

28th November 2018

Deputy Kirsten Morel - Chairman
Economic Affairs Scrutiny Panel
Scrutiny Office
States Greffe
Morier House
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Dear Deputy Kirsten Morel

Economic Affairs Scrutiny Panel: Retail in Jersey Review

I am responding to your letter of 16th November and hope the information provided is useful. If you require further information or input please contact me.

In your letter you call Jersey Post “the island’s main gateway for receiving and distributing parcels”. This is incorrect. There are at least six other carriers that import parcels outside of the likes of Ferryspeed, Channel Island Lines and HR Air. These include Hermes, Hub Europe, TNT, UPS, DHL and DPD. We do not consider that we are the biggest, indeed Hermes brings in more parcels direct from Amazon than we do. Therefore, to be comprehensive I would suggest you would need input from these companies.

Addressing each question in turn:

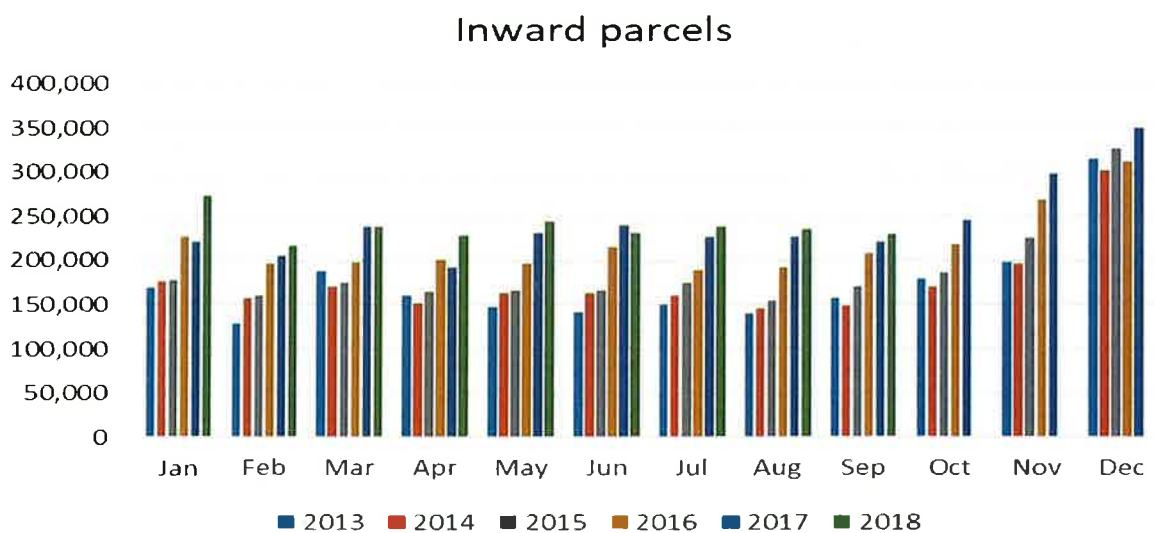
1. Has Jersey post seen an increase in the amount of parcels¹ being delivered to Jersey over the last 5 years?

Looking at a number of statistics:

- In 2013 we handled 2.1 million inward parcels. We reached the same number by the end of September this year;
- Last year, 2017, we brought in 2.9m parcels, a 39% increase;
- Parcel volumes have grown by 54% year to date in 2018 compared to the same period in 2013;
- In 2013 the average number of parcels per household was c0.8 a week; in 2017 we delivered some c1.1 parcels per week (assuming a static number of households);
- In 2017 parcels represented less than 20% of our total inbound postal volume, and just over 10% of our total postal volumes;

¹ Parcels includes both packets i.e. light weight items that contain goods and parcels

- We exported in 2017 through our logistics business 4.8m parcels (some 65% more than we imported) representing over £50m worth of goods, of which 92% went to Europe.



2. If there has been an increase, how has Jersey post adapted?

Over the last five years Jersey Post has made a number of investments and changes to processes. In 2016 we invested c£1.8m in an automated packet sorter that sorts up to 4,000 items an hour. We have also amended staff work patterns to reflect the additional work involved in processing parcels. We have invested in larger capacity electric vans but this was done alongside normal van replacement. We continue to look at more effective ways of balancing growing parcel and declining mail traffic.

