



Office of Utility Regulation

Guernsey Post's Proposed Tariff Changes

Consultation Paper

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Office of Utility Regulation

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CONTENTS

1. Introduction.....	2
2. Structure and Comments	3
2.1. Structure of the Consultation Paper	3
2.2. Comments	3
3. Legislative and Licensing Background	5
3.1. Legislation and States Directions	5
3.2. The Universal Service Obligation.....	5
3.3. Statutory Functions and Powers.....	6
3.4. Licence Conditions.....	7
4. GPL's Proposed Tariff Changes	9
4.1. Local and UK Regular Mail.....	9
4.2. International Mail Tariffs	12
4.3. Bulk Mail Tariffs & Product Specifications.....	12
4.4. Justification for Tariff Changes	15
5. OUR's Approach to Reviewing Tariff Change Application	17
5.1. Need for a Price Control.....	17
5.2. Scope for Price Control	17
5.3. Form and Duration of Price Control	18
5.4. Criteria for Assessing GPL's Proposals.....	18
5.5. OUR's Methodology	19
6. Next Steps	22
Annex A Summary of GPL Proposals	23

1. Introduction

The Director General of Utility Regulation (“DG”) has received an application for tariff changes from Guernsey Post Limited (“GPL”). GPL has applied to revise its postal tariffs with effect from 1st April 2007 with proposals for further changes out to 31st March 2010. Details of GPL’s proposed tariff changes are included as an annex to this document.

The DG continues to be fully aware of the impact that tariff changes may have on all users of the postal services within the Bailiwick. He is also aware that for many businesses, particularly the bulk mail industry, the postal service is a significant input to their cost base. He is seeking, through this consultation, detailed responses from postal users of the possible impact that changes of the type being proposed by GPL may have on their use of the postal service.

The DG is therefore consulting on the application by GPL to amend its tariffs with effect from 1st April 2007. In order to consider the full impact of this proposal the DG is inviting all interested parties to submit their written comments to the OUR so that they may be considered in full prior to a decision being made in December 2006. The rest of this paper sets out in more detail the consultation timetable, the background to the application for tariff changes and the OUR’s approach to assessing this application.

This document does not constitute legal, technical or commercial advice; the DG is not bound by this document and may amend it from time to time. This document is without prejudice to the legal position or the rights and duties of the DG to regulate the market generally.

2. Structure and Comments

2.1. Structure of the Consultation Paper

The rest of this paper is structured as follows:

- Section 3: describes the legislative framework and licensing arrangements which give the DG power to price control certain areas of GPL's postal activities;
 - Section 4: presents GPL's proposed tariff changes;
 - Section 5: sets out the OUR's approach to reviewing GPL's proposals; and
 - Section 6: outlines the next steps in the process which will culminate in the introduction of any new prices in April 2007.
- Annex A Contains a non-confidential extract from GPL's Tariff Application. This text is provided as an attachment to this consultation paper for information purposes only.

2.2. Comments

Interested parties are invited to submit comments in writing on the matters set out in this paper to the following address:

Office of Utility Regulation
Suites B1& B2
Hirzel Court
St Peter Port
Guernsey
GY1 2NH

Email: info@regutil.gg

All comments should be clearly marked "**Comments on Guernsey Post's Proposed Tariff Changes**" and should arrive before **5pm on 6th October 2006**.

In accordance with the OUR's policy on consultation set out in Document OUR 05/28 – "Regulation in Guernsey; the OUR Approach and Consultation Procedures", non-confidential responses to the consultation are available on the OUR's website (www.regutil.gg) and for inspection at the OUR's Office during normal working hours. Any material that is confidential should be put in a separate annex and clearly marked so that it can be kept confidential. However the DG regrets that he is not in a position to respond individually to the responses to this consultation.

The OUR would particularly welcome quantitative responses from interested parties that demonstrate how GPL's price changes would affect them (either as

businesses or private individuals) in order to assess the impact of GPL's proposals.

For example the OUR would welcome information on issues such as:

- Demonstration of how a user's demand for postal services would be affected by proposed price changes (i.e. price elasticities of demand);
- Modelling results showing the impact of price changes on a company's financial performance;
- Explanation of the impact of price changes on the company's strategy (e.g. investment and employment levels);
- Historical actual mail volumes and average weights on a quarterly basis (disaggregated by types of products if considered helpful); and
- Projected mail volumes and average weights on a quarterly basis (again disaggregated by types of products, if demand for products are likely to vary i.e. total average weights may vary over time).

The DG would therefore encourage respondents to respond fully to the issues raised by GPL's proposed tariff changes and reiterates that any material that is confidential should be put in a separate Annex and clearly marked so that it can be kept confidential.

3. Legislative and Licensing Background

3.1. Legislation and States Directions

The Post Office (Bailiwick of Guernsey) Law, 2001 provides that a range of postal activities do not require licensing, ranging from personal private delivery to the delivery of court documents and banking instruments¹. In addition, any postal services that are provided for a price greater than £1.35 (the “non-reserved services”) can also be provided by any person or business without a licence. All services that are provided for a price of less than £1.35 are deemed to be reserved services and this is set out in an Order made by the DG in accordance with section 9 of the Postal Law².

The Regulation of Utilities (Bailiwick of Guernsey) Law 2001 provides for the States of Guernsey to issue States Directions to the DG in relation to:

- the scope of the universal service that should be provided in the postal sector in the Bailiwick;
- the extent of any exclusive privileges or rights in the postal sector;
- the identity of the first licensee in the postal sector; and
- any obligations arising from international agreements.

3.2. The Universal Service Obligation

In September 2001, the States issued Directions to the DG that required the DG to issue the first licence to provide universal services to GPL. At the same time the States set out the universal service obligation that should be imposed on GPL which is:

“... throughout the Bailiwick of Guernsey at uniform and affordable prices, except in circumstances or geographical conditions that the Director General of Utility Regulation agrees are exceptional:

- *One collection from access points on six days each week;*
- *One delivery of letter mail to the home or premises of every natural or legal person in the Bailiwick (or other appropriate installations if agreed by the Director General of Utility Regulation) on six days each week including all working days;*
- *Collections shall be for all postal items up to a weight of 20Kg;*
- *Deliveries on a minimum of five working days shall be for all postal items up to a weight of 20Kg;*
- *Services for registered and insured mail.”*

Having defined the universal service, the States directed that GPL should be provided with the exclusive right to provide reserved services insofar as this is needed to enable and ensure the universal postal service is delivered. The relevant States Direction states:

“The Regulator shall reserve services to be exclusively provided by the Universal Service Provider to the extent necessary only to ensure the

¹ Section 1(2) of the Post Office (Bailiwick of Guernsey) Law, 2001

² The Post Office (Reserved Postal Services) Order, 2001

maintenance of universal service, and shall review and revise the reserved services from time to time with a view to opening up the Guernsey postal market to competition consistent with the need to maintain the Universal Service”.

This legislative structure provides the DG, GPL and the States of Guernsey with a framework similar to that in neighbouring jurisdictions, within which:

- States policy can be articulated in more detail in the form of States Directions; and
- Licence conditions can be developed to provide more detail on the operation of the market.

Earlier in 2006, as recommended in the NAO report on Commercialisation³, the OUR conducted a review of the original USO within the Bailiwick in light of the changes in the company’s operating environment⁴. The DG recommended a number of changes in the USO in light of the responses to the consultation, the most significant being the reduction in the number of daily deliveries from six days a week to five days a week. The full set of recommendations are set out in Document OUR 06/11 which was been submitted to the Department of Commerce & Employment (“C&E”).

In June 2006 C&E issued a Briefing Paper⁵ with its views on the OUR recommendations. In short C&E found no compelling case to justify recommending to the States changes to the USO and therefore believed that there would be little purpose served by laying the matter before the States for debate. C&E invited views on this approach by 14th July and would take into account any feedback before coming to a final decision. However for the purposes of this consultation the OUR will assume no changes in the scope of the existing USO through to March 2010.

3.3. Statutory Functions and Powers

In exercising his functions and powers, the DG has a duty to promote (and, where they conflict, to balance) the following objectives⁶:

- a. protect the interests of consumers and other users in the Bailiwick in respect of the prices charged for, and the quality, service levels, permanence and variety of, utility services;
- b. secure, so far as practicable, the provision of utility services that satisfy all reasonable demands for such services within the Bailiwick, whether those services are supplied from, within or to the Bailiwick;
- c. ensure that utility activities are carried out in such a way as best to serve and contribute to the economic and social development and well-being of the Bailiwick;
- d. introduce, maintain and promote effective and sustainable competition in the provision of utility services in the Bailiwick, subject to any special or

³ NAO Review of Commercialisation & Regulation in the States of Guernsey- September 2005, referred to in the Billet D’Etat X, 2006 Wednesday 31st May 2006

⁴ OUR 06/06 Reviewing Guernsey Post’s Universal Service Obligation – Consultation Document

⁵ C&E Briefing Paper Guernsey Post Limited – Universal Service Obligation

⁶ The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001

- exclusive rights awarded to a licensee by the DG pursuant to States' Directions;
- e. improve the quality and coverage of utility services and to facilitate the availability of new utility services within the Bailiwick; and
 - f. to lessen, where practicable, any adverse impact of utility activities on the environment;

States Directions⁷ to the DG also require him:

- to ensure that the licensee (i.e. GPL) charged with providing the universal service in the postal sector does so throughout the Bailiwick of Guernsey at uniform and affordable prices; and
- to award the exclusive right to provide postal services in the Bailiwick to the extent that such exclusive right is necessary to ensure the maintenance of the universal postal service.

3.4. Licence Conditions

GPL was awarded a licence on 1st October 2001 in accordance with States Directions and was designated by the DG as being dominant in the market for reserved services in the Bailiwick of Guernsey⁸.

Condition 18 of GPL's licence was amended early in 2005 to allow for the DG to price control GPL's USO services (outside the reserved area) where it has been found by the DG to be dominant.

