

Office of Utility Regulation

Reviewing Guernsey Post's Universal Service Obligation

Response to the Consultation

Document No: OUR 06/11

April 2006

Office of Utility Regulation

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La Chambre de la Douzaine,
Les Beaucamps, Castel,
Guernsey, GY5 7PE.

Wednesday, 22 March 2006

OUR
Mr J Buckland
Suite B1
Hirzel Court
St Peter Port

Dear Sir,

REVIEW OF POSTAL SERVICES OBLIGATION

I refer to your letter of 10th March 2006 regarding the above; the matter was discussed at our recent Douzaine meeting and the following points made:-

OPTION A

It appears that a reduction in the delivery & collection of mail is most cost effective.

Five day deliveries and collections on weekdays, would give the most saving and Islanders would soon adjust to this reduction.

OPTION C & D

The number of post boxes could be reduced therefore saving costs on collection.

OPTION E

The Cobo Post Office should be retained.

The Post Office is situated at Cobo village on the west coast and as such not only serves the Castel Parish but also St Saviours and part of the Vale & St Sampsons.

A mobile unit for such a large area would not be practical

It should also be taken into consideration that the Guernsey Post Office has made a substantial profit this year, and this profit should be balanced with the increase cost by the Royal Mail.

Yours faithfully


Mr R J Marquis
Senior Constable

**Review of USO – Briefing to CGI
CGi Response**

Consultation on amending the USO for the Postal Service

The following lists a number of options that are possible changes that might be considered to the current Universal Service Obligation for the postal service. Any decision to change the current standard will ultimately be a matter for the States of Guernsey.

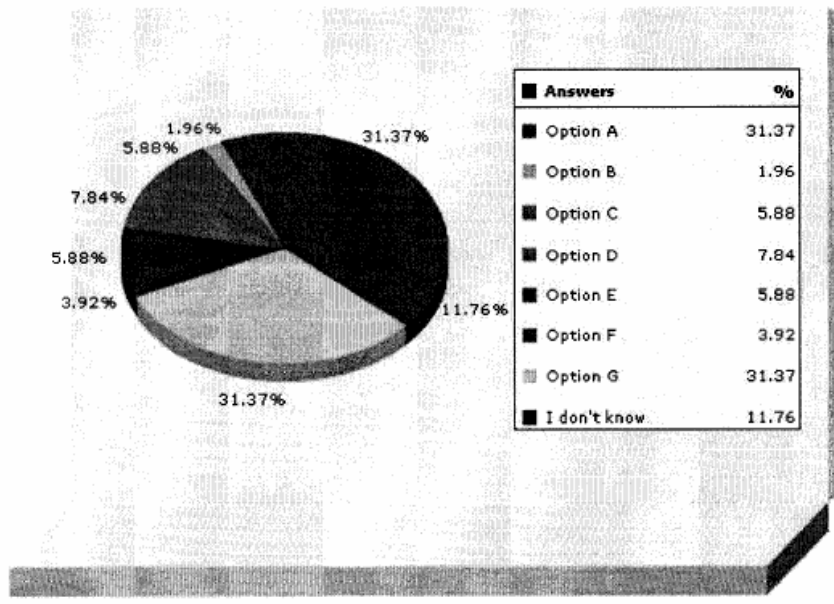
GPL has been asked to consider these initiatives and to identify what cost savings might arise from implementing any of these options. It is intended that details of the impact of such initiatives on stamp prices will be published as part of the formal consultation.

Reducing standard deliveries and collections from 6 weekdays to 5 weekdays per week CGi Members: Generally not a problem as long as Friday mail is delivered on Monday.	5 day deliveries for St Peter Port rounds and alternate day deliveries for all other rounds Not acceptable
Alternate working day deliveries for all rounds and provision of PO Boxes 5 working days a week for premium customers Generally not acceptable to CGi members	Eliminating circa 100 roadside collection boxes from Guernsey based on criteria of current usage after any H&S considerations Not acceptable
Removing circa 70 roadside collection boxes from Guernsey based on criteria of current usage after any H&S considerations Not an issue to CGi members but some felt if you do remove some, make the remainder larger boxes.	For the purposes of the USO limiting registered and insured postal services to intra Bailiwick mail only A significant number of CGi members but not a majority do not favor this option
Reducing Guernsey's postal retail outlets (i.e. manned postal access points) to five locations Generally, CGi members would favor this proposal.	Reducing Guernsey's retail outlets (i.e. manned postal access points)) outlets to two locations and providing mobile post office service across Guernsey Not acceptable but idea of a mobile unit is a good one.

