

3.9 Deputy G.P. Southern of the Minister for Economic Development regarding the impact on Jersey Post revenues of revised fulfilment policy:

Will the Minister inform Members what further consideration has been given, if any, to the potential impact of the revised fulfilment policy on the industry, and particularly on the revenues of Jersey Post?

Senator P.F.C. Ozouf (The Minister for Economic Development):

On the instruction of the Assistant Minister, who has responsibility for Jersey Post, the Connétable of St. Lawrence, and the Treasury and Resources Minister, Jersey Post has conducted financial analysis on a number of scenarios that might impact on its future profitability. Such analysis not only included the potential impact of the revised fulfilment policy, but also other potential actions by the U.K. government in the E.U. (European Union) that might affect the current application of the low value consignment relief (LVCR). In the very worst case Jersey Post still remains profitable. In all scenarios Jersey Post remains a viable and profitable concern though progressively over time, with the worst case scenario indicated, profitability of Jersey Post does - or would be expected to - return to the much lower pre-fulfilment levels. On the basis of the analysis performed I am content that Jersey Post remains profitable in any plausible scenario. I am joined in that assessment by my Assistant Minister, but also importantly by the Treasury and Resources Minister, and as a consequence we wish to move forward with the plans for incorporation.

3.9.1 Deputy R.G. Le Hérissier:

Would the Minister outline what the relationship is between the price of a local and a U.K. stamp and the profit from the fulfilment industry?

Senator P.F.C. Ozouf:

I am not sure that I actually understand the question and so maybe the Deputy can try again?

Deputy R.G. Le Hérissier:

To what extent, Sir, is there cross-subsidisation from one service to the other, and were there to be a diminution of revenues what would happen to that cross-subsidisation?

Senator P.F.C. Ozouf:

Cross-subsidy is a difficult and perhaps not the correct word. Let us be clear: the fulfilment industry and the Jersey Post involvement in that means that Jersey Post's revenues are more buoyant than they otherwise would be, and so the fulfilment industry benefits Jersey Post. The scenarios that have been run have been on the basis that the fulfilment industry would not continue to provide such buoyancy. There is an issue of profitability but there also is, of course, an issue of the price of stamps. But perhaps the most important thing is that this debate seems to be - in the question - on the basis of incorporation. These things happen whether or not Jersey Post is incorporated or not.

3.9.2 Deputy G.P. Southern:

Will the Minister release details of these calculations from worst case to best case scenario and, in particular, will he undertake to answer question 7 submitted to him on 14th March which he refused to answer on the grounds of confidentiality?

Senator P.F.C. Ozouf:

The Scrutiny Panel has asked for and commenced a review of the fulfilment industry. I welcome that. I welcome the fact that the policies that we put in place a few weeks ago are going to be scrutinised. There are financial issues and financial scenarios that have been done and Scrutiny will have those made available to them with, of course, the normal procedures in terms of confidentiality. There are incredibly sensitive commercial issues in those arrangements and in those reports because Jersey Post, of course, is not only a postal undertaker but they also are operating as a fulfilment company in their own right, and there are competitors in that market. So Jersey Post must, of course, maintain the confidentiality and have the assurance of confidentiality. But Scrutiny Panels with all of their powers has access to all of that information. But that is an important issue and it is important issue for the Scrutiny Panel to look at but it does not change whether or not Jersey Post is going to be incorporated. Action by the U.K. - action by myself as Minister dealing with Regulation of Undertakings - will have impacts on Jersey Post. We want Jersey Post to be set up as a separate incorporated body regulated for the first time by an independent regulator, the JCRA (Jersey Competition Regulatory Authority), and blocking Jersey Post's incorporation stops us achieving that prize which has been the wish of this Assembly for 2 years. I just do not understand why Scrutiny is using their precious powers to block a piece of regulation which, in any event, are not achieving any objective at all.