Therefore in accordance with Condition 18.3 of GPL's postal licence, the DG may regulate the prices of a postal licensee where GPL is dominant. The relevant licence condition states:

“The Director General may determine the maximum level of charges the Licensee may apply for Licensed Services Services and/or Universal Services within a Relevant Market in which the Licensee has been found to be dominant. A determination may:

- (a) provide for the overall limit to apply to such Licensed Services and/or Universal Services or categories of Licensed Services and/or Universal Services or any combination of Licensed Services and/or Universal Services;*
- (b) restrict increases in any such charges or to require reductions in them whether by reference to any formula or otherwise; or*
- (c) provide for different limits to apply in relation to different periods of time falling within the periods to which any determination applies.*

⁷ States Resolutions 2001, pages 78-80 (item no 14)

⁸ Document OUR 01/16 Decisions under the Post Office (Bailiwick of Guernsey) Law 2001 – Decision Notice and Report on the Consultation Paper.

In conclusion the DG has the power to directly regulate the prices that GPL charges for services provided within its USO.

In September 2005 the OUR published a draft decision⁹ concerning market definitions, market power and dominance in the postal sector of the Bailiwick of Guernsey. In that Draft Decision, the DG set out his views on the nature of the postal sector in the Bailiwick, the degree to which clearly separate markets might be identified and the degree to which competition does, or is likely to, exist in those markets.

Following the consultation of the Draft Decision the DG designated GPL as being dominant¹⁰ in the following markets:

- the market for regular letter and parcel services;
- the market for priority (SD) letter and parcel services; and
- the market for outbound bulk mail services

⁹ Document OUR 05//21 Review of Market Dominance in the Guernsey Postal Market – Proposed Decision: Statutory Invitation to Comment, September 2005

¹⁰ Document OUR 05/26 Review of Market Dominance in the Guernsey Postal Market – Report on the consultation and Decision Notice, November 2005

4. GPL's Proposed Tariff Changes

GPL are proposing changes in tariffs across a wide range of postal services including:

- Local Letters;
- Letters to UK & Jersey;
- Local parcels;
- Parcels to UK & Jersey;
- Recorded Delivery;
- Postcards;
- Airmail;
- International Signed for;
- Airsure;
- International Standard Parcel;
- International Economy Parcel; and
- Logistics Tariffs.

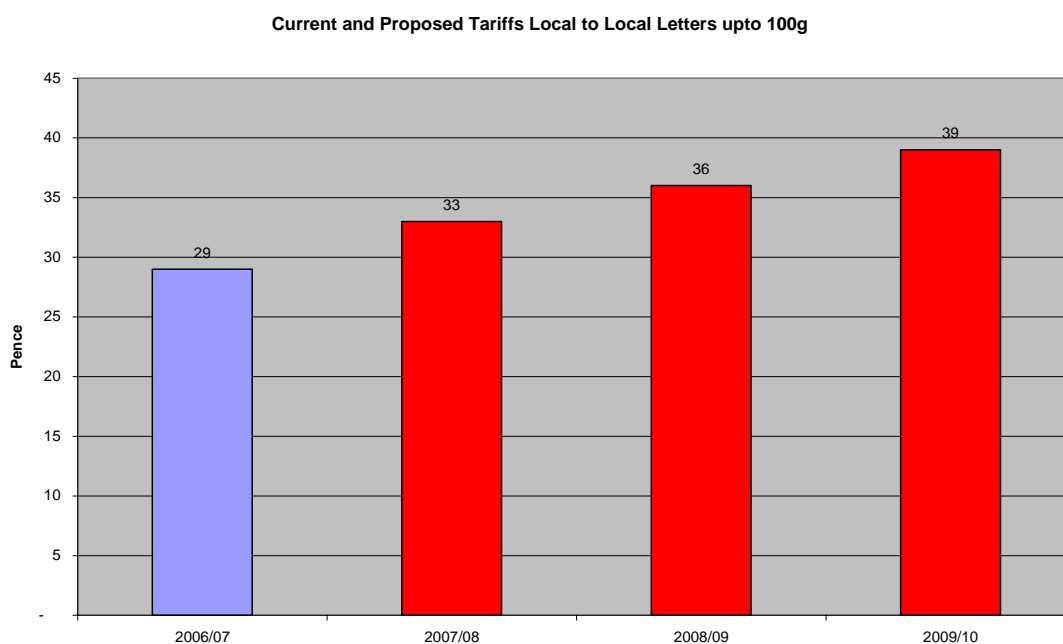
A summary of GPL's tariff proposals is set out below and with full details provided in Annex A for consideration by interested parties.

4.1. Local and UK Regular Mail

Figures 1 and 2 below show the current and proposed tariffs for local mail and UK mail respectively through to 2009/10.

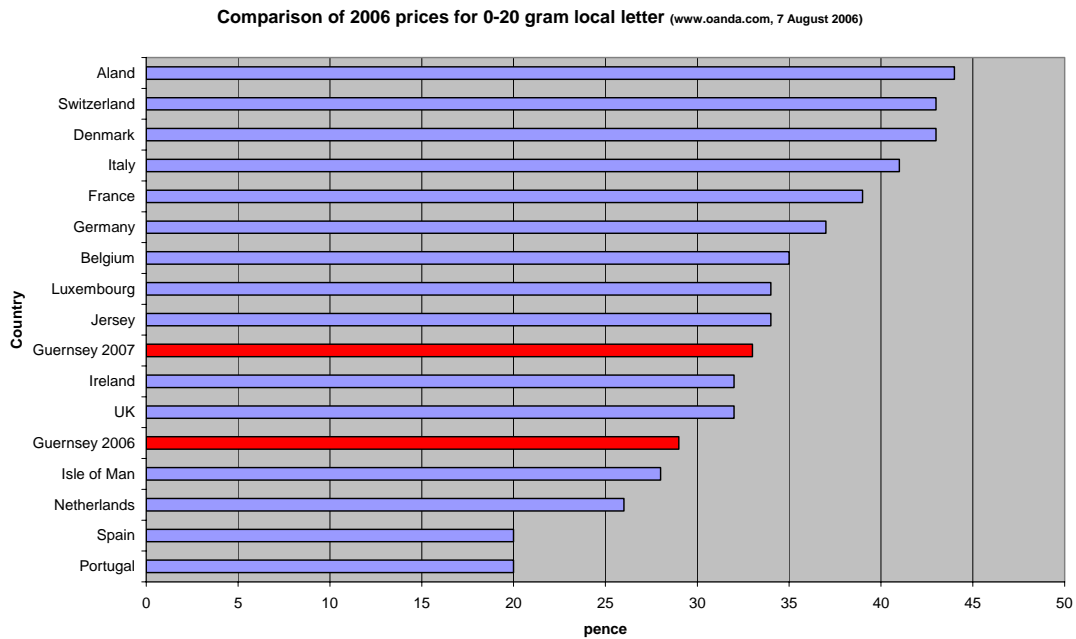
For local letters (i.e. those sent to addresses within the Bailiwick) up to 100g, GPL is proposing to increase the tariff by 34% by 1st April 2009.

Figure 1 Current and Proposed Tariffs Local to Local Letters up to 100g



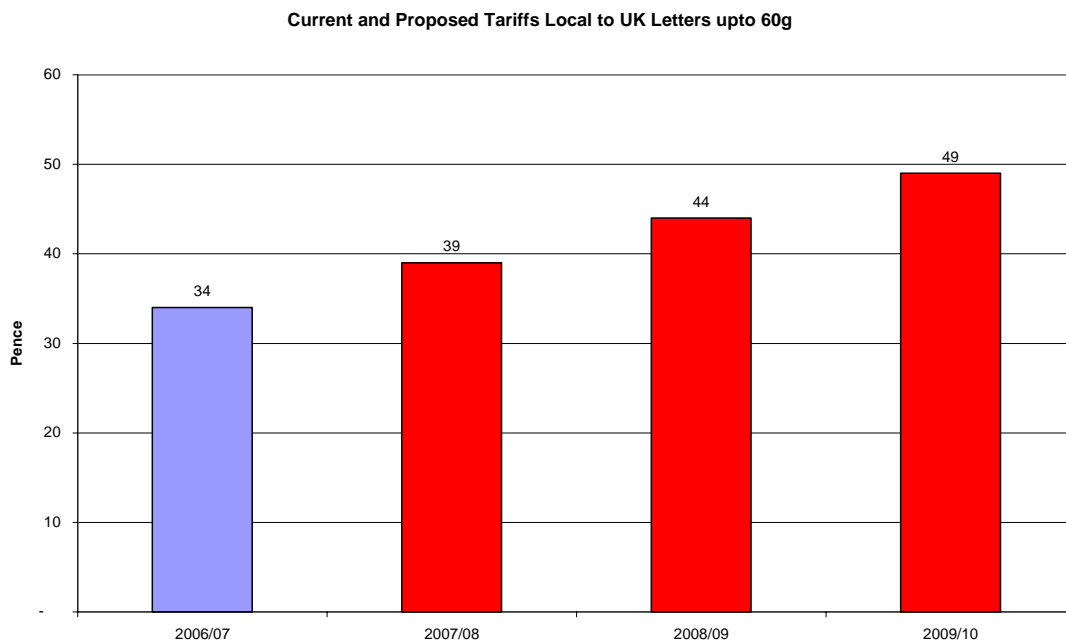
With these increases Guernsey's local tariff prices for 2007 will still be one the lowest in Europe as shown in Figure 2.

Figure 2 Comparison of 2006 prices for 0-20 gram local letter¹¹



For letters posted to the UK up to 60g GPL is proposing to increase the tariff by 44% by 1st April 2009 as shown in Figure 3.