Postscript:

Generally, the CGi membership realizes that the current level of service comes at a cost and is in favor of a review being undertaken which could perhaps be widen to include areas other than services provided, i.e. Staff costs. They are also very aware that to maintain the current level of service, the cost of postage might realistically have to be increased.







As business user I am in favour of the following OUR proposal for Guernsey Post Limited





If you have additional comments please submit them here

View Response	
	If the "no Saturday" delivery option is selected collections should still continue over the weekend so mail posted Friday to Sunday is delivered on Monday morning This survey is not accurate as you are unable to select more than one option -- we also select options F & D
	I am in favour of both A and C
	The reasons for the massive increase in the staff complement need to be examined before any cuts in the listed services are considered. How can it be that a regulated entity, which has invested massively in new automated equipment, now requires a greater level of staff resource to deliver the same level of service as provided prior to the introduction of regulation. Also, what would be the impact of a reduction in regulatory cost?
	Option C. Am also in favour of this. As probably 80% of mail arrives at the post box by vehicle, boxes need to be more accessible. Post Office should consider US style long necked boxes so drivers need not get out of the vehicle. Option E. Not in favour. As the Post Office has the premises, the staff and a world renowned brand name can they not find other services/products to market from their outlets. This would reduce the cost of the outlet and possibly turn a profit. Suggestions; Camelot lottery, stand alone hole in the wall machines, internet access, stationary, phone cards. Regards Robert A Gill Guernsey Glass.
	As an out of town business who still relies heavily on post both to receive and deliver items, less deliveries and removing retail outlets would make business life v difficult. Status quo would be best option, if costs have to be cut then option A as a second best.
	none of the options are ideal for my business, my main worry is that at the most, a saving of just over 3 pence is managable on the foreseeable price increase, which is only attainable by seriously hashing around the current system.
	There should be one or two post boxes Upland Road/Envoy House continuing to be collected up to 6.30am for next week-day delivery.
	The options put forward by the OUR indicated severall alternatives to consider as to how GPL might approach the financial responsibility to the public. You have not allowed this in your survey it can only be viewed as one option only to vote on, therefore based on a single option I am unable to indicate my preference.
	Why can't I choose multiple options - A +C +E
	Option A gives the best results and as the majority of businesses do not work on Saturdays would seem the logical option to take.
	Businesses that are service orientated DEPEND on Saturday and regular deliveries for urgent parts etc. Any reduction in services will have an impact.
	If the price is too high for the service we expect the market will adjust to alternatives eg e-mail , fax etc. Rather than cutting front line services why not look at staff structure (management too top heavy ?)
	as Royal Mail are increasing their charges to Guernsey Post why is it that Guernsey Post does not increase their charges to Royal Mail to handle the post they send to Guernsey, as due to internet shopping is increasing all the time therefore it costs Guernsey Post a lot more to deliver locally the post from the UK no one has mentioned this in all the press comments etc
	Perhaps combine a couple of the options given, ie remove the low use postal boxes as well as another option. I don't think removal of post boxes is an option in its own right but it should still be considered where there is very little use for certain of the boxes. It should be carried out as as part of increasing efficiency in the service.
	A) above is good, but leaving weekend mail until Monday pick up is too long a period - some mail i.e. business cheques from Friday would probably not be delivered until at least Tuesday). All important/urgent mail must be posted at any Main post office by Friday evening and could be collected late Friday or early Saturday and delivered Monday, all post boxes would have no pick ups until Monday.
	To recomed the closure of post offices Chamber would need to speak directly to its members in the areas affected. Delivery on a Saturday could go, but collections and getting mail off the island would still be a critical requirement.
	I am also in favour of option F as long as it doesn't impace on quality and access especially for older people living in the outer parishes or not near a shop/post office etc
	None of the options are desirable. Option A is the best of all the evils, but mail posted on a Friday MUST be delivered on the Monday. Note that this opinion is as a business user, domestic

