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Deputy Moz Scott
Chair
Economic and International Affairs Scrutiny Panel

Via Email

12 June 2023

Dear Deputy,

Jersey Post and Supply Chain Resilience

Thank you for your letter of 5th June.

It's worth mentioning first of all that the ostensible fall in shareholder value of Jersey Post is a result of the valuation exercise as part of the year-end States of Jersey accounts process. You will appreciate that the Jersey Post shares are not available on a market and therefore the shareholding has to be privately valued and there are differing methodologies for doing so. The method that has traditionally been used is to determine market multiples in the postal and logistics sectors and apply the multiples to Jersey Post's forecast EBITDA. This is referenced on page 281 of the States of Jersey accounts which includes a commentary on the reasons for the revaluation:-

"The Jersey Post valuation also reflects reduced earnings in 2022 due to challenging conditions. The overall industry benchmarks, used for the valuation, were lower in 2022 as comparable companies experienced similar challenges."

The industry multiples from comparator companies used in the valuation were some 44% down from 2021 which reflects the significant downward pressure on share prices experienced in the postal and logistics sectors. A 44% reduction in the multiple compounds the effect of the net loss in the 2022 year that Jersey Post experienced.

In terms of the net loss there were a series of contributory factors. At the highest level, postal and logistics companies are a leading indicator of economic factors – when economies grow and people have more disposable income, so does demand for products and services. Jersey Post sees that demand as Islanders source products from the UK. I needn't describe the geopolitical and macroeconomic events that have and are affecting global economies. As a consequence, in 2022, Jersey Post saw overall delivery volumes reduce, double digit cost increases and witnessed unparalleled industrial action by Royal Mail employees during the peak festive season, which led to 19 days when no post was received in Jersey.

Similar factors outside of Jersey Post's control impacted global volumes and therefore their overseas investments.

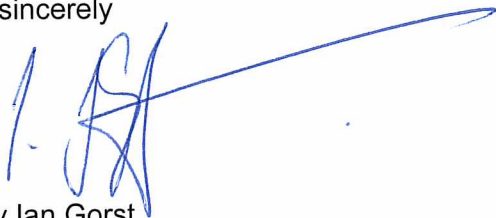
Since the UK Government removed Jersey from the Low Value Consignment Relief scheme in 2012 which impacted the Jersey fulfilment industry, it has become apparent that the Universal Service Obligation (“USO”) services in Jersey could not be sustained without a diversification strategy. It is Jersey Post’s own most recently approved Strategic Business Plan (“SBP”) that continues to support this strategy of generating returns through growth from their overseas investments to pay for the USO services provided to Islanders.

Accordingly, I do not believe that the challenges that Jersey Post have faced relate to any investments or activities by Jersey Post that are driven by Government’s economic policy.

You broaden this question to include competition difficulties in areas of the supply chain within which Jersey Post and subsidiaries are operating and you will be aware that Jersey Post is operating in a competitive market. The Jersey Competition Regulatory Authority (“JCRA”) produced a comprehensive report dated 27 July 2022 on freight and logistics ([freight-logistics-market-study-findings-and-recommendations \(3\).pdf \(gov.soj\)](#)) and in connection with that report it may be helpful for the Panel, to read Jersey Post’s submission dated 1 April 2022 on the JCRA’s website ([jersey-post-draft-report-response.pdf \(jcra.je\)](#)) which expounds some of the competition difficulties they experience.

Jersey Post was of course originally incorporated to be an independent, self-financing company and therefore, notwithstanding the net loss in 2022, I do not anticipate that any funding support will be required at this stage for normal operating activities. Indeed, whilst the outlook for the business remains challenging, the SBP for Jersey Post is forecast to deliver a positive figure at the EBITDA level over the next three years.

Yours sincerely



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cc Deputy Kirsten Morel, Minister for Economic Development, Tourism, Sports and Culture