sent falls into this weight bracket (so this is a more honest comparison to make).

The following table compares postage rates for an item at 50-60g.



*Based on April 2004 Prices.*

## APPENDIX B.

The following table is a sample of destinations from over 100 (this representing the majority of destinations) where the new parcels rates (from 6th April 2004) for the most popular weight items are as low or lower than at any time since 1995.

Examples of impact of new 2004 rates compared to previous published parcel rates (STANDARD AIR PARCEL).

	Rate since 1995	New Rate	Variance		Rate since 1995	New Rate	Variance	
	5kg	5kg	£	%	10kg	10kg	£	%
Algeria	£38.80	£26.42	-£12.38	-31.91%	£70.80	£36.32	-£34.48	-48.70%
Australia	£48.00	£38.44	-£9.56	-19.92%	£88.00	£67.74	-£20.26	-23.02%
Austria	£22.20	£22.22	£0.02	0.09%	£35.20	£28.12	-£7.08	-20.11%
Bahamas	£26.50	£26.22	-£0.28	-1.06%	£46.50	£41.12	-£5.38	-11.57%
Bahrain	£38.80	£26.42	-£12.38	-31.91%	£70.80	£36.32	-£34.48	-48.70%
Canary Islands	£22.20	£22.22	£0.02	0.09%	£35.20	£28.12	-£7.08	-20.11%
Czech Republic	£22.20	£22.22	£0.02	0.09%	£35.20	£28.12	-£7.08	-20.11%
Egypt	£38.80	£26.42	-£12.38	-31.91%	£70.80	£36.32	-£34.48	-48.70%
Falkland Islands	£38.80	£38.44	-£0.36	-0.93%	£70.80	£67.74	-£3.06	-4.32%
Fiji	£48.00	£45.70	-£2.30	-4.79%	£88.00	£80.20	-£7.80	-8.86%
Ghana	£38.80	£34.12	-£4.68	-12.06%	£70.80	£58.02	-£12.78	-18.05%
India	£38.80	£34.12	-£4.68	-12.06%	£70.80	£58.02	-£12.78	-18.05%
Italy	£22.20	£22.22	£0.02	0.09%	£35.20	£28.12	-£7.08	-20.11%
Morocco	£38.80	£26.42	-£12.38	-31.91%	£70.80	£36.32	-£34.48	-48.70%
Pakistan	£38.80	£34.12	-£4.68	-12.06%	£70.80	£58.02	-£12.78	-18.05%
Saudi Arabia	£38.80	£26.22	-£12.58	-32.42%	£70.80	£41.12	-£29.68	-41.92%
Seychelles	£38.80	£38.44	-£0.36	-0.93%	£70.80	£67.74	-£3.06	-4.32%
Slovak Republic	£22.20	£22.22	£0.02	0.09%	£35.20	£28.12	-£7.08	-20.11%
Solomon Islands	£48.00	£38.44	-£9.56	-19.92%	£88.00	£67.74	-£20.26	-23.02%
South Africa	£38.80	£34.12	-£4.68	-12.06%	£70.80	£58.02	-£12.78	-18.05%
Spain	£22.20	£22.22	£0.02	0.09%	£35.20	£28.12	-£7.08	-20.11%
Syria	£38.80	£26.42	-£12.38	-31.91%	£70.80	£36.32	-£34.48	-48.70%
Tunisia	£38.80	£26.42	-£12.38	-31.91%	£70.80	£36.32	-£34.48	-48.70%
United Arab Emirates	£38.80	£26.42	-£12.38	-31.91%	£70.80	£36.32	-£34.48	-48.70%
Western Samoa	£48.00	£45.70	-£2.30	-4.79%	£88.00	£80.20	-£7.80	-8.86%

The following table is a sample of the most popular destinations from the remaining destinations where the new parcels rates (from 6th April 2004) will have increased.

Increased Rates	Rate since 1995	New Rate	Variance		Rate since 1995	New Rate	Variance	
	5kg	5kg	£	%	10kg	10kg	£	%
Belgium	£16.10	£29.52	£13.42	83.35%	£24.10	£36.92	£12.82	53.20%
Canada	£26.50	£34.12	£7.62	28.75%	£46.50	£58.02	£11.52	24.77%
France	£16.10	£22.22	£6.12	38.01%	£24.10	£28.12	£4.02	16.68%
Germany	£16.10	£22.22	£6.12	38.01%	£24.10	£28.12	£4.02	16.68%
Holland (Netherlands)	£16.10	£22.22	£6.12	38.01%	£24.10	£28.12	£4.02	16.68%
Hong Kong	£27.20	£34.12	£6.92	25.44%	£45.20	£58.02	£12.82	28.36%
Hungary	£22.20	£29.52	£7.32	32.97%	£35.20	£36.92	£1.72	4.89%
Irish Republic	£10.00	£22.22	£12.22	122.20%	£22.20	£28.12	£5.92	26.67%
Madeira	£22.20	£26.42	£4.22	19.01%	£35.20	£36.32	£1.12	3.18%
Portugal	£22.20	£26.42	£4.22	19.01%	£35.20	£36.32	£1.12	3.18%
Sweden	£22.20	£29.52	£7.32	32.97%	£35.20	£36.92	£1.72	4.89%
USA	£26.50	£34.12	£7.62	28.75%	£46.50	£58.02	£11.52	24.77%

Note: The above comparisons have been based on the most popular weight of parcels (the vast majority of which are between 5 and 10kg)

International Standard Parcel Key Information.