	deliveries must continue to take place on Saturdays.
	Bulk mailers subsidise local postage but general opinion is that the opposite is true, perhaps they should be told. Would the option to collect your own mail without having to purchase a PO box help?
	We rely on the post to and from the public.
	I favour b and d. Keep the post offices. The real problem is overstaffing. They spend millions on mechanisation but ADD 70 staff. They should have cut staff. Cut staffing levels but keep post offices as they are a used social service , part of our style of life and cost peanuts. John F Dyke
	Maintian the staus quo. Allow for a bulk discount to offset greater overheads for high turnover business locally.
	An additional benefit for option A is that I understand the postmen do different rounds because deliveries are currently six days and they work a 5 day week. If deliveries are reduced to 5 days the postman can work the same round and will know it better and there will be fewer misdeliveries. n.b when we received misdelivered mail we usually deliver it ourselves as others do for us so the official figures on misdelivered items may be badly underestimated.
	It appears that where there is a worthwhile reduction in the offset, i.e. option A & F, the reduction in the level of service outweighs any costs saved. All other options apart from option G would appear to result in a minimal offset, which would no doubt be, in reality, difficult to pass onto the consumer.

COMMUNICATION WORKERS UNION

Headquarters: 150 The Broadway, Wimbledon SW19 1RX
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General Secretary: Derek Hodgson

16 MAR 2006

GUERNSEY

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Guernsey Post Office

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e-mail: georgej@guernseypost.com
Branch Secretary
George Jennings

13th March 2006

Office of Utility Regulation
Suite B1 & B2 Hirzel Court.

Re Consultation Exercise on Postal services.

Dear Sir,

The Guernsey branch of the Communication Workers Union has instructed me to write to you with reference to the consultation exercise on postal services provided to the Bailiwick.

The CWU Guernsey Branch, which represents some 228 postal and retail members in Guernsey, is firmly behind the retention of the Universal Service Obligation as it now stands in its entirety.

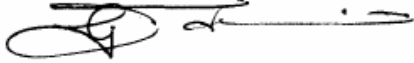
The closure of sub-offices, (which provide an important service to not only the rural community, but also to small businesses) collection boxes or any reduction in the delivery or retail network that we provide to the Bailiwick of Guernsey is not in the best interests of the Bailiwick's rural communities or Guernsey Post's customers and would only prove to be detrimental to the service that the public rightly expects and at present receives.

The price increases, which have arisen in recent years, are a direct result of increases in Royal Mail tariffs, and not a result of any in-efficiencies in the local operation. This you have rightly pointed out in your submission, when you state "The figures (above) demonstrate that on their own any savings they may deliver are unlikely to prevent further increases in 2007". The savings that you suggest are minimal when compared to the service that is provided, which is still amongst the cheapest in Europe.

The CWU is justifiably proud of the very high quality service that we provide to the Bailiwick of Guernsey and would resist by all means possible any attempt to reduce

any part of that service. We therefore remain firmly opposed to any reduction in the current Universal Service Obligation.

Yours sincerely,

A handwritten signature in black ink, appearing to read "George Jennings". The signature is written in a cursive style with a large, looped initial "G" and a long horizontal stroke extending to the right.

George Jennings
CWU Branch Sec



31 MAR 2006

The Constables of St. Sampson

Chambre de la Douzaine - Le Murier - St. Sampson - Guernsey GY2 4HQ
Telephone 244130 Facsimile 243945

28 March, 2006

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

Dear Mr Buckland

REVIEW OF POSTAL UNIVERSAL SERVICE OBLIGATION

I refer to your letter of 10 March, which the Douzaine had an opportunity to consider during yesterday evening's meeting.