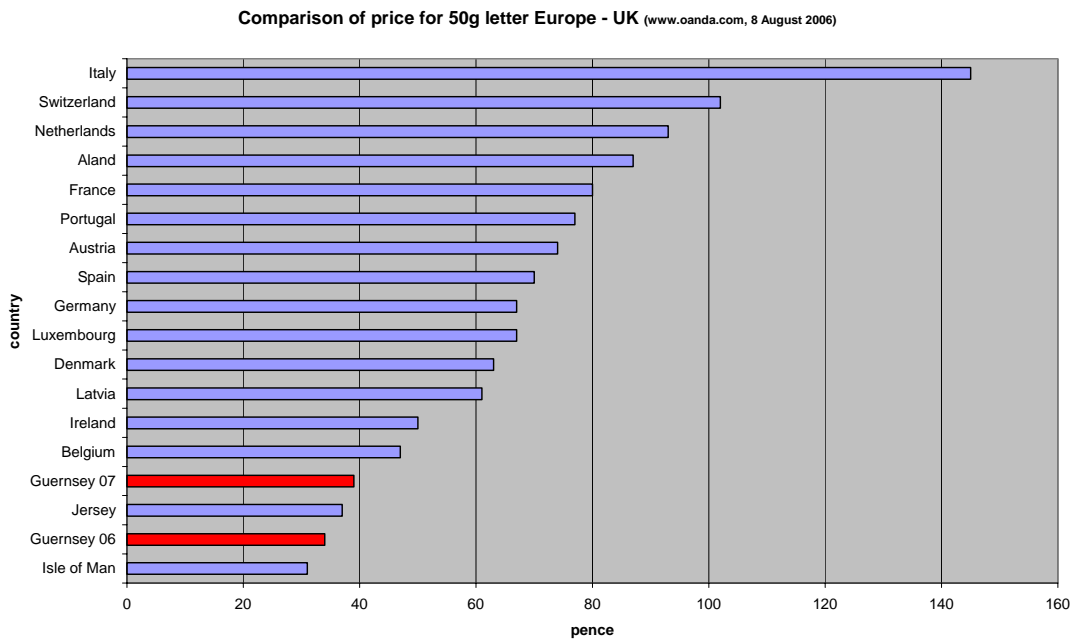
Figure 3 Current and Proposed Tariffs Local to UK Letters up to 60g



A comparison of the proposed 2007 tariffs for letters to the UK with those from those in other jurisdictions in Europe is shown in Figure 4 below.

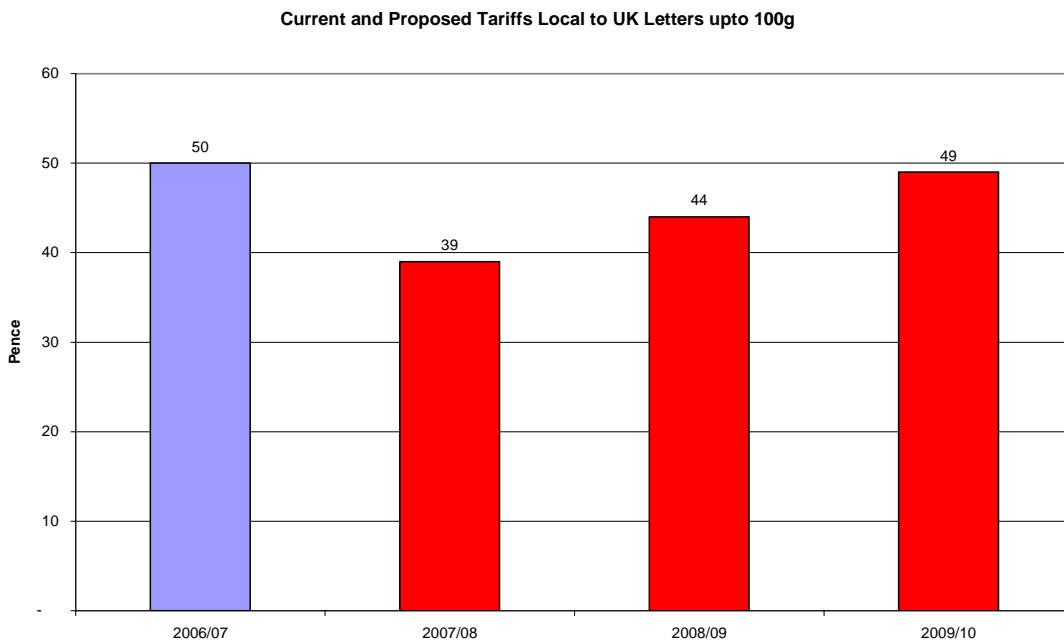
¹¹ Source: GPL

Figure 4 Comparison of price for 50g letter Europe – UK Current and Proposed Tariffs Local to UK Letters up to 100g¹²



In addition however GPL are also proposing to increase the first weight band for a standard letter to the UK (and Jersey) to increase from 60g to 100g. This means that customers would see a real reduction in prices for letters up to 100g over this period (see Figure 5 below).

Figure 5 Current and Proposed Tariffs Local to UK Letters up to 100g



¹² Source: GPL

4.2. International Mail Tariffs

All of GPL's international mail is handled by Royal Mail and is a very low proportion of Royal Mail's total international mail. Due to the differences in demographic characteristics a larger proportion of Guernsey's international mail is sent to Europe than the Royal Mail's international mail. Royal Mail's own international mail is far more diverse than Guernsey with a higher proportion of mail sent to Africa and Asia for example which reflects the diversity of the UK's population. GPL's international mail profile therefore means that it will incur higher delivery charges in European markets and for this reason it is proposing increases in all airmail tariffs to Europe, Rest of the World Zone 1 and Zone 2.

GPL is proposing to remove the surface mail options within its international mail portfolio of products although the number of items sent by surface mail is extremely low.

4.3. Bulk Mail Tariffs & Product Specifications

Table 1 below shows the proposed logistics tariffs for 2007, 2008 and 2009. The proposed Bulk Mail charge for the individual products in the table is derived using the following formula:

$$P_{\text{item}} + P_g \times (W - 60)$$

Where:

$$\begin{aligned} P_{\text{item}} &= \text{price per item;} \\ P_g &= \text{price per gram above 60g} \end{aligned}$$

For example a Bulk Sea Priority 120-way sort item weighing 300g currently costs:

Item Charge	+	Weight Price	x	(Weight - 60g)
P item	+	P _g	x	(W - 60)
£0.2534	+	£0.00218	x	(300 - 60)
Total Item Charge		<u>£0.7766</u>		

In 2007/08 GPL propose to increase the tariff for an item weighing 300g by 5.5% to:

Item Charge	+	Weight Price	x	(Weight - 60g)
P item	+	P _g	x	(W - 60)
£0.3010	+	£0.00216	x	(300 - 60)
Total Item Charge		<u>£0.8194</u>		

Table 1 Proposed Logistics Tariff Changes

BULK MAIL SLP TARIFFS				
Year	2006	2007	2008	2009
Product	Bulk AIR UNSORTED (flowers)			
Price per item	37.20	71.60	78.80	88.00
Price per gramme	0.320	0.260	0.280	0.300
Product	SLP AIR 120 WAY SORT (flowers)			
Price per item	29.95	56.20	63.29	72.38
Price per gramme	0.258	0.237	0.255	0.273
Product	BULK SEA PRIORITY (4 WAY SORT) <500g "WE SORT"			
Price per item	35.34	43.60	47.10	50.60
Price per gramme	0.218	0.240	0.226	0.240
Product	BULK SEA PRIORITY (4 WAY SORT) >500g "WE SORT"			
Price per item	74.34	43.60	47.10	50.60
Price per gramme	0.218	0.240	0.226	0.240
Product	BULK SEA PRIORITY 120 WAY SORT			
Price per item	25.34	30.10	33.60	36.60
Price per gramme	0.218	0.216	0.226	0.240
Product	BULK SEA ECONOMY 120 WAY SORT			
Price per item	24.58	28.60	32.10	35.10
Price per gramme	0.211	0.216	0.226	0.240
Product	BULK SEA UNSORTED (non MOU)			
Price per item	37.20	37.16	39.58	42.94
Price per gramme	0.320	0.274	0.295	0.322

Below 100g the standard public air tariff applies

GPL has argued that it has attempted to keep flower box tariff increases at the lowest possible level in order to promote the States' policy of maintaining a diverse economy and encourage the Bailiwick's indigenous horticultural businesses and proposes to maintain the existing weight based Straight Line Pricing ("SLP") charging structure.

GPL also believes that it absorbs additional transport costs as necessary to support the peak periods of Easter, Mother's Day and Valentine's Day to ensure the integrity of the flower growers' product within the UK. In attempting to ensure compliance with the UK traffic clearance plan GPL will sometimes be required to send flower boxes by sea rather than air. As a result GPL believes it appropriate to maintain a disclaimer that volumes which exceed the available capacity will be conveyed by alternative means (i.e. sea rather than air).

GPL is also proposing to introduce a rebate system for bulk mailers which would operate on the following basis:

- On an annual basis GPL and the bulk mail customer would negotiate a rebate percentage based on Sea Bulk invoiced postal activity into the UK compared to the prior year;
- Any such rebates would be determined by the application of the following principles:
 - To incentivise value growth (i.e. excluding tariff related increases, so focusing on volume growth);

- Any rebate would be no less than 1% of such incremental growth in value;
- Calculations would be based on contract years (i.e. 1st April to 31st March in the relevant year); and
- The benefit to the customer of any rebate shall be used to reduce invoiced amounts for postal services, with any reduction to be rendered no later than 31st May in each year.
- Opportunities for rebates relating to foreign traffic shall be available by applying a similar mechanism but through a separate calculation on an annual basis.
- Nothing in the Mail Services Contract or associated schedules would preclude the option of discounts from being established that reflect the commercial value of the customer to GPL.

GPL has stated that following consultation with the bulk mailers there appears to be some opposition to the introduction of commercial contracts between the two parties and therefore intends to only introduce contracts where it is of benefit to both parties. For certain customers the detailed terms and conditions for GPL's products will be sufficient for formalising parties' rights and obligations.

The Product Specifications for the Bulk Mail products are set out below in Table 2 for comment by interested parties.