3.9.3 Deputy G.C.L. Baudains:

Can I just pick up on the question previously asked by Deputy Le Hérisier about the correlation between fulfilment and the price of a local stamp? Could the Minister assure us that the fulfilment industry is no longer going to cause an imbalance between the incoming and outgoing mail? It is my understanding it is that imbalance which is causing the local stamp to be held at the price it is because the imbalance requires negotiation between us and the Royal Mail, and that agreement hinges on the price of local stamps.

Senator P.F.C. Ozouf:

I think it is important for me to scotch a rumour straightaway that somehow the fulfilment sector is causing the increase in the price of stamps. The fulfilment industry is a benefit to Jersey and it is a benefit to Jersey Post, and that is why we must do everything that we can legitimately to protect it subject to, of course, the maintenance of our reputation to ensure the Island is not being in any way used inappropriately. But the fulfilment industry is good for Jersey Post. That must mean then that it is good for effectively the consumers of Jersey Post. I am not sure that I can add any more to the basic answer than that.

Deputy G.C.L. Baudains:

I wonder if he would try answering the question?

Deputy G.P. Southern:

I want to try and deal with the questions that the Minister referred to as to why Scrutiny should choose to investigate the incorporation of Jersey Post, except to say that it is an issue whereby we are supposed to be holding the Minister to account and not accepting bland assurances. So I am firm on that. However, he did not answer whether he was going to answer question 7 under confidentiality. Does he accept that

we are all part of government and that confidentiality rules equally apply to the Scrutiny side of things and does he accept my assurance that confidentiality will be treated with proper respect? But, secondly, does he accept that the questioning process - question time in this House - is also part of the process of holding Ministers to account and he cannot hide behind the fact that Scrutiny investigation is going on in order not to answer questions in this House?

Senator P.F.C. Ozouf:

Very happy to answer all of those questions and to get this straight. Yes, confidentiality is respected between Economic Development and the Economic Affairs Scrutiny Panel. Yes, question 7 will be answered. I have been attempting to answer all the questions as soon as they come in. Question 7 is a much more detailed question; it is currently being answered by Jersey Post and the answer will be with Scrutiny in the next few days. And I hope that the Scrutiny Panel chairman will confirm that Economic Development are bending over backwards to ensure that all their questions - of which there are many - are answered in the most timely and complete way. I would also say that the answers that come through for the Scrutiny system are going to be, by their definition, much more fully answered than any question that I am allowed to answer in a few seconds on the floor of this Assembly, and that is quite right too. But we are somewhat confused as to the way in which we are being asked questions. I am being asked written questions, I am being asked oral questions, and there is a whole swathe of information coming from Scrutiny. I have no problem with it but I just want Members to be aware and that we are doing our best to answer all of these questions. I did not answer - perhaps I should have done - the question that Deputy Baudains says about inbound and outbound mail and, I am sorry, I should have done that. The issue of Jersey Post's increased costs is due to Royal Mail becoming more - as the previous Postal President addressed this House and the previous Postal President before him - keen in its pricing. They have put their prices up. That is nothing really to do with the fulfilment industry. Royal Mail are becoming more commercial and attempting to ensure that they are getting sufficient revenue to provide the services, and that is why there has been a crown dependency joint negotiation on the issue of postal arrangements with the UK.

3.9.4 Deputy G.C.L. Baudains:

It is not the case that if our incoming mail is greater than our outgoing mail they will be paying us instead of us paying them?

Senator P.F.C. Ozouf:

Yes, of course that is right. But, of course, then it is on a unit basis and that is quite right. If, in fact, the old days when there was just simply a switch-over in that virtually the amount of incoming mail was the same as the outgoing mail, then there would just simply be a set-off. But in a world in which that balance is either one way or the other there is going to be some sort of correction and that, of course, is at the heart of some of the negotiations that go on with Royal Mail. But these are commercial organisations: Royal Mail is becoming more commercial and the price is going up. That is why we have to ensure that Jersey Post is as lean and efficient as possible. That is why we want independent regulation - done by the JCRA - no longer being a States department.