As a general comment, the Douzaine appreciates that there are financial constraints on the operation of Guernsey Post the Douzaine is concerned that the social service element of the Postal Service is being lost which is affecting the whole postal service strategy. We feel that the much publicised dividend could be used to subsidise the less profitable post offices.

We appreciate that as a matter of principle, your office is not in favour of cross subsidisation of services, however, given that part of the postal service is a social service we feel that rules relating to cross subsidisation should be relaxed.

With regard to the report, we surprised to see that 5 day delivery and collections were linked as one package, and wonder why the savings resulting from 5 day collections and 5 day deliveries were not detailed separately. Our understanding is that these are conducted by different staff and so it should be operationally possible to reduce on to 5 days while retaining the other at six days. It may well be that there is an appetite for reduction in one rather than both.

Finally, we are interested to know which of the collection boxes in St Sampsons are being considered or removal.

Yours sincerely

Peter Gillson
Constable



CONSTABLES OF ST. PETER PORT

29 MAR 2006

Your Ref:

Our Ref: 1/18

Mr. J. Buckland,
Office of Utility Regulation,
Suites B1 & B2,
Hirzel Court,
St. Peter Port,
GY1 2NH.

28th March, 2006

Dear Sir,

Review of Postal Universal Service Obligation

Thank you for your letter of 10th March 2006 seeking the Douzaine's comments on the above-mentioned document, and for extending the deadline for a reply to the more realistic date of 31st March 2006.

The matter was discussed at a Douzaine Meeting held last evening wherein the consensus opinion was that a main Post Office, with easy access for all **must** be maintained in St. Peter Port. Furthermore, it was considered essential that a six-days-a-week delivery continues.

Yours faithfully,

R.H.H. BARNEBY
Constables.

MRS. J.M. TASKER

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3 1 MAR 2006

CONSTABLES' OFFICE
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Mr J Buckland
Office of Utility Regulation
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St. Peter Port
Guernsey
GY1 2NH

30 March 2006

Dear Mr Buckland

Re: Review of Postal Universal Service Obligations

Thank you for your letter regarding a Review of Postal Universal Service Obligations.

The Constables and Douzaine discussed the matter at a recent Douzaine Meeting.

It was agreed that it would be preferable to retain the status quo, that no alterations or changes to the existing services provided to the customer be made.

We hope this sets out our view sufficiently but please do not hesitate to contact us if any questions arise.

Yours sincerely

R. A. Strappini
M. W. Peters

Constables

- - - MAR 2006

A. Brouard

*La Collette
Les Buttes
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Guernsey
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263618*

18th March 2006

Director General
Mr J Curran
Office of Utility Regulation
Suites B1 & B2
Hirzel Court
St Peter Port
GY1 2NH

Dear Mr Curran

Consultation on the USO and the Petition

Just a short note to thank you for accepting the petition, which I feel gives a very strong message for the status quo. Please also accept my thanks for the use of your offices on Friday, which were just about was taken over by the media!!

I have received a few more postal slips, which I am enclosing, if I get any more I will just forward them on to yourself, I hope that this is ok.

Thanks for the discussion on Friday, I really do feel that there is scope for efficiencies to be gained in Guernsey Post, in particular;

- Postmen when delivering also to empty outlying letter boxes.
- Postmen finish time versus paid employment.
- The need to look at working practice and payment for Sub Post Offices (for instance, is there the need for the date stamp of Sub Post Offices to be checked, apparently a man from Post HQ goes to check that the date Stamp has been changed – is this type of practice really necessary in 2006? and what else can be pruned away that is equally of little merit ?)
- The ability to run at Christmas with no extra staff, does this mean over manning the other 11 month of the year ?
- How essential the new management jobs just advertised.

With regard to the consultation issues;

Collections and Deliveries- I do not feel there is much gain, in reducing the service. I feel on balance we should keep the service and continue to pay. Although I do accept that residential users would be hardly affected by a reduced service, as it is rarely an issue which day a bill arrives or family post is received, businesses however would have bigger issues.

Use of Post Boxes- very small saving from a large reduction in service, there are some boxes which could be re-sited to better positions (health and safety concerns). Why not consider postmen emptying outlying boxes when delivering letters. Islanders are prepared to continue to pay.