Table 2 Bulk Mailer Products – 2007/08 Summary Product Specifications

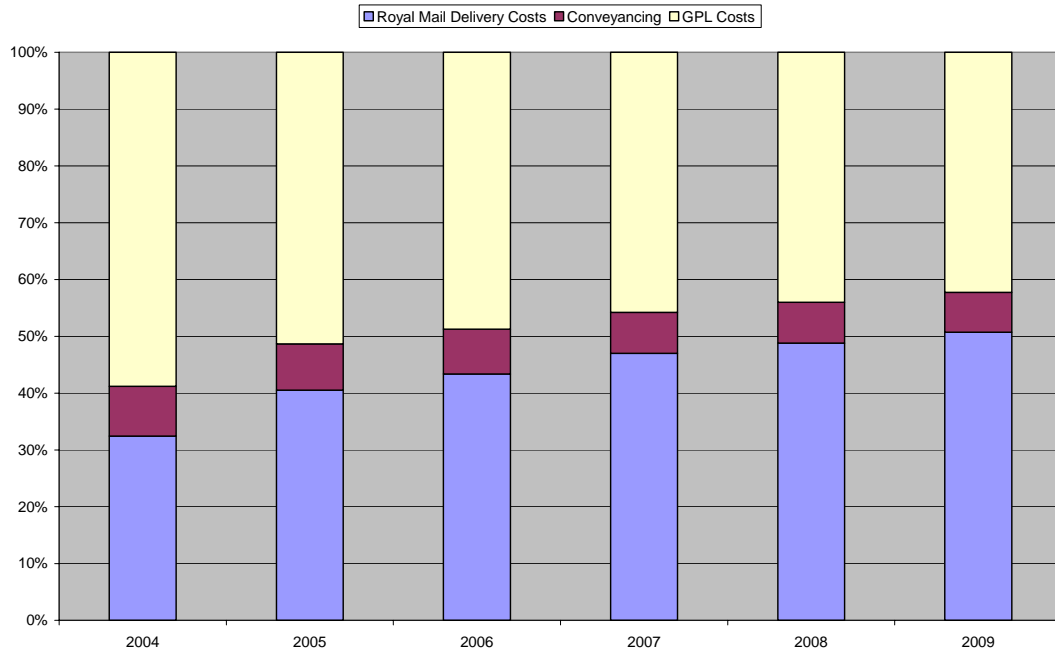
	SLP Air Unsorted	SLP Air Sorted (120)	SLP Sea Priority 'Wesort' (4)	SLP Sea Priority Sorted (120)	SLP Sea Economy Sorted (120)	SLP Sea Unsorted (non MOU)
Type of mail	All types	Flower boxes only	All types	All types	All types	All types
Consignment limits	Flower boxes minimum of 10 and all other mail minimum of 100 and maximum of 1000 per day	Minimum of 250 with no maximum. Two weeks notice required for seasonal and ad-hoc postings. Weekly forecast for normal levels.	Minimum of 500 with maximum of 5000 per consignment. 24 hours notification required. Collection slots 1100, 1200, 1400 hrs.	Minimum of 1000 with no maximum	Minimum of 1000 with no maximum	Minimum of 500 and no maximum
Target customers	Flower exporters and small bulk mailers	Flower exporters	All bulk mailers who choose not to sort themselves	All bulk mailers	All bulk mailers	Mainly new bulk customers not signed up to the MOU
Sort requirement	None	120 way sort	4 way sort	120 way sort	120 sort	no sort
Quality of Service	J+1 (for MOU) and J+4 (for non-MOU)	J+1	J+3	J+3	J+4	J+5
Target to achieve Q of S	80%	80%	90%	90%	80%	80%
Bulk collections	Not available	Free	Free	Free	Free	Free
Claims	Available	Not available	Not available	Not available	Not available	Available
MOU requirement	Optional	Yes	Yes	Yes	Yes	No
Rebate (1% yoy), subject to terms and contract	No	Yes	No	Yes	Yes	No
PPI account	Yes	Yes	Yes	Yes	Yes	Yes
Price per item at 60g (p)	71.6	56.20	43.60	30.10	28.60	37.16
Price per g above 60g (p)	0.260	0.237	0.240	0.216	0.216	0.274
Available from	01-Apr-07	01-Apr-07	01-Apr-07	01-Apr-07	01-Apr-07	01-Apr-07
Valid till	31-Mar-08	31-Mar-08	31-Mar-08	31-Mar-08	31-Mar-08	31-Mar-08

Interested parties are invited to comment on any aspect of GPL's proposals.

4.4. Justification for Tariff Changes

GPL have submitted this tariff application in the light of impact of increased Royal Mail charges. New prices came into effect from 1st April 2006 for a one year period. The USO review earlier this year highlighted the fact that GPL's cost base was changing and the importance of the Royal Mail terminal dues to GPL is shown in Figure 6 below.

Figure 6 GPL's Changing Cost Base¹³



¹³ Source: GPL

5. OUR's Approach to Reviewing Tariff Change Application

5.1. Need for a Price Control

As set out in previous consultations on price controls for GPL, it is common practice in liberalised economies for a regulator to explicitly price control a dominant operator providing network utility services. A monopoly firm in a given market may act against the consumers' interests in a number of ways including inter alia:

- absorbing operational inefficiencies by passing them onto consumers in the form of excessive prices in that there is no incentive to minimize costs; and
- setting prices at excessive levels in order, for example to recoup losses made through poor investment or in order to incur monopoly profits.

In such circumstances regulators have traditionally introduced price controls to ensure that the monopolist/dominant incumbent is not passing unnecessary costs on to consumers and that certain services will continue to be delivered at affordable rates to all sectors of the community. A price control can also ensure that the regulated firm earns an adequate return on its licensed activities and those areas where there is no competition but that, at the same time, it is not unfairly cross subsidising its other activities in competitive markets from the revenue derived in areas where there is no competition

In the postal sector it is common practice in other jurisdictions for an operator to be granted a monopoly in what is known as the "reserved area" in order to fund the provision of the universal service. Hence, as a result of an explicit policy objective, there is typically a segment of the postal market in which there is no competition. As explained above in section 3, GPL has been granted a monopoly in the reserved area and has also been found dominant in a number of other relevant markets. Therefore given the status of Guernsey's postal market and GPL's dominant position in a number of relevant markets, the DG believes that to sufficiently protect consumers' interests, it is necessary to price control certain aspects of GPL's postal activities.

Q1 Do respondents agree that the Director General should price control certain aspects of GPL's postal activities? If not, please substantiate reasons for the alternative view.

5.2. Scope for Price Control

The DG considers that the principal criteria for determining the scope of any price control on GPL should include:

- **Protecting consumers' interests by encouraging efficiency and promoting competition wherever possible in the postal sector.** By constraining prices, GPL would be incentivised to search for efficiency improvements in order to satisfy shareholder expectations and earn a reasonable return. In this way a price control can mimic competition and eliminate both excess profits and inefficient practices.

- **Ensuring the provision of the universal service at geographically uniform and affordable tariff throughout the Bailiwick.** By constraining the prices GPL can charge or the revenues it can earn the DG will need to consider whether doing so would adversely affect GPL's ability to provide such a universal service. The requirement of a uniform tariff may require postal services to be provided at a price below their efficient costs while the same services are provided to other customers at a price above their efficient costs.

At the current time GPL has been found to be dominant in the reserved area and regular letter and parcel services market; priority (SD) letter and parcel services and outbound bulk mail services. Products within these relevant markets are subject to condition 18 of GPL's licence. The DG therefore intends to continue price controlling GPL's prices for postal services within these relevant markets.

Q2 Do respondents agree that the Director General should price control GPL's tariffs in the reserved area, the regular letter and parcel services, the priority letter and parcel services and the outbound bulk mail service markets? If not, please substantiate reasons for the alternative view.

5.3. Form and Duration of Price Control

GPL is seeking a three-year tariff change with new prices coming into force on 1st April 2007. The DG welcomes GPL's application for a three-year tariff application. A three year tariff application will provide the market with certainty which is vitally important, particularly for the bulk mail sector. Similarly this time period would also allow GPL a period of stability and an opportunity to develop its strategy. Therefore the DG believes setting prices for a three year period is appropriate.

Q3. Do respondents agree with the Director General's intention to apply a three year price control for Guernsey Post Limited? If not, please state alternative view with reasons.

5.4. Criteria for Assessing GPL's Proposals

In assessing GPL's tariff proposals the OUR will determine the company's allowed revenues for the price controlled business. This need not correspond to the regulated firm's business in its entirety. The allowed revenues are the revenues required over the period of the price control to cover;

- the price-controlled business's efficient operating cost,
- the price-controlled business's allowable capital expenditure profiles, and
- a return on some measure of the firm's regulatory value (i.e. a consideration of the company's cost of capital and the DG's proposed position will be set out in the draft decision paper).

In considering GPL's proposals the DG will be considering in particular the USO requirements for uniform and affordable postal tariffs and the impact of any price changes on different customers.

Q4. Do respondents agree with the Director General's proposed approach for assessing GPL's tariffs? If not, please explain fully the reason for your position.

5.5. OUR's Methodology

The OUR will adopt a rigorous, but proportionate, approach to assessing GPL's tariff change application, taking into account the statutory objectives set out in the Regulation Law. The OUR intends to perform its own analysis and financial/economic modelling exercise using, amongst other information sources, GPL's confidential Business Plan submitted in support of the tariff changes. However in circumstances where the DG has not been provided with sufficient information or information has not been made available to him, he may need to rely on such other sources as he considers appropriate, such as estimates and benchmarking studies. The DG reserves the right to take all relevant information into account and to adapt the work required to finalise this matter as necessary.

