

Ms Finn
The Director General Office of Utility Regulation
Suite B1 & B2
Hirzel Court
St Peter Port
Guernsey
GY1 2NB



14 October 2004

Dear Ms Finn,

Re Comments on 2006 Postal Pricing

You have asked for comments to your consultation paper issued in September. While this letter from Healthspan is outside the published date for reply we hope that you will include it in your review.

Over the last ten years the Bailiwick has tried to establish and support various niche businesses. In particular a thriving bulk mail business has been established which now contributes significantly through taxation and employment to the Bailiwick as a result of this policy. No business exists in isolation and all are open to attack, unless they remain competitive, in the world market. Given the natural restrictions that exist from operating from an island; postal services efficiency, customer service and cost all remain of paramount importance to the success of these businesses.

Unfortunately, in order to ensure the achievement of the first two of these parameters the large bulk mailers such as ourselves have had to effectively bring in house the sorting and packing of product. Despite this we find ourselves in the invidious position of having to pay not only for networks and services that we do not use, but at increased costs. The attainment of substantial revenues from growing businesses for which reduced input was required by the postal provider should have resulted in 'windfall' profits for the postal provider which in turn should have led to reducing or held prices. For whatever reason whether it is bureaucracy, outdated practises or business inefficiency this has not been the case with Guernsey Post Limited (GPL).

Governments around the world faced with failing monopoly postal providers have concluded that opening up the market place is in the best interests of their community. The Bailiwick in the regulation of Law 2001 has set out the objective that the Director General has a duty to introduce, maintain and promote effective sustainable competition. Healthspan supports this view and believes that any efforts to increase the price cap of £1.35 under which no competition is allowed should be resisted for two reasons.

Firstly, an increase in the cap could act to deter any potential competitor to the postal service entering the Guernsey market.

Secondly, an increase in the cap could be seen as detrimental to business and impact on the ability of the Bailiwick to attract new business to the island.

For large businesses to be able to plan their operations successfully they need to have clear visibility and transparency of change. Healthspan therefore welcomes the concept of a multistage consultation process. However the delay of the finalisation of the price effective from April 2006 but not confirmed till the end of December 2005 is too short a period to allow proper planning. A period of at least six to eight months before implementation should be allowed to businesses for planning purposes.

In reviewing the GPL business, Healthspan believes that a significant amount of time should be spent on reviewing the allocation of costs and the basis behind the allocation for each service provided, in order to assess the fair pricing for each service. This review should be transparent to users of the services and users should be allowed the chance to challenge the allocations.

In your Consultation paper you have stated that your aim is to balance the interests of the wider community, GPL and a number of different users. Healthspan accepts that as part of its corporate responsibility it must take account of the interests of the community in which it operates. However in accordance with best business practise it believes that the cost of each service should be visible and if the 'balancing' of the OUR requires cross subsidies by overcharging certain customers above an agreed profit percentage, then this subsidy should be transparent to the community as a whole and the customer.

Yours Sincerely


Derek Coates
Managing Director