Reducing Retail Outlets- very small saving from a large reduction in service. The retail network is the very essence of a postal service; it goes with the territory of being a post utility. Just like shops have to have staff and showrooms all which have a cost, but it is part of what they have to do to give customers what they want, the post service is only privileged to even consider these reductions by its monopoly position. It would from my experience doing the petition, be an extremely unpopular move to dispense with the retail outlets. Islanders are prepared to accept they will not have a saving of ½ p to 1p on the cost of a stamp. The comments in the petition bear out the strength of feeling and the need of the rural post offices.


Retaining the current USO- this is I believe is the only acceptable position and one I strongly support.

One other issue, I have received much comment in praise of the post service's same day delivery from the post boxes outside Sub Post Offices where there is a very early morning collection which is delivered same day.

Thank you once again for your hospitality on Friday.

Best Regards

Yours sincerely

A handwritten signature in black ink, appearing to read 'A H Brouard', written over a horizontal line.

A H Brouard
Deputy

07 MAR 2006

Mr J Curran
Director General
Office of Utility Regulation
Suite B1 and B2
Hirzel Court
St Peter Port
GY1 2NL

6 March 2006

Dear Mr Curran

Post Office services to States' tenants

I enclose a copy of a self-explanatory letter that I have sent to Guernsey Post regarding the above.

In addition, the Housing Department was surprised to note that Guernsey Post currently has no obligations to provide community services of this nature and requests that you consider this as part of your current consultation exercise.

Yours sincerely



D Jones
Minister

Mr D Jehan
Chairman
Guernsey Post Limited
Envoy House
La Vrangue
St Peter Port
GY1 1AA

☒ March 2006

Dear Dudley

Post Office services to States' tenants

As you know, Guernsey Post provides a valuable community service to the tenants of the Housing Department by enabling them to pay their rent at five of your post offices.

Indeed, we estimate that close on 70% of our rental income this year will be collected in this way.

Although we acknowledge it did not originate from Guernsey Post, recent publicity concerning the possible closure of the Cobo and Rohais (Safeway) post offices and the question mark over the future of the Smith Street premises, prompts me formally to record the importance of retaining these community facilities.

Based on current experience we expect more than 5,300 rent payments totalling approaching £500,000 to be taken through the Cobo outlet this year.

For the Rohais post office, the numbers are even larger: over 16,200 payments totalling approximately £1.1 million.


We would therefore ask that Guernsey Post makes every effort to find alternative premises in the Cobo region to serve the needs of our tenants who live in that area. Similarly, we hope that there will continue to be post offices to serve the needs of our tenants who use the existing Smith Street and Safeway premises, as without these facilities the options open to many of our tenants who pay their rent by cash or cheque will be significantly limited, which has implications for our income collection.

I have written in similar terms to the Office of Utility Regulation.

Yours sincerely



D Jones
Minister

 STATES OF GUERNSEY

Deputy David De Lisle
Member of the States of Guernsey

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March 17, 2006

Mr John Curran, Director General,
Office of Utility Regulation
Suites B1 & B2,
Hirzel Court,
St Peter Port,
Guernsey
GY1 2 NH

Dear Sir--

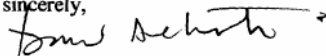
I write with reference to the Review of Postal Services that is being undertaken by your office and the consultation period that closes today.

The retail outlets around the island--post offices as we commonly refer to them-- provide a life line to people and communities throughout the island. We need to be vigilant in resisting any further rationalization--and that includes Saturday pickups and deliveries and removing roadside collection boxes as well as closing post offices. All are front line services--and an essential part of local life.

From April the price of a local stamp will increase from 26-29p--that's 11.5% price hike--well above the rate of inflation. The price to the UK jumps from 32-34p, up 6.25%. And we're told that the postage rates will rise further--in fact in 3 yrs to 37/38p local and 48p to the UK--a whopping 46% increase in the local stamp price from what we're paying now. And the question arises whether the local mail is not cross subsidizing bulk mail retailers.