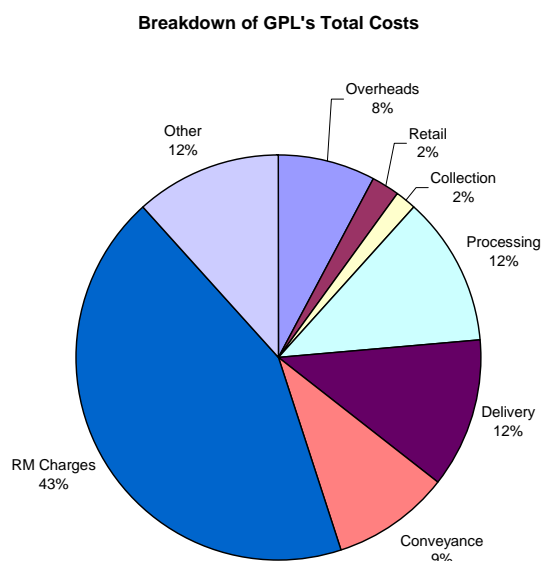
To provide a context for the OUR's methodology, GPL's financial performance since 2000 is shown below:

Table 3 GPL Financial Performance

		2000	2001	2001/02	2002/03	2003/04	2004/05
Sales	£ 000	10,831	9,366	15,772	18,381	21,393	23,895
Expenses	£ 000	8,988	8,386	14,456	20,300	22,218	23,184
Net Income	£ 000	1,843	979	1,316	-1,919	-824	711
Total Net Assets	£ 000	23,551	25,269	23,498	22,678	22,972	24,065
No of Employees		203	203	220	250	293	286
Capex	£ 000	1,858	1,131	9,814	2,955	508	387

Figure 7 below portrays how GPL incurs its postal costs, with Royal Mail's terminal dues (i.e. payment of UK delivery charges) accounting for over 40% of its total costs. For some sectors, such as the Bulk Mail sector, Royal Mail charges account for over 75% of GPL's total costs.

Figure 7 Breakdown of Guernsey Post's Total Postal Costs



An important part of the DG's assessment of the company's tariff application will be the consideration of the efficient operating costs of the company's postal activities. The main activities in the review of the submission will comprise:

- obtaining the best information possible on GPL's forecast operating costs for its different services and assessing the reasonableness of any forecast efficiency savings, hence ensuring that the company is not passing on inefficient operating costs to consumers in its monopoly markets;
- assessing GPL's future capital investment programme to ensure that the capital expenditure is economically justifiable;
- assessing the reasonableness of the company's postal volume forecasts, taking into account how demand may change in response to price changes;
- establishing robust estimates of GPL's efficient asset base and capital costs in order to ensure that customers are not paying for inefficient past investments;
- reaching an objective decision regarding GPL's cost of capital to ensure that the company earns a reasonable return for its shareholder;
- forming a view on how the evolution of competition will impact on the GPL's revenues, costs and market share; and
- assessing GPL's provision of a universal service at a geographically uniform and affordable tariff throughout the Bailiwick

Determining the company's efficient operating costs will be a key part of the OUR's methodology and the issue of inefficient costs was raised repeatedly during the USO

consultation earlier in 2006. The OUR has had discussions with GPL on the nature and form of this review and has been very encouraged by the open approach of the Board and Management to the efficiency review.

As a result the OUR has appointed Brockley Consulting to provide specialist technical advice in reviewing the company's current and projected operating costs in order to assist the OUR in assessing the company's application for tariff changes. The consultants will conduct a detailed analysis of GPL's operational practices whilst also looking at the efficient operation of the company's retail network. As part of this exercise the consultants will hold meetings not only with GPL, but with other interested parties. The OUR intends for the consultants and GPL to work closely together in identifying any practical operational changes which will result in savings for the company and ultimately the end customers.

In summary the OUR's methodology therefore entails forecasting efficient operating and capital expenditure, including a reasonable rate of return, and setting prices accordingly. Consequently the OUR's determination on GPL's allowed price changes will then be set such that if GPL is managed efficiently, it can expect to cover all its costs, including the costs of its capital employed, over the period of the control.

Q5. Do respondents agree with the Director General's proposed methodology for determining the company's allowable revenue for price control purposes? If not, please explain fully the reason for your position.

6. Next Steps

This is the first regulatory step in reviewing GPL's tariff application recently submitted to this Office. This consultation concludes on 6th October 2006. However, during the course of this consultation the DG is available for separate meetings with interested parties to discuss issues arising from this paper and GPL's proposed tariff changes. The DG anticipates further information requests and meetings with GPL to understand fully the underlying assumptions and rationale for its tariff change application.

Going forward the DG intends to adopt the following timetable:

- **10th November** - publish Draft Decision for Consultation;
- **1st December** - end of public consultation on Draft Decision; and
- **Week commencing 18th December** - publication of Final Decision.

Given that GPL wishes to implement new tariffs on 1st April 2007, the timetable for completing the review of GPL's tariff application is challenging but achievable. The DG looks forward to receiving constructive feedback from interested parties to assist him with this review. The DG anticipates publishing a draft decision on GPL's tariff application in October 2006

ENDS/

Annex A Summary of GPL Proposals

Information Extracted from GPL's Tariff Application. The OUR has not reviewed the proposals and these are provided to assist the consultation exercise

Proposed Public tariff changes for 2007-2010

Letters								
Weight (g)	Local to local letter rates				Local to UK/Jersey letter rates			
	Current 2006	Proposed 2007	Proposed 2008	Proposed 2009	Current 2006	Proposed 2007	Proposed 2008	Proposed 2009
	£	£	£	£	£	£	£	£
60	0.29	0.33	0.36	0.39	0.34	0.39	0.44	0.49
100	0.29	0.33	0.36	0.39	0.50	0.39	0.44	0.49
150	0.43	0.48	0.51	0.54	0.66	0.95	1.04	1.15
200	0.57	0.63	0.66	0.69	0.82	1.08	1.18	1.30
250	0.71	0.78	0.81	0.84	0.98	1.21	1.32	1.45
300	0.85	0.93	0.96	0.99	1.14	1.34	1.46	1.60
350	0.99	1.08	1.11	1.14	1.30	1.47	1.60	1.75
400	1.13	1.23	1.26	1.29	1.46	1.60	1.74	1.90
450	1.27	1.38	1.41	1.44	1.62	1.73	1.88	2.05
500	1.41	1.53	1.56	1.59	1.78	1.86	2.02	2.20
550	1.55	1.68	1.71	1.74	1.94	1.99	2.16	2.35
600	1.69	1.83	1.86	1.89	2.10	2.12	2.30	2.50
650	1.83	1.98	2.01	2.04	2.26	2.25	2.44	2.65
700	1.97	2.13	2.16	2.19	2.42	2.38	2.58	2.80
750	2.11	2.28	2.31	2.34	2.58	2.51	2.72	2.95
800	2.25	2.43	2.46	2.49	2.74	2.64	2.86	3.10
900	2.53	2.73	2.76	2.79	3.06	2.90	3.14	3.40
1000	2.81	3.03	3.06	3.09	3.38	3.16	3.42	3.70
Each additional 50g	0.14	0.15	0.15	0.15	0.16	0.13	0.14	0.15

Parcels								
Weight (not over Kgs)	Local to local parcel rates				Local to UK/Jersey parcel rates			
	Current 2006	Proposed 2007	Proposed 2008	Proposed 2009	Current 2006	Proposed 2007	Proposed 2008	Proposed 2009
	£	£	£	£	£	£	£	£
1	2.65	2.74	2.84	2.94	4.30	4.45	4.61	4.77
2	3.10	3.21	3.32	3.44	5.25	5.43	5.62	5.82
4	3.85	3.98	4.12	4.26	7.15	7.40	7.66	7.93
6	4.40	4.55	4.71	4.87	8.60	8.90	9.21	9.53
8	4.95	5.12	5.30	5.49	10.00	10.35	10.71	11.08
10	5.50	5.69	5.89	6.10	11.35	11.75	12.16	12.59
15	9.10	9.42	9.75	10.09	13.25	13.71	14.19	14.69
20	11.00	11.39	11.79	12.20	14.70	15.21	15.74	16.29
30 (max)	13.20	13.66	14.14	14.63	15.75	16.30	16.87	17.46

Recorded Delivery				
	Current 2006	Proposed 2007	Proposed 2008	Proposed 2009
The fee for Recorded Delivery in addition to the appropriate postage	£1	£1	£1	£1

Postcards				
Location	Current 2006	Proposed 2007	Proposed 2008	Proposed 2009
Europe (outside UK)	0.42	0.46	0.50	0.54
Worldwide	0.45	0.49	0.53	0.57

Airmail 2006 & 2007

Weight (not over grams)	Current 2006			Proposed 2007		
	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2
	£	£	£	£	£	£
10	0.42	0.47	0.47	0.46	0.51	0.51
20	0.42	0.68	0.68	0.46	0.72	0.72
40	0.6	1.05	1.12	0.65	1.10	1.17
60	0.78	1.42	1.56	0.84	1.48	1.62
80	0.96	1.79	2.00	1.03	1.86	2.07
100	1.14	2.16	2.44	1.22	2.24	2.52
120	1.32	2.53	2.88	1.41	2.62	2.97
140	1.50	2.90	3.32	1.60	3.00	3.42
160	1.68	3.27	3.76	1.79	3.38	3.87
180	1.86	3.64	4.20	1.98	3.76	4.32
200	2.04	4.01	4.64	2.17	4.14	4.77
220	2.22	4.38	5.08	2.36	4.52	5.22
240	2.40	4.75	5.52	2.55	4.90	5.67
260	2.58	5.12	5.96	2.74	5.28	6.12
280	2.76	5.49	6.40	2.93	5.66	6.57
300	2.94	5.86	6.84	3.12	6.04	7.02
320	3.12	6.23	7.28	3.31	6.42	7.47
340	3.30	6.60	7.72	3.50	6.80	7.92
360	3.48	6.97	8.16	3.69	7.18	8.37
380	3.66	7.34	8.60	3.88	7.56	8.82
400	3.84	7.71	9.04	4.07	7.94	9.27
420	4.02	8.08	9.48	4.26	8.32	9.72
440	4.20	8.45	9.92	4.45	8.70	10.17
460	4.38	8.82	10.36	4.64	9.08	10.62
480	4.56	9.19	10.80	4.83	9.46	11.07
500	4.74	9.56	11.24	5.02	9.84	11.52
Each additional 20g	0.18	0.37	0.44	0.19	0.38	0.45
Max weight	2kg	2 kg	2 kg	2kg	2kg	2kg