Our key challenge in importing parcels is the process of clearing any taxes and duties to be paid. Where this is automated i.e. pre-advice is provided by the sending customer (e.g. Amazon and Parcelforce), items can be cleared whilst the items are in transit. In these cases items are not delayed when they arrive at Jersey Post and can be delivered straight away. Where we do not have pre-advice (e.g. Royal Mail) then items have to be checked visually and items over the limits, or suspected of being over the limits, are pulled out the processing line, inspected and if required customers are asked to pay duty and taxes owing. If more parcels are subject to duty and taxes by such things as lowering the GST limit, then more items would be held at our Rue de Pres sorting office. In the UK carriers charge receiving customers an administration fee for collecting unpaid duty. This can be as high as £12 on top of the duty or tax due. If we had to store items we would have to consider charging customers an administration fee to cover our costs: not something we wish to do. To avoid this we need:

- To ensure the customs system Caesar has the capacity to cope with the increased demand;

- More senders to the island provide pre-advice to enable automatic clearance.

3. Does Jersey Post hold any facts or figures regarding the quantity of parcels received from online retailers that are distributed in Jersey?

Whilst we do not retain this information, from our experience we consider that over 90% of all parcels are from retailers, on-line or otherwise (for both 2013 and 2017).

Where we have pre-advice that includes the value of goods we can estimate the impact of a reduction in the £240 limit. Looking at our Amazon volumes currently 0.4% of all parcels are above the current GST limit.

Volume and Value of Consignments for Differing GST Thresholds

| GST Limit | Consignment Count | Consignment Value | Consignment % | GST Value |
|-----------|-------------------|-------------------|---------------|-------------|
| £0.00 | 484,949 | £10,897,414.33 | 100.00% | £544,870.72 |
| £5.00 | 448,172 | £10,770,577.69 | 92.42% | £538,528.88 |
| £10.00 | 332,210 | £9,868,061.39 | 68.50% | £493,403.07 |
| £20.00 | 163,046 | £7,395,131.91 | 33.62% | £369,756.60 |
| £30.00 | 83,052 | £5,437,870.53 | 17.13% | £271,893.53 |
| £40.00 | 51,178 | £4,333,406.26 | 10.55% | £216,670.31 |
| £50.00 | 34,835 | £3,601,075.12 | 7.18% | £180,053.76 |
| £100.00 | 10,217 | £1,915,078.11 | 2.11% | £95,753.91 |
| £150.00 | 4,776 | £1,251,721.80 | 0.98% | £62,586.09 |
| £200.00 | 2,816 | £912,941.53 | 0.58% | £45,647.08 |
| £240.00 | 1,932 | £719,528.19 | 0.40% | £35,976.41 |

If the GST limit was reduced to £100 then an additional £60k would have been raised on these items. If these statistics were applied to all our inward parcels then the move to a £100 limit would have raised over £0.5m more in GST in 2017; and over £3m more if the GST limit was set at zero.

If Jersey Post handles a quarter of all inward parcel traffic then at £100 some £2m more would have been raised in 2017; and at a £0 GST limit some £12m more would have been raised.

Whilst Jersey Post is sometimes seen as the enemy of retail on the island we believe that our services can complement and help drive retail sales with services ranging from:

- Home delivery;
- Consolidating all your shopping on Saturday and delivering it that evening to your home;
- Use of locker boxes to give 24/7 access to goods;
- Consolidate inbound goods and bring them to the island retailers. By using our global and UK network partners we could reduce the costs and times of incoming goods for sale;
- Use of our vans and Direct2Home services for advertising.

Jersey Post is a member of the Jersey Retail Association and is keen to be part of ensuring the Jersey retail industry not only survives but also thrives.

I hope that this provides the information you need. If your scrutiny panel wish to visit our sorting centre at Rue de Pres please contact me. It would be very useful to see the operation at its busiest so you can put the comments and statistics above in context.

Yours sincerely



Tim Brown
CEO