I am concerned about the delay in the review of the tariffs the company is seeking from its bulk mail customers. This may have led to cross subsidization of the mail order retailers with the local postage rate. It is totally unreasonable for the local social user to subsidize the bulk mail order retailers. We need assurances that the rate itself fully covers all fixed and variable costs of that service.

Yours sincerely,



Deputy David De Lisle.

1. I would be happy to expand on any topic outlined

DEPUTY JOHN GOLLOP
A STATES OF GUERNSEY GOVERNMENT MEMBER
Peoples Deputy for St. Peter Port (South)

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JOHN CURRAN Esq.,
Director-General
O.U.R. - OFFICE OF
UTILITY REGULATION

Tuesday 14th March 2006
Re: POSTAL CONSULTATION
RESPONSE

(Apologies for
Script due to time pressure)

Dear Sir, (Mr Curran) I am ^{of course} a member of the States, Scrutiny Committee, P&G, Chamber of Commerce, Housing Dept Board and Consumer Group Executive. My views here are my own and don't reflect a representative role. I enjoyed meeting your team at Les Citils on two recent occasions but feel Postwatch, ^(char-developers & businessmen) as a consumer board group, have made the wrong moves and Public Relation strategy. They give the impression of being only truly representative of the commercial extend business expansion sector; consequently their outlook is coloured unduly by a desire to keep stamp costs down at very low levels regardless of social costs and other objectives. Where is the representation of car-less individuals, foreign workers, OAPs, the disabled and the overseas (poor) family on lower-middle income? The semi-public meetings held at Les Citils in Feb attracted hardly any public! Consequently Deputies like 'new boy' Al Brouard have had to represent the average consumer in a creative high-profile, campaigning + radical way! It was also obvious that not all Postwatch members shared the chairmans view. Your responsibility as ^{our} regulator is to protect everyone; the consumer choice + interests!

Many issues are raised by the current situation + proposals -
1) POSTAL SERVICE EFFICIENCY - Delivery standards have undeniably increased, and Xmas 2005 passed without any real problems or chaos. However it is not clear if the Guernsey Post-code system is really being fully used. Town deliveries in terraced street areas are still occasionally mis-directed and parcels not delivered. Reports suggest some areas of the island like St. Sampson, Forest of St Pierre de-Bou suffer problems. The points that Deputy Al Brouard has made concerning possible over-staffing need to be assessed - The fact that the Post Office didn't need to recruit extra staff at Xmas might suggest under-utilisation in off seasons. The 20% increase in personal delivery needs to be justified. -
Over morning, militancy at Trade Union level and an ex royal mail culture amongst moyle's management needs to be reviewed + considered.
Political Responsibilities: Member - Housing Department, Member - Scrutiny Committee, Member - Legislation Committee.
Interests include: Policy Development, Tourism, Public Transport, Arts, Heritage, Economic Issues, International Relations & Development.
but there is more elasticity of demand in putting up local stamps than UK band stamps.
it will then be a full (100%) load + 2010

From: Martin Ozanne [mailto:lesbuttes@guernsey.net]
Sent: 22 March 2006 12:55
To: Info
Subject: Consultation paper on Postal Services.

Office of Utility Regulation
By E mail.

Dear Sir,

I apologise for not having responded to the consultation paper by the due date. There seems to be little time to respond to consultations when there is so much occupying my time at Education. However here are my thoughts.

I recognise that the way postal services have to operate in this new electronic age is greatly different than in the past and that it is inevitable that changes now and ongoing will have to be made if we are all to enjoy the benefits of a n efficient service. That last sentence is the key, Efficiency.
It is clear to me that efficiency is not paramount in the delivery of our local postal service.

At the time that Guernsey Post was commercialized one of the main advantages that States Members saw in commercialization was the opportunity for the old outdated practices inherited by generations of both postmen and management to be completely overhauled and replaced by a more efficient organization.
To progress with this wish new premises were developed and the latest up to date equipment commissioned.

Question? What has been achieved?

We hear that since commercialization a further 70+ staff have been taken on, do doubt many of those in management, the service as far as the public are concerned has remained the same apart from the problems experienced when automatic reading machinery was introduces at the infamous Christmas period, but that was a one off and not repeated.