Airmail 2008 & 2009

Weight (not over grams)	Proposed 2008			Proposed 2009		
	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2
	£	£	£	£	£	£
10	0.50	0.55	0.55	0.54	0.59	0.59
20	0.50	0.76	0.76	0.54	0.80	0.80
40	0.70	1.15	1.22	0.75	1.20	1.27
60	0.90	1.54	1.68	0.96	1.60	1.74
80	1.10	1.93	2.14	1.17	2.00	2.21
100	1.30	2.32	2.60	1.38	2.40	2.68
120	1.50	2.71	3.06	1.59	2.80	3.15
140	1.70	3.10	3.52	1.80	3.20	3.62
160	1.90	3.49	3.98	2.01	3.60	4.09
180	2.10	3.88	4.44	2.22	4.00	4.56
200	2.30	4.27	4.90	2.43	4.40	5.03
220	2.50	4.66	5.36	2.64	4.80	5.50
240	2.70	5.05	5.82	2.85	5.20	5.97
260	2.90	5.44	6.28	3.06	5.60	6.44
280	3.10	5.83	6.74	3.27	6.00	6.91
300	3.30	6.22	7.20	3.48	6.40	7.38
320	3.50	6.61	7.66	3.69	6.80	7.85
340	3.70	7.00	8.12	3.90	7.20	8.32
360	3.90	7.39	8.58	4.11	7.60	8.79
380	4.10	7.78	9.04	4.32	8.00	9.26
400	4.30	8.17	9.50	4.53	8.40	9.73
420	4.50	8.56	9.96	4.74	8.80	10.20
440	4.70	8.95	10.42	4.95	9.20	10.67
460	4.90	9.34	10.88	5.16	9.60	11.14
480	5.10	9.73	11.34	5.37	10.00	11.61
500	5.30	10.12	11.80	5.58	10.40	12.08
Each additional 20g	0.20	0.39	0.46	0.21	0.40	0.47
Max weight	2kg	2kg	2kg	2kg	2kg	2kg

International Signed For

	Current 2006	Proposed 2007	Proposed 2008	Proposed 2009
The fee for International Signed For service in addition to the appropriate postage	£3.30	£3.42	£3.54	£3.66

Weight (not over grams)	Current 2006			Proposed 2007		
	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2
	£	£	£	£	£	£
10	3.72	3.77	3.77	3.88	3.93	3.93
20	3.72	3.98	3.98	3.88	4.14	4.14
40	3.90	4.35	4.42	4.07	4.52	4.59
60	4.08	4.72	4.86	4.26	4.9	5.04
80	4.26	5.09	5.30	4.45	5.28	5.49
100	4.44	5.46	5.74	4.64	5.66	5.94
120	4.62	5.83	6.18	4.83	6.04	6.39
140	4.80	6.20	6.62	5.02	6.42	6.84
160	4.98	6.57	7.06	5.21	6.8	7.29
180	5.16	6.94	7.50	5.4	7.18	7.74
200	5.34	7.31	7.94	5.59	7.56	8.19
220	5.52	7.68	8.38	5.78	7.94	8.64
240	5.70	8.05	8.82	5.97	8.32	9.09
260	5.88	8.42	9.26	6.16	8.7	9.54
280	6.06	8.79	9.70	6.35	9.08	9.99
300	6.24	9.16	10.14	6.54	9.46	10.44
320	6.42	9.53	10.58	6.73	9.84	10.89
340	6.60	9.90	11.02	6.92	10.22	11.34
360	6.78	10.27	11.46	7.11	10.6	11.79
380	6.96	10.64	11.90	7.3	10.98	12.24
400	7.14	11.01	12.34	7.49	11.36	12.69
420	7.32	11.38	12.78	7.68	11.74	13.14
440	7.50	11.75	13.22	7.87	12.12	13.59
460	7.68	12.12	13.66	8.06	12.5	14.04
480	7.86	12.49	14.10	8.25	12.88	14.49
500	8.04	12.86	14.54	8.44	13.26	14.94
Each additional 20g	0.18	0.37	0.44	0.19	0.38	0.45
Max weight	2 kg	2 kg	2 kg	2kg	2kg	2kg

Weight (not over grams)	Proposed 2008			Current 2009		
	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2
	£	£	£	£	£	£
10	4.00	4.05	4.05	4.16	4.21	4.21
20	4.00	4.26	4.26	4.16	4.42	4.42
40	4.19	4.64	4.71	4.36	4.81	4.88
60	4.38	5.02	5.16	4.56	5.20	5.34
80	4.57	5.40	5.61	4.76	5.59	5.80
100	4.76	5.78	6.06	4.96	5.98	6.26
120	4.95	6.16	6.51	5.16	6.37	6.72
140	5.14	6.54	6.96	5.36	6.76	7.18
160	5.33	6.92	7.41	5.56	7.15	7.64
180	5.52	7.30	7.86	5.76	7.54	8.10
200	5.71	7.68	8.31	5.96	7.93	8.56
220	5.90	8.06	8.76	6.16	8.32	9.02
240	6.09	8.44	9.21	6.36	8.71	9.48
260	6.28	8.82	9.66	6.56	9.10	9.94
280	6.47	9.20	10.11	6.76	9.49	10.40
300	6.66	9.58	10.56	6.96	9.88	10.86
320	6.85	9.96	11.01	7.16	10.27	11.32
340	7.04	10.34	11.46	7.36	10.66	11.78
360	7.23	10.72	11.91	7.56	11.05	12.24
380	7.42	11.10	12.36	7.76	11.44	12.70
400	7.61	11.48	12.81	7.96	11.83	13.16
420	7.80	11.86	13.26	8.16	12.22	13.62
440	7.99	12.24	13.71	8.36	12.61	14.08
460	8.18	12.62	14.16	8.56	13.00	14.54
480	8.37	13.00	14.61	8.76	13.39	15.00
500	8.56	13.38	15.06	8.96	13.78	15.46
Each additional 20g	0.19	0.38	0.45	0.20	0.39	0.46
Max weight	2 kg	2 kg	2 kg	2 kg	2 kg	2 kg

Airsure				
	Current 2006	Proposed 2007	Proposed 2008	Proposed 2009
The fee for Airsure service in addition to the appropriate postage	£4.00	£4.14	£4.28	£4.43

Weight (not over grams)	Current 2006			Proposed 2007		
	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2
	£	£	£	£	£	£
10	4.42	4.47	4.47	4.6	4.65	4.65
20	4.42	4.68	4.68	4.6	4.86	4.86
40	4.60	5.05	5.12	4.79	5.24	5.31
60	4.78	5.42	5.56	4.98	5.62	5.76
80	4.96	5.79	6.00	5.17	6.00	6.21
100	5.14	6.16	6.44	5.36	6.38	6.66
120	5.32	6.53	6.88	5.55	6.76	7.11
140	5.50	6.90	7.32	5.74	7.14	7.56
160	5.68	7.27	7.76	5.93	7.52	8.01
180	5.86	7.64	8.20	6.12	7.90	8.46
200	6.04	8.01	8.64	6.31	8.28	8.91
220	6.22	8.38	9.08	6.5	8.66	9.36
240	6.40	8.75	9.52	6.69	9.04	9.81
260	6.58	9.12	9.96	6.88	9.42	10.26
280	6.76	9.49	10.40	7.07	9.80	10.71
300	6.94	9.86	10.84	7.26	10.18	11.16
320	7.12	10.23	11.28	7.45	10.56	11.61
340	7.30	10.60	11.72	7.64	10.94	12.06
360	7.48	10.97	12.16	7.83	11.32	12.51
380	7.66	11.34	12.60	8.02	11.70	12.96
400	7.84	11.71	13.04	8.21	12.08	13.41
420	8.02	12.08	13.48	8.4	12.46	13.86
440	8.20	12.45	13.92	8.59	12.84	14.31
460	8.38	12.82	14.36	8.78	13.22	14.76
480	8.56	13.19	14.80	8.97	13.60	15.21
500	8.74	13.56	15.24	9.16	13.98	15.66
Each additional 20g	0.18	0.37	0.44	0.19	0.38	0.45
Max weight	2kg	2kg	2kg	2kg	2 kg	2 kg

Weight (not over grams)	Proposed 2008			Proposed 2009		
	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2	Europe (incl Eire)	Rest of World Zone 1	Rest of World Zone 2
	£	£	£	£	£	£
10	4.74	4.79	4.79	4.93	4.98	4.98
20	4.74	5.00	5.00	4.93	5.19	5.19
40	4.93	5.38	5.45	5.13	5.58	5.65
60	5.12	5.76	5.90	5.33	5.97	6.11
80	5.31	6.14	6.35	5.53	6.36	6.57
100	5.50	6.52	6.80	5.73	6.75	7.03
120	5.69	6.90	7.25	5.93	7.14	7.49
140	5.88	7.28	7.70	6.13	7.53	7.95
160	6.07	7.66	8.15	6.33	7.92	8.41
180	6.26	8.04	8.60	6.53	8.31	8.87
200	6.45	8.42	9.05	6.73	8.70	9.33
220	6.64	8.80	9.50	6.93	9.09	9.79
240	6.83	9.18	9.95	7.13	9.48	10.25
260	7.02	9.56	10.40	7.33	9.87	10.71
280	7.21	9.94	10.85	7.53	10.26	11.17
300	7.40	10.32	11.30	7.73	10.65	11.63
320	7.59	10.70	11.75	7.93	11.04	12.09
340	7.78	11.08	12.20	8.13	11.43	12.55
360	7.97	11.46	12.65	8.33	11.82	13.01
380	8.16	11.84	13.10	8.53	12.21	13.47
400	8.35	12.22	13.55	8.73	12.60	13.93
420	8.54	12.60	14.00	8.93	12.99	14.39
440	8.73	12.98	14.45	9.13	13.38	14.85
460	8.92	13.36	14.90	9.33	13.77	15.31
480	9.11	13.74	15.35	9.53	14.16	15.77
500	9.30	14.12	15.80	9.73	14.55	16.23
Each additional 20g	0.19	0.38	0.45	0.20	0.39	0.46
Max weight	2 kg	2 kg	2 kg	2 kg	2 kg	2 kg

International Standard Parcel								
	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9	Zone 10	Zone 11	Zone 12
weight in kgs	ROI	Belgium, Netherlands, Luxembourg	France, Denmark, Germany	Italy, Spain, Portugal, Greece	Rest of Europe	USA, Canada	Far East, Australia	Rest of World
Current 2006 (£)								
0.5	5.65	17.00	17.00	17.00	18.90	15.75	21.75	21.75
1.0	6.90	18.60	18.60	18.60	21.20	19.65	25.55	26.90
1.5	8.10	20.15	20.15	20.15	23.55	23.55	29.40	32.10
2.0	9.25	21.75	21.75	21.75	25.90	27.45	33.30	37.20
2.5	10.45	23.30	23.30	23.30	28.25	31.40	37.10	42.40
3.0	11.55	24.45	24.45	24.45	30.35	35.05	40.55	47.30
3.5	12.60	25.55	25.55	25.55	32.50	38.80	43.90	52.25
4.0	13.65	26.70	26.70	26.70	34.65	42.50	47.30	57.10
4.5	14.75	27.85	27.85	27.85	36.80	46.25	50.70	62.05
5.0	15.80	29.00	29.00	29.00	38.95	50.00	54.15	67.00
5.5	16.45	29.95	29.95	29.95	40.45	52.90	56.95	71.50
6.0	17.05	30.85	30.85	30.85	41.95	55.85	59.80	76.00
6.5	17.70	31.80	31.80	31.80	43.45	58.85	62.65	80.60
7.0	18.30	32.75	32.75	32.75	45.00	61.80	65.45	85.10
7.5	18.95	33.70	33.70	33.70	46.50	64.80	68.30	89.65
8.0	19.60	34.65	34.65	34.65	48.00	67.75	71.15	94.20
8.5	20.20	35.60	35.60	35.60	49.50	70.65	73.95	98.70
9.0	20.85	36.55	36.55	36.55	51.05	73.65	76.80	103.25
9.5	21.45	37.50	37.50	37.50	52.55	76.60	79.65	107.80
10.0	22.10	38.45	38.45	38.45	54.10	79.60	82.50	112.35
10.5	22.80	39.05	39.05	39.05	55.25	81.85	85.25	116.15
11.0	23.50	39.70	39.70	39.70	56.45	84.10	88.00	119.90
11.5	24.20	40.30	40.30	40.30	57.65	86.35	90.75	123.70
12.0	24.90	40.95	40.95	40.95	58.85	88.60	93.55	127.45
12.5	25.55	41.60	41.60	41.60	60.05	90.95	96.35	131.25
13.0	26.25	42.20	42.20	42.20	61.20	93.20	99.10	135.05
13.5	27.00	42.85	42.85	42.85	62.40	95.45	101.85	138.80
14.0	27.65	43.45	43.45	43.45	63.65	97.70	104.65	142.60
14.5	28.35	44.10	44.10	44.10	64.85	99.95	107.40	146.35
15.0	29.05	44.75	44.75	44.75	66.05	102.25	110.20	150.15
per 0.5kg	0.55	0.35	0.35	0.35	0.90	1.80	2.65	3.25

International Standard Parcel

Weight in kgs	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9	Zone 10	Zone 11	Zone 12
Proposed 2007 (£)								
0.5	5.85	17.60	17.60	17.60	19.56	16.30	22.51	22.51
1.0	7.14	19.25	19.25	19.25	21.94	20.34	26.44	27.84
1.5	8.38	20.86	20.86	20.86	24.37	24.37	30.43	33.22
2.0	9.57	22.51	22.51	22.51	26.81	28.41	34.47	38.50
2.5	10.82	24.12	24.12	24.12	29.24	32.50	38.40	43.88
3.0	11.95	25.31	25.31	25.31	31.41	36.28	41.97	48.96
3.5	13.04	26.44	26.44	26.44	33.64	40.16	45.44	54.08
4.0	14.13	27.63	27.63	27.63	35.86	43.99	48.96	59.10
4.5	15.27	28.82	28.82	28.82	38.09	47.87	52.47	64.22
5.0	16.35	30.02	30.02	30.02	40.31	51.75	56.05	69.35
5.5	17.03	31.00	31.00	31.00	41.87	54.75	58.94	74.00
6.0	17.65	31.93	31.93	31.93	43.42	57.80	61.89	78.66
6.5	18.32	32.91	32.91	32.91	44.97	60.91	64.84	83.42
7.0	18.94	33.90	33.90	33.90	46.58	63.96	67.74	88.08
7.5	19.61	34.88	34.88	34.88	48.13	67.07	70.69	92.79
8.0	20.29	35.86	35.86	35.86	49.68	70.12	73.64	97.50
8.5	20.91	36.85	36.85	36.85	51.23	73.12	76.54	102.15
9.0	21.58	37.83	37.83	37.83	52.84	76.23	79.49	106.86
9.5	22.20	38.81	38.81	38.81	54.39	79.28	82.44	111.57
10.0	22.87	39.80	39.80	39.80	55.99	82.39	85.39	116.28
10.5	23.60	40.42	40.42	40.42	57.18	84.71	88.23	120.22
11.0	24.32	41.09	41.09	41.09	58.43	87.04	91.08	124.10
11.5	25.46	41.71	41.71	41.71	59.67	89.37	93.93	128.03
12.0	25.77	42.38	42.38	42.38	60.91	91.70	96.82	131.91
12.5	26.44	43.06	43.06	43.06	62.15	94.13	99.72	135.84
13.0	27.17	43.68	43.68	43.68	63.34	96.46	102.57	139.78
13.5	27.95	44.35	44.35	44.35	64.58	98.79	105.41	143.66
14.0	28.62	44.97	44.97	44.97	65.88	101.12	108.31	147.59
14.5	29.34	45.64	45.64	45.64	67.12	103.45	111.16	151.47
15.0	30.07	46.32	46.32	46.32	68.36	105.83	114.06	155.41
per 0.5kg	0.57	0.36	0.36	0.36	0.93	1.86	2.74	3.36

International Standard Parcel								
	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9	Zone 10	Zone 11	Zone 12
weight in kgs	ROI	Belgium, Netherlands, Luxembourg	France, Denmark, Germany	Italy, Spain, Portugal, Greece	Rest of Europe	USA, Canada	Far East, Australia	Rest of World
Proposed 2008 (£)								
0.5	6.05	18.22	18.22	18.22	20.24	16.87	23.30	23.30
1.0	7.39	19.92	19.92	19.92	22.71	21.05	27.37	28.81
1.5	8.67	21.59	21.59	21.59	25.22	25.22	31.50	34.38
2.0	9.90	23.30	23.30	23.30	27.75	29.40	35.68	39.85
2.5	11.20	24.96	24.96	24.96	30.26	33.64	39.74	45.42
3.0	12.37	26.20	26.20	26.20	32.51	37.55	43.44	50.67
3.5	13.50	27.37	27.37	27.37	34.82	41.57	47.03	55.97
4.0	14.62	28.60	28.60	28.60	37.12	45.53	50.67	61.17
4.5	15.80	29.83	29.83	29.83	39.42	49.55	54.31	66.47
5.0	16.92	31.07	31.07	31.07	41.72	53.56	58.01	71.78
5.5	17.63	32.09	32.09	32.09	43.34	56.67	61.00	76.59
6.0	18.27	33.05	33.05	33.05	44.94	59.82	64.06	81.41
6.5	18.96	34.06	34.06	34.06	46.54	63.04	67.11	86.34
7.0	19.60	35.09	35.09	35.09	48.21	66.20	70.11	91.16
7.5	20.30	36.10	36.10	36.10	49.81	69.42	73.16	96.04
8.0	21.00	37.12	37.12	37.12	51.42	72.57	76.22	100.91
8.5	21.64	38.14	38.14	38.14	53.02	75.68	79.22	105.73
9.0	22.34	39.15	39.15	39.15	54.69	78.90	82.27	110.60
9.5	22.98	40.17	40.17	40.17	56.29	82.05	85.33	115.47
10.0	23.67	41.19	41.19	41.19	57.95	85.27	88.38	120.35
10.5	24.43	41.83	41.83	41.83	59.18	87.67	91.32	124.43
11.0	25.17	42.53	42.53	42.53	60.48	90.09	94.27	128.44
11.5	26.35	43.17	43.17	43.17	61.76	92.50	97.22	132.51
12.0	26.67	43.86	43.86	43.86	63.04	94.91	100.21	136.53
12.5	27.37	44.57	44.57	44.57	64.33	97.42	103.21	140.59
13.0	28.12	45.21	45.21	45.21	65.56	99.84	106.16	144.67
13.5	28.93	45.90	45.90	45.90	66.84	102.25	109.10	148.69
14.0	29.62	46.54	46.54	46.54	68.19	104.66	112.10	152.76
14.5	30.37	47.24	47.24	47.24	69.47	107.07	115.05	156.77
15.0	31.12	47.94	47.94	47.94	70.75	109.53	118.05	160.85
per 0.5kg	0.59	0.37	0.37	0.37	0.96	1.93	2.84	3.48

International Standard Parcel

Weight in kgs	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9	Zone 10	Zone 11	Zone 12
Proposed 2009 (£)								
0.5	6.26	18.86	18.86	18.86	20.95	17.46	24.12	24.12
1.0	7.65	20.62	20.62	20.62	23.50	21.79	28.33	29.82
1.5	8.97	22.35	22.35	22.35	26.10	26.10	32.60	35.58
2.0	10.25	24.12	24.12	24.12	28.72	30.43	36.93	41.24
2.5	11.59	25.83	25.83	25.83	31.32	34.82	41.13	47.01
3.0	12.80	27.12	27.12	27.12	33.65	38.86	44.96	52.44
3.5	13.97	28.33	28.33	28.33	36.04	43.02	48.68	57.93
4.0	15.13	29.60	29.60	29.60	38.42	47.12	52.44	63.31
4.5	16.35	30.87	30.87	30.87	40.80	51.28	56.21	68.80
5.0	17.51	32.16	32.16	32.16	43.18	55.43	60.04	74.29
5.5	18.25	33.21	33.21	33.21	44.86	58.65	63.14	79.27
6.0	18.91	34.21	34.21	34.21	46.51	61.91	66.30	84.26
6.5	19.62	35.25	35.25	35.25	48.17	65.25	69.46	89.36
7.0	20.29	36.32	36.32	36.32	49.90	68.52	72.56	94.35
7.5	21.01	37.36	37.36	37.36	51.55	71.85	75.72	99.40
8.0	21.74	38.42	38.42	38.42	53.22	75.11	78.89	104.44
8.5	22.40	39.47	39.47	39.47	54.88	78.33	81.99	109.43
9.0	23.12	40.52	40.52	40.52	56.60	81.66	85.15	114.47
9.5	23.78	41.58	41.58	41.58	58.26	84.92	88.32	119.51
10.0	24.50	42.63	42.63	42.63	59.98	88.25	91.47	124.56
10.5	25.29	43.29	43.29	43.29	61.25	90.74	94.52	128.79
11.0	26.05	44.02	44.02	44.02	62.60	93.24	97.57	132.94
11.5	27.27	44.68	44.68	44.68	63.92	95.74	100.62	137.15
12.0	27.60	45.40	45.40	45.40	65.25	98.23	103.72	141.31
12.5	28.33	46.13	46.13	46.13	66.58	100.83	106.82	145.51
13.0	29.10	46.79	46.79	46.79	67.85	103.33	109.88	149.73
13.5	29.94	47.51	47.51	47.51	69.18	105.83	112.92	153.89
14.0	30.66	48.17	48.17	48.17	70.58	108.32	116.02	158.11
14.5	31.43	48.89	48.89	48.89	71.90	110.82	119.08	162.26
15.0	32.21	49.62	49.62	49.62	73.23	113.36	122.18	166.48
per 0.5kg	0.61	0.38	0.38	0.38	0.99	2.00	2.94	3.60

International Economy Parcel				
	Zone 9	Zone 10	Zone 11	Zone 12
weight in kgs	Rest of Europe	USA, Canada	Far East, Australia	Rest of World
Current 2006 (£)				
0.5	15.70	14.10	19.65	15.25
1.0	17.30	16.65	22.75	17.60
1.5	18.95	19.15	25.85	19.90
2.0	20.60	21.70	28.95	22.25
2.5	22.25	24.20	32.00	24.55
3.0	23.70	26.40	34.65	26.90
3.5	25.15	28.60	37.25	29.25
4.0	26.55	30.80	39.95	31.55
4.5	28.05	33.00	42.60	33.90
5.0	29.50	35.25	45.25	36.25
5.5	30.80	37.40	47.65	38.20
6.0	32.15	39.50	50.15	40.25
6.5	33.45	41.65	52.60	42.25
7.0	34.75	43.80	55.05	44.30
7.5	36.10	45.95	57.55	46.30
8.0	37.45	48.10	59.95	48.30
8.5	38.75	50.20	62.40	50.35
9.0	40.05	52.35	64.90	52.35
9.5	41.35	54.50	67.35	54.40
10.0	42.75	56.65	69.85	56.40
10.5	44.00	58.60	71.85	58.50
11.0	45.25	60.55	73.95	60.55
11.5	46.50	62.50	76.00	62.65
12.0	47.75	64.45	78.10	64.70
12.5	49.05	66.40	80.20	66.80
13.0	50.30	68.35	82.25	68.90
13.5	51.55	70.30	84.35	70.95
14.0	52.80	72.25	86.40	73.05
14.5	54.10	74.25	88.50	75.10
15.0	55.35	76.20	90.60	77.15
per 0.5kg	1.05	1.90	2.00	2.00

International Economy Parcel				
	Zone 9	Zone 10	Zone 11	Zone 12
weight in kgs	Rest of Europe	USA, Canada	Far East, Australia	Rest of World
Proposed 2007 (£)				
0.5	16.25	14.59	20.34	15.78
1.0	17.96	17.23	23.55	18.22
1.5	19.61	19.82	26.75	20.60
2.0	21.32	22.46	29.96	23.03
2.5	23.03	25.05	33.12	25.41
3.0	24.53	27.32	35.86	27.84
3.5	26.03	29.60	38.55	30.27
4.0	27.48	31.88	41.35	32.65
4.5	29.03	34.16	44.09	35.09
5.0	30.53	36.48	46.83	37.52
5.5	31.88	38.71	49.32	39.54
6.0	33.28	40.88	51.91	41.66
6.5	34.62	43.11	54.44	43.73
7.0	35.97	45.33	56.98	45.85
7.5	37.36	47.56	59.56	47.92
8.0	38.76	49.78	62.05	49.99
8.5	40.11	51.96	64.58	52.11
9.0	41.45	54.18	67.17	54.18
9.5	42.80	56.41	69.71	56.30
10.0	44.25	58.63	72.29	58.37
10.5	45.54	60.65	74.36	60.55
11.0	46.83	62.67	76.54	62.67
11.5	48.13	64.69	78.66	64.84
12.0	49.42	66.71	80.83	66.96
12.5	50.77	68.72	83.01	69.14
13.0	52.06	70.74	85.13	71.31
13.5	53.35	72.76	87.30	73.43
14.0	54.65	74.78	89.42	75.61
14.5	55.99	76.85	91.60	77.73
15.0	57.29	78.87	93.77	79.80
per 0.5kg	1.09	1.97	2.07	2.07

International Economy Parcel				
	Zone 9	Zone 10	Zone 11	Zone 12
weight in kgs	Rest of Europe	USA, Canada	Far East, Australia	Rest of World
Proposed 2008 (£)				
0.5	16.82	15.10	21.05	16.33
1.0	18.59	17.83	24.37	18.86
1.5	20.30	20.51	27.69	21.32
2.0	22.07	23.25	31.01	23.84
2.5	23.84	25.93	34.28	26.30
3.0	25.39	28.28	37.12	28.81
3.5	26.94	30.64	39.90	31.33
4.0	28.44	33.00	42.80	33.79
4.5	30.05	35.36	45.63	36.32
5.0	31.60	37.76	48.47	38.83
5.5	33.00	40.06	51.05	40.92
6.0	34.44	42.31	53.73	43.12
6.5	35.83	44.62	56.35	45.26
7.0	37.23	46.92	58.97	47.45
7.5	38.67	49.22	61.64	49.60
8.0	40.12	51.52	64.22	51.74
8.5	41.51	53.78	66.84	53.93
9.0	42.90	56.08	69.52	56.08
9.5	44.30	58.38	72.15	58.27
10.0	45.80	60.68	74.82	60.41
10.5	47.13	62.77	76.96	62.67
11.0	48.47	64.86	79.22	64.86
11.5	49.81	66.95	81.41	67.11
12.0	51.15	69.04	83.66	69.30
12.5	52.55	71.13	85.92	71.56
13.0	53.88	73.22	88.11	73.81
13.5	55.22	75.31	90.36	76.00
14.0	56.56	77.40	92.55	78.26
14.5	57.95	79.54	94.81	80.45
15.0	59.30	81.63	97.05	82.59
per 0.5kg	1.13	2.04	2.14	2.14

International Economy Parcel				
	Zone 9	Zone 10	Zone 11	Zone 12
weight in kgs	Rest of Europe	USA, Canada	Far East, Australia	Rest of World
Proposed 2009 (£)				
0.5	17.41	15.63	21.79	16.90
1.0	19.24	18.45	25.22	19.52
1.5	21.01	21.23	28.66	22.07
2.0	22.84	24.06	32.10	24.67
2.5	24.67	26.84	35.48	27.22
3.0	26.28	29.27	38.42	29.82
3.5	27.88	31.71	41.30	32.43
4.0	29.44	34.16	44.30	34.97
4.5	31.10	36.60	47.23	37.59
5.0	32.71	39.08	50.17	40.19
5.5	34.16	41.46	52.84	42.35
6.0	35.65	43.79	55.61	44.63
6.5	37.08	46.18	58.32	46.84
7.0	38.53	48.56	61.03	49.11
7.5	40.02	50.94	63.80	51.34
8.0	41.52	53.32	66.47	53.55
8.5	42.96	55.66	69.18	55.82
9.0	44.40	58.04	71.95	58.04
9.5	45.85	60.42	74.68	60.31
10.0	47.40	62.80	77.44	62.52
10.5	48.78	64.97	79.65	64.86
11.0	50.17	67.13	81.99	67.13
11.5	51.55	69.29	84.26	69.46
12.0	52.94	71.46	86.59	71.73
12.5	54.39	73.62	88.93	74.06
13.0	55.77	75.78	91.19	76.39
13.5	57.15	77.95	93.52	78.66
14.0	58.54	80.11	95.79	81.00
14.5	59.98	82.32	98.13	83.27
15.0	61.38	84.49	100.45	85.48
per 0.5kg	1.17	2.11	2.21	2.21

Proposed Logistics tariff changes for 2007-2010

Bulk Tariff Submission				
Product	Price per item at 60g (p)		Price per g above 60g (p)	
	2006	2007	2006	2007
Bulk Air unsorted (flowers)	37.20	71.60	0.320	0.260
Bulk Air 120 way sort (flowers)	29.95	56.20	0.258	0.237
Bulk Sea Priority (4-way sort) <500g	35.34	43.60	0.218	0.240
Bulk Sea Priority (4-way sort) >500g	74.34	43.60	0.218	0.240
Bulk Sea Priority 120 way sort	25.34	30.10	0.218	0.216
Bulk Sea Economy 120 way sort	24.58	28.60	0.211	0.216
Bulk Sea Unsorted (non MOU)	37.20	37.16	0.320	0.274

Bulk Tariff Submission				
Product	Price per item at 60g (p)		Price per g above 60g (p)	
	2008	2009	2008	2009
Bulk Air unsorted (flowers)	78.80	88.00	0.280	0.300
Bulk Air 120 way sort (flowers)	63.29	72.38	0.255	0.273
Bulk Sea Priority (4-way sort) <500g	47.10	50.60	0.226	0.240
Bulk Sea Priority (4-way sort) >500g	47.10	50.60	0.226	0.240
Bulk Sea Priority 120 way sort	33.60	36.60	0.226	0.240
Bulk Sea Economy 120 way sort	32.10	35.10	0.226	0.240
Bulk Sea Unsorted (non MOU)	39.58	42.94	0.295	0.322