



Office of Utility Regulation

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Regulator Consults on Changes to the Postal Market

The Utilities Regulator is consulting on proposals to introduce changes to the Guernsey postal market from next April. GPL is proposing to implement a new pricing strategy and charges from April 2010. Among GPL's proposals are plans to implement Size Based Pricing ("SBP") from April 2010 for all postal users and to increase prices. It has also sought an increase in the "Reserved Area" from £1.35 to £2.15. However the OUR believes there is merit in considering opening the postal market to full competition, essentially removing GPL's remaining monopoly.

GPL's proposals involve a significant restructuring of its tariffs, with prices being determined by the weight and size of the postal item rather than just weight as is currently the case. GPL believes its proposals are driven primarily by increases that have been applied by Royal Mail as part of a new contract with GPL which came into effect in April 2009.

"The introduction of SBP has the potential to help offset part of the increases in tariffs being proposed by GPL for some postal users. However as with all changes, there are likely to be winners and losers and we need to assess the full implications of the proposals," said John Curran, the Director General of the OUR. "While GPL estimates social users will, by and large, see little impact from the price changes, given the significant increases in Royal Mail costs, the introduction of SBP may help mitigate the impact of the increases for other postal users."

The OUR is also proposing to remove GPL's remaining monopoly by removing its exclusive right to provide services below £1.35. While GPL has asked for an increase in the threshold for its reserved area, the OUR does not believe this is in postal users' best interest.

“The general trend in other countries, including Jersey and the UK, is not to have reserved areas. Reserved areas limit the scope for competition and limit consumer choice. It also removes an important incentive on postal companies to become more efficient”, said John Curran. “Given the increases being proposed by GPL, we believe the time is right to look at opening up the postal market to competition to give postal users as much choice as possible whilst still ensuring a sustainable postal service.”

The Consultation Document (OUR 09/16) published today, is available on the OUR website www.regutil.gg, or by calling the OUR on 711120. The closing date for receipt of comments to the consultation is the 11 September 2009.

ENDS

Information for the Editor:

Example of GPL Proposals:

Local Post

Type of Item	Current	Proposed
Letter (100g)	36p	36p
Large Letter (100g)	36p	66p
Packet (100g)	36p	£1.71

UK/Channel Islands/Isle of Man

Type of Item	Current	Proposed
Letter (100g)	43p	45p
Large Letter (100g)	43p	75p
Packet (100g)	43p	£1.80

Categories of Post:

- A Letter is broadly speaking, thin items about half of A4 size;
- A Large Letter is a postal item about A4 size item and up to an inch thick; and
- Packets are all other bulky items.

The Reserved Area:

Within the Reserved Area, GPL has been given the exclusivity to provide postal services. It was introduced to ensure that GPL could finance its Universal Service Obligation which is set by the States of Guernsey. The level of the Reserved Area was set at £1.35 in 2001.

About the OUR

The Office of Utility Regulation was established in 2001 to regulate the three utilities of post, telecommunications and electricity in the Bailiwick of Guernsey. The Office is headed up by Director General, John Curran and has six staff.

The role of the OUR is to protect the interests of Guernsey consumers and the economy. It does this by ensuring that customers receive the best in price, choice and quality services in the three regulated sectors, while at the same time ensuring that those sectors are vibrant and robust so that they can positively contribute to and underpin a successful Guernsey economy.

The OUR licenses and regulates telecommunications operators, Guernsey Electricity Ltd and Guernsey Post Ltd. Wherever possible, the OUR promotes the introduction of competition by ensuring that there is fair play and a level playing field between the operators. Where competition is not yet effective or where it is not feasible, the OUR regulates prices and quality of services to end customers. More information is available from the OUR website www.regutil.gg, or by contacting the Office of Utility Regulation on 01481 711120.