So we must ask what are these 70 plus extra staff doing,
At a time when all States Departments have to examine where revenue cuts can by made while maintaining an acceptable service, first for consideration is the level of management required to maintain while also improve services. Followed by the number of postmen needed to sort and deliver to a standard that we are satisfied with.

Before any increases are made to the cost of postage an independent review of level of staff required to provide us with an acceptable standard of service needs to be carried out.

Many of us are aware of the need for postmen to work different hours than the majority of the population but we are also very aware that many postmen are off for much of the normal working day, I know this as a recent tenant of mine is a junior postman and seems to me to be always at home.

Nettles will need to be grasped, no doubt there will be huge protest from unions but we must recognise that we live in a changing world; old black book practice if still in evidence at Guernsey Post needs to be replaced with modern staff working

arrangements. Nobody has a job for life and the sooner that is understood by all maintained sector staff the better.

It is clear that parcel delivery with so much purchase via the internet is bound to rise, this sector can be fully self financing, if people wish to buy this way or have goods sent in either direction then there can pay for that service.

The sector that we need to address is that of normal letter post and the service that we should expect.

Possible Changes to the USO

I believe there is the strong requirement to collect and deliver over a six day period. However I do not think there is any benefit in having any collections certainly in the country areas very early in the morning for same day local delivery, If it is that important to get a bill paid or letter delivered that day then a personal delivery by the sender can be made as nowhere is far in Guernsey.

The number of Post Boxes could be reduced by probably 70 although without further information as to their use is difficult to tell. What should be done is many letter boxes which are placed in very dangerous positions should be removed new main sites close to car parking should be established. These should be dual boxes one section for local and one for off island as found in some places.

There should be no reduction on the number of retail outlets, any if one was to close then opinion in that area sought and if there is a requirement then an alternative site found.

I live close to the St Peters Post Office and the amount of postal business carried out is impressive, there is always someone at the counter. Take that service away any all that will happen is that more people will drive further to a post office, more cars on the road, more fuel cost, more congestion and time wasted.

How much more would it cost to drive from St Peters to say Cobo, far more than paying an increase in postal costs?

Post offices should be carrying out a lot more collection and business on behalf of States Departments, There could also be Private Post Boxes established in out of town post offices for which a charge would then be made.

Instead of having to travel to central post office to collect a parcel that could not be delivered then the local post office should be the collection point.

Stamps should be able to be purchased through a hole in the wall type machine with a credit card.

And finally,

Postmen must take greater care in sorting and delivery, a week does not go by when I receive someone else's post, sometimes I have up to 5 to write on Not here try St Saviours as that is what it says on the address. Double handling cost money.

So in Summary.

Full independent review of staff numbers and practices,
Reduction of roadside boxes and others better positioned,
More States business carried out by the post offices,

Removal of the early collection from country parishes,
Six day collection maintained, Sunday collection could be dropped.
The Post Office to better train their staff so that duplication of post is kept to the minimum

This coupled with some increase in postal charges to counter but not totally the increased cost that Royal mail will be charging us
Should ensure that we have an efficient self financing Postal Service for many years to come...

I hope you are able to accept this late submission,
I remain,

Deputy Martin Ozanne

Western Parishes Deputy,
Minister for Education
Policy Council Member.

Les Videclins Farm
Candie Road
Castel
GY5 7BX

17-03-2006

Mr. John Curran.
Office of Utility Regulation.

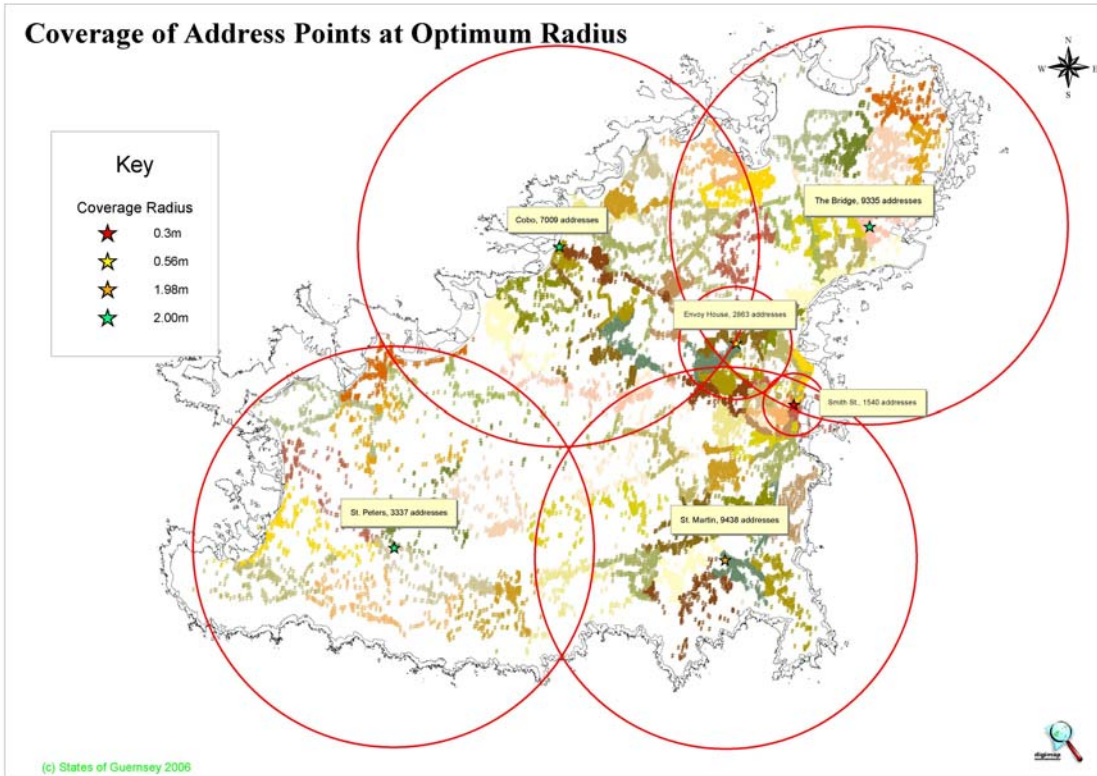
Dear Sir,

Having spoken with several Castel parishioners on the subject of Postal Services, I shall take a line to convey their views to you. The biggest concern voiced was that of providing a new or maintaining the current Cobo Post Office, deemed to be an essential service to the area. This concern seems to have been replicated in all the areas currently served by a sub post office under threat of closure. Post boxes can be drastically pruned with the remainder re – sited to more convenient posting points such as schools, car parks, supermarket stores, petrol stations, public houses etc – well away from the busy and therefore dangerous traditional crossroads of yesteryear. There was a general acceptance that if savings could not be made in every sector under review then so be it – let the user pay the necessary balance by way of extra postage.

Yours sincerely,



Deputy Tom Le Pelley.





Guernsey Consumer Group
Member of The National Consumer Federation

The Director General
Office of Utility Regulation

1 March 2006

Dear Sir 

Guernsey Post Limited – Universal Service Obligation - Observations

The Guernsey Consumer Group (GCG) thanks the Office of Utility Regulation for the opportunity to consider the requirements of Guernsey Post's "Universal Service Obligation" (USO). We are conscious that the excellent postal user group, "Postwatch Guernsey" is the correct channel for public opinion on this matter and do not intend to carry out parallel opinion gathering. Thus the views expressed in this letter are those of the GCG Executive Committee only.

While we accept that reductions in the USO can reduce the operating costs of the service, we believe that Islanders are more likely to be prepared to pay the small amount extra necessary for the retention in services.

We have considered the four options outlined in your presentation:

- Changes to daily collection and deliveries
- Changes to access points to the network
- Reducing the number of retail outlets
- Retain the current USO level

Changes to daily collection and deliveries

The first point to make is that collections and deliveries are separate operations and it would be possible to have five-day deliveries and six-day collections. Additionally, as the savings to be made are a direct result of reductions in staff numbers, the realisation may