## All Zones where new rates are lower than 1995

	Weight	
	OLD ZONE	NEW ZONE
AUSTRALIA	7	F
GUYANA	5	D
ISRAEL	5	D
JAMAICA	5	D
KIRIBATI	7	F
LIBERIA	5	D
MONTERRAT	4	D
SOLOMON ISLANDS	7	F
ST CHRISTOPHER (ST KITTS) & NEVIS	4	D
ST LUCIA	4	D

TONGA	7	F	ALL
TURKS & CAICOS ISLANDS	4	D	ALL
TUVALU	7	F	ALL
AFGHANISTAN	5	E	+5kg
ALGERIA	5	C	+5kg
ANGOLA	5	E	+5kg
ANGUILLA	4	D	+5kg
ANTIGUA & BARBUDA	4	D	+5kg
ARGENTINA	5	F	+5kg
ARUBA	5	E	+5kg
AUSTRIA	3	A	+5kg
BAHAMAS	4	D	+5kg
BAHRAIN	5	C	+5kg
BANGLADESH	5	E	+5kg
BARBADOS	4	D	+5kg
BENIN	5	C	+5kg
BERMUDA	4	D	+5kg
BHUTAN	5	F	+5kg
BOLIVIA	5	F	+5kg
BOTSWANA	5	F	+5kg
BRITISH VIRGIN ISLANDS	4	D	+5kg
BURKINA FASO	5	E	+5kg
CAMEROON	5	E	+5kg
CANARY ISLANDS	3	A	+5kg
COLOMBIA	5	F	+5kg
CROATIA	3	A	+5kg
CURACAO	5	E	+5kg
CZECH REPUBLIC	3	A	+5kg
DEM REP OF CONGO (Formerly Zaire)	5	E	+5kg
DJIBOUTI	5	E	+5kg
DOMINICA	4	D	+5kg
DOMINICAN REPUBLIC	4	D	+5kg
ECUADOR	5	E	+5kg
EGYPT	5	C	+5kg
ERITREA	5	E	+5kg
ETHEOPIA	5	E	+5kg
FALKLAND ISLANDS	5	F	+5kg
FIJI	7	G	+5kg
FRENCH POLYNESIA	7	G	+5kg
GAMBIA	5	E	+5kg
GAZA & KHAN YUNIS	5	C	+5kg
GHANA	5	E	+5kg
GRENADA	4	D	+5kg
GUINEA	5	E	+5kg
GUINEA BISSAU	5	E	+5kg
HAITI	4	D	+5kg
INDIA	5	E	+5kg
IRAN	5	E	+5kg
IRAQ (Currently Suspended)	5	F	+5kg
ITALY	3	A	+5kg
IVORY COAST (Cote d'Ivoire)	5	E	+5kg
JORDAN	5	C	+5kg

KENYA	5	E	+5kg
KUWAIT	5	C	+5kg
LEBANON	5	C	+5kg
LESOTHO	5	E	+5kg
MACEDONIA (Former Yugoslav Rep. of)	3	A	+5kg
MADAGASCAR	5	E	+5kg
MALAWI	5	E	+5kg
MALDIVES	5	E	+5kg
MAURITANIA	5	E	+5kg
MAURITIUS	5	F	+5kg
MOROCCO	5	C	+5kg
MOZAMBIQUE	5	F	+5kg
NAMIBIA	5	E	+5kg
NEPAL	5	E	+5kg
NEW CALEDONIA	7	G	+5kg
NIGERIA	5	E	+5kg
OMAN	5	C	+5kg
PAKISTAN	5	E	+5kg
PARAGUAY	5	F	+5kg
PERU	5	F	+5kg
QATAR	5	C	+5kg
REUNION ISLAND	5	E	+5kg
SAUDI ARABIA	5	D	+5kg
SENEGAL	5	E	+5kg
SEYCHELLES	5	F	+5kg
SIERRA LEONE	5	E	+5kg
SLOVAK REPUBLIC	3	A	+5kg
SLOVENIA	3	A	+5kg
SOMALIA	5	F	+5kg
SOUTH AFRICA	5	E	+5kg
SPAIN	3	A	+5kg
SRI LANKA	5	E	+5kg
SUDAN	5	D	+5kg
SURINAM	5	E	+5kg
SWAZILAND	5	E	+5kg
SYRIA	5	C	+5kg
TANZANIA	5	E	+5kg
TOGO	5	E	+5kg
TOKELAU ISLANDS	7	G	+5kg
TRINIDAD & TOBAGO	5	D	+5kg
TRISTAN DA CUNHA	5	E	+5kg
TUNISIA	5	C	+5kg
UGANDA	5	E	+5kg
UNITED ARAB EMIRATES	5	C	+5kg
URUGUAY	5	F	+5kg
VATICAN STATE CITY	3	A	+5kg
VENEZUELA	5	E	+5kg
WALLIS & FUTUNA ISLANDS	7	G	+5kg
WESTERN SAMOA	7	G	+5kg
YEMEN	5	E	+5kg
ZAMBIA	5	F	+5kg
ZIMBABWE	5	F	+5kg

BOSNIA HERZEGOVINA	3	B	+12kg
BULGARIA	3	B	+12kg
ESTONIA	3	B	+12kg
GIBRALTAR	3	B	+12kg
HUNGARY	3	B	+12kg
LATVIA	3	B	+12kg
LITHUANIA	3	B	+12kg
NORWAY	3	B	+12kg
POLAND	3	B	+12kg
SWEDEN	3	B	+12kg
DENMARK	2	A	+18kg
FRANCE	2	A	+18kg
GERMANY	2	A	+18kg
LUXEMBOURG	2	A	+18kg
NETHERLANDS (HOLLAND)	2	A	+18kg
SWITZERLAND	2	A	+18kg