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The Director General,
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24 September 2005

Dear Sir

Ref: Guernsey Post's Proposed Tariff Changes – Consultation Paper

Thank you for the opportunity to comment on both the GPL proposals and your method of assessment.

My first observation concerns the comments in paragraph 4.1 and particularly Figure 1. Although the diagram is accurate, it shows only half of the picture in that GPL also receives terminal dues for the local delivery of UK and International post from Royal Mail.

The last couple of paragraphs in this section raise a very clear concern. In your final presentation it is essential that you assure the public that the cost centres are remunerated sufficiently (but not excessively) by the charges made. I have set out the areas as I see them in a very simplified chart:

<i>Service</i>	<i>Income source</i>	<i>Costs centres</i>
Gsy-Gsy letters	Stamp sales	Collect • sort • delivery
UK-Gsy letters	Royal Mail	Sort • delivery
UK-Gsy parcels	Royal Mail	Sort • delivery
Gsy-UK letters	Stamp sales	Collect • sort • ship • Royal Mail
Gsy-UK parcels	Stamp sales	Collect • sort • ship • Royal Mail

If you are unable to assure us that each area 'washes its face' then an explanation must be given.

4.2

Personally, I welcome the 'Pricing in proportion' proposals and would wish them to be introduced at the same time here as in the UK. When introduced to Guernsey they should include a Second Class service. At the same time I would hope that the current arrangement of having all post in sacks could be ended and each size of mail delivered uncrushed.

To retain the old system while the UK goes ahead will only serve to confuse and require a separate and expensive Guernsey publicity/public information campaign at a later date.

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Neither your report, nor that from GPL adequately describes the form of agreement with Royal Mail. No doubt it owes a great deal to history and tradition!

Were I to be starting out with a fresh sheet, I would attempt to buy services from RM against their current pricing structure.

It is reasonable to assume that RM has a base sales price for its services that shows a discount against counter charges, which it negotiates 'down-to' with big customers. Presumably it uses volume, pre-sort, delivery point, payment and length of contract issues (among others) to arrive at a price for each service.

Thus one might expect GPL to be able to negotiate contracts with RM for each of its services.

Then GPL would have to attempt to carry out its collect, sort and ship operation within that discount, or charge more than the UK if unsuccessful.

From what I have read, it is impossible to deduce if this is the method used.

Although I have described a possible scenario above, I understand that a much more "general" contract exists which is believed to offer a better deal than that I have described. This is an area where the public needs reassurance, for the costs and services being offered by GPL in their paper do not reflect a better deal.

If I read the GPL statement correctly it is attempting to provide discounted bulk mail services in competition with RM – surely an impossible dream? (Without charging other postal users.)

Towards the end of 4.4 you quote your methodology for evaluating costs, and in particular the effect upon households. While the "spend" by Islanders may be small, whatever the increase, the effect on small businesses could be catastrophic and inflationary.

In paragraph 5.5, among the bullet points, I notice that you give no intention to demonstrate the differences between exported mail and that circulated within the Bailiwick – if this is correct, then I suggest you change your mind.

Finally, on the OUR report, may I ask you to give sufficient emphasis and impetus to GPL to "Grow the Business". In neither document is there any allowance for growth, for developing new customers, or for introducing new business and services. This is a mistake. Many of the cost centres have room for growth and the sooner they are filled the sooner costs per unit will be lowered.

GPL Document

My first comment comes in bullet 5 of Paragraph 4, where I would ask for GPL to introduce a Second Class service to connect up with that of RM as soon as possible. It would add business that is presently sent to the UK or elsewhere.

In 5.5 GPL appears to find the provision of its so called "Retail Network" as a burden, or at least an obligation, but most businesses in GPL's position would see it as a benefit. I can agree that by today's standards the 2 mile radius requirement of the USO is inappropriate, but the provision of collection points for post, particularly mail-order returns, in locations where Islanders gather is an essential part of the business. If GPL expect Islanders to collect their own post from Postal HQ and

deliver it there, then it is leaving a wide gap for competition to walk in. Already I notice that a thriving business is collecting and delivering post for larger companies. How did GPL allow this to happen? If it can be done by others, why not GPL? This is a loss of income in its core business sector. Soon this company will no longer deliver to Postal HQ but directly to the UK!

It is a feature whenever accountants get a hold on any business that the easy route of cost saving as opposed to the more difficult business development results in closure and run-down. Please don't let this happen here.

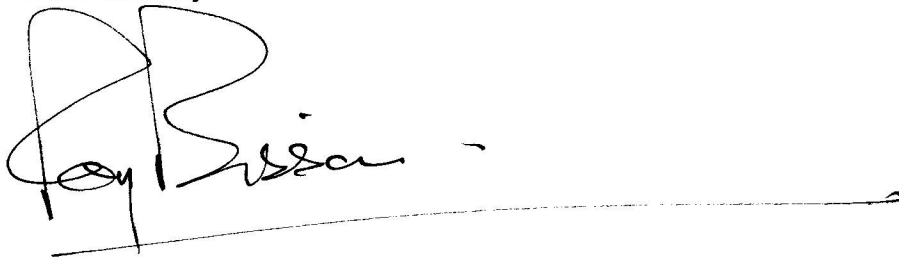
In 6.1 GPL is inclined to base its arguments on matching Jersey prices. Please make sure that your calculations are firmly found on operation costs.

Section 6.3 is a great concern in that it indicates a policy of providing a competitive service regardless of margins. It is no disgrace if the larger local companies choose to post their high circulation mailshots in the UK and deal directly with RM, or even if they go to Jersey. It is not for GPL to subsidise direct mail industry, it is for the States to do that. It is more of a problem if GPL loses cash on every one! My understanding of the policies and contracts hitherto placed leaves considerable doubt in this area. Please reassure us in your final report.

There can be no doubt that the costs of basic infrastructure services – energy, water, communications and transport are crucial to the prosperity of our Island. We rely upon OUR to represent this view and to provide the 'competitive' factor in dominant and sole trader situations. It is essential that GPL should not be able to constantly increase postal rates regardless of its part in the Island's prosperity.

I urge you to sharpen your pencils for this most important task ahead.

Yours faithfully

A handwritten signature in black ink, appearing to read "Roy Bisson". The signature is written in a cursive style with a large, stylized initial "R" and "B". A horizontal line is drawn across the page below the signature.

Roy Bisson