

# Review of Guernsey Post's Universal Service Obligation

Postwatch Guernsey Meeting  
22 February 2006

# What is the USO?

“ a central objective in the new regime is the desire to ensure that all consumers in the Bailiwick continue to receive **a minimum level of services of a defined quality, independent of geographical location, at an affordable price**”

Extract from States Policy Letter September 2001

# Background

- September 2001 – USO set by States.
- Set with reference to standard in EU countries at that time.
- Also took account of the ‘informal’ six day delivery Guernsey Post Office was providing at that time.
- No consultation at that time on scope.

# What is the Postal USO?

GPL is required by States Direction to provide throughout the Bailiwick of Guernsey at uniform and affordable prices:

- One collection from access points on six days each week;
- One delivery of letter mail to the home or premises in the Bailiwick 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; and
- In providing these services, the licensee shall ensure that the density of access points and contact points shall take account of the needs of users.

# Why Review the USO?

- Set in 2001 – timely to review.
- GPL operating environment changed significantly in that period.
- Royal Mail now charging for post to UK - £10m+ in charges now need to be met.
- Important that customers only pay for the service they want .
- Appropriate to decide what that service is now.

# Changing the USO is one possible response



- **GPL can:**
  - Increase volumes and introduce new products and services to increase revenue;
  - Seek greater efficiency and reduce operating costs to offset increase in terminal dues; and
  - Increase prices (subject to regulatory scrutiny).
- **GPL cannot:**
  - Change the USO;
  - This is a matter for States.
- Clearly the USO is only one response to the changed environment and it is not being looked at in isolation.

# Context of Future Work

- GPL price control set until March 2007.
- Further tariff application expected in Autumn 2006.
- Royal Mail costs will continue to increase over next three years.
- Detailed Efficiency Audit to be undertaken on GPL in 2006.
- GPL review of Retail Network.

**What level of service do  
stamp prices need to cover?**

# Approach to USO review

- GPL costing various options for possible changes.
- Blank Sheet approach – nothing ruled in or out.
- Consultation with users and business customers.
- Wish to identify impact on stamp prices of various options.

**Aim is to identify where, if any,  
scope exists to offset future increases  
by changing service levels**



# Options

- Changes to daily collection and deliveries
- Changes to access points to the network
- Reducing no of retail outlets.
- Retain the current USO level

# Option A: Five Day Deliveries and Collections



- Withdraw Saturday deliveries & Sunday collections.
- Implications for customers:
  - Clearly no Saturday deliveries;
  - Larger volume of mail delivered on Monday
  - Mail posted on Friday evening not collected until Monday and delivered on Tuesday
- Reduction in price increases of between 1.8p and 3.1p

# Option B: Five Day Deliveries for Town & Alternate for all other rounds

- Withdraw Saturday deliveries for Town & all other rounds get deliveries on alternate days.
- Implications for customers:
  - Deterioration in quality of service outside Town;
  - Unclear posting arrangements for customers posting and expecting day specific items.
- Offset price increases of between 0.3p to 0.6p

# Use of Post Boxes

- 40% of post boxes account for 80% of post
- 60 boxes (40%) have less than 20 items per day
- Very high density of post boxes compared with other countries
- Health & Safety concerns with location of certain boxes

# Option C: Removing c100 roadside collection boxes



- Guernsey has a high density of posting boxes compared to Jersey and UK. Scope for reductions and associated savings.
- Implications for customers:
  - Reduction in convenience, but least used boxes would be removed;
  - Later collection times for remaining boxes.
- Offset price increases by up to 0.2p

# Option D: Removing c70 roadside collection boxes



- Guernsey has a high density of posting boxes compared to Jersey and UK. Scope for reductions and associated savings.
- Implications for customers:
  - Reduction in convenience, but least used boxes would be removed;
  - Later collection times for remaining boxes.
- Offset price increases by up to 0.1p

# Option E: Reduce Retail Outlets to five locations

- Consolidate existing retail network into five premises.
- Guernsey Post's Customer Charter aims to have each resident being within a 2-mile radius of a postal facility
- Implications for customers – greater inconvenience:
  - reduced access to a postal facility from the current nine to five; and
  - greater distance for some users to travel.
- Offset price increases by 0.5p to 0.8p.

# Option F: Reduce Retail Outlets to 3 locations with Mobile Post Offices



- Consolidate existing retail network to two premises (plus Envoy House) with Mobile Post Office covering remainder of the island.
- Implications for customers – greater inconvenience:
  - restricted access to postal facility on a daily basis;
  - greater distance for some users to travel.
- Offset price increases by between 0.9p to 1.0p.



# Option G: Maintain the Status Quo

- No change in the existing USO;
- No mitigation of future price increases;
- Likely to be rebalancing of prices;
  - Bulk mail sector experienced large increase in prices since 2004;
  - Standard local tariffs have increased by 30%;
  - Standard UK tariffs have increased by 20%

# Summary of Options

Option	Description	Offset Price Increase
<b>A</b>	<b>Five Day Deliveries and Collections</b>	<b>1.8p to 3.1p</b>
<b>B</b>	<b>Five Day Deliveries for Town &amp; Alternate for all other rounds</b>	<b>0.3p to 0.6p</b>
<b>C</b>	<b>Removing c100 roadside collection boxes</b>	<b>Marginal to 0.2p</b>
<b>D</b>	<b>Removing c70 roadside collection boxes</b>	<b>Marginal to 0.1p</b>
<b>E</b>	<b>Reducing Retail Outlet's to five locations</b>	<b>0.5p to 0.8p</b>
<b>F</b>	<b>Reducing Retail Outlet's to two locations &amp; using Mobile Post Office</b>	<b>0.9p to 1.0p</b>
<b>G</b>	<b>Do nothing – maintain the status quo</b>	<b>none</b>

# What we Need?

- Users' views on options.
- What service do you want?
- How do you weigh up the trade-offs between price vs service?

# Timetable

- Consultation runs until 17<sup>th</sup> March.
- OUR will feedback views to C&E by early April.
- Policy letter to States by Summer.
- States decision will then inform price control work.
- Review of efficiency will also be informed by the USO requirement.