

# STATES OF JERSEY



## **JERSEY POST INCORPORATION: COST/BENEFIT ANALYSIS, INVESTIGATION AND RESPONSIBILITIES OF JCRA (P.61/2006) – COMMENTS**

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**Presented to the States on 2nd June 2006  
by the Minister for Treasury and Resources**

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**STATES GREFFE**

## COMMENTS

The Report and Proposition (P.61/2006) from the Economic Affairs Scrutiny Panel raises issues pertinent to both the Minister for Treasury and Resources and the Minister for Economic Development. Whilst the Minister for Economic Development currently has responsibility for the day-to-day activities of Jersey Post, it is the Minister for Treasury and Resources who has brought forward the Draft Postal Services (Transfer) (Jersey) Regulations 200- (P.9/2006), which deal with the move to incorporation, for approval by the States. These comments should therefore be read in conjunction with a report of even date from the Minister for Economic Development.

For ease of reference, the following comments reflect the paragraphs of P.61/2006 –

- (a) *to agree that an updated cost/benefit analysis, in a form to be approved by the Comptroller and Auditor General, be prepared prior to consideration of the Draft Postal Services (Transfer) (Jersey) Regulations 200- (P.9/2006), in order to provide information relating to –*
  - (i) *the overall financial viability of Jersey Post International Limited post-incorporation; and*
  - (ii) *the capability of each element of Jersey Post International Limited to support itself independently;**and to request the Minister for Economic Development to take the necessary action;*

The Minister for Treasury and Resources agrees wholeheartedly with the Minister for Economic Development that a further cost/benefit analysis would provide no positive benefit, but the further delay to incorporation would have a detrimental effect on the ongoing activities of Jersey Post and the morale of its staff.

- (b) *to request the Minister for Economic Development to request the Jersey Competition Regulatory Authority, in accordance with the provisions of the Competition Regulatory Authority (Jersey) Law 2001 and the Competition (Jersey) Law 2005, to carry out an investigation, prior to the incorporation of Jersey Post, into the cross subsidy by Jersey Post of Offshore Solutions Limited (OSL);*

This is primarily a matter for the Minister for Economic Development, but it would seem more sensible for any investigation into a cross-subsidy of Offshore Solutions Limited should be addressed by the Jersey Competition Regulatory Authority after, rather than prior to, incorporation.

- (c) *to request the Minister for Treasury and Resources to review the decision(s) to grant any loan(s) from the States to Jersey Post International Limited in respect of liabilities under the Jersey Post Office Pension Fund, and the terms of those loans, and report thereon to the States;*

The Report attached to P.61/2006 gives the impression that the loan of **up to** £4 million to be provided to the parent company by the States (who after all own all the shares in the company) will be at a preferential rate. In fact the rate of interest to be charged (1% above bank base lending rate) is commensurate with the rate of interest at which Jersey Post could borrow from a commercial institution. It simply makes more sense commercially for the States to invest its surplus funds at a higher rate of interest than it could obtain from a reputable bank, but at minimal risk since the States will continue to own the entire share capital. It is agreed that it will be open to the JCRA to determine at any time if they consider the terms of the loan to be uncommercial, and both the Minister for Treasury and Resources and the Minister for Economic Development would abide by that decision.

- (d) (i) *to agree, in principle, that Article 8(1) of the Postal Services (Jersey) Law 2004 be amended to provide that the Jersey Competition Regulatory Authority should no longer have a primary duty to perform its functions under the Law in such manner as to ensure that the company has sufficient financial resources to discharge its liabilities under securities issued by the Company to the States; and*
- (ii) *to request the Minister for Economic Development to take the necessary action arising from paragraph (d)(i);*

Article 8 of the Postal Services (Jersey) Law 2004, and in particular Article 8(1)(b), gives the Treasury and Resources Minister, and indeed the States, the confidence that the Company will have the ability to repay its borrowing from the States within an adequate timescale. Following repayment of the loan the Minister for Treasury and Resources would have no objection to a rescindment of part or all of the Article in question, and supports the views of the Minister for Economic Development in this regard.

- (e) (i) *to agree, in principle, to amend Article 9(1) of the Postal Services (Jersey) Law 2004 to provide that the States, and not the Minister for Economic Development, have the responsibility, in the public interest, to 'direct or guide' the Jersey Competition Regulatory Authority in relation to the implementation of any social or environmental policies in respect of postal services; and*
- (ii) *to request the Minister for Economic Development to take the necessary action arising from paragraph (e)(i).*

This paragraph is primarily a matter for the Minister for Economic Development, but in the interest of greater public accountability it would seem more appropriate for responsibility in these matters to rest squarely on one individual, i.e. the Minister for Economic Development, who can be held personally accountable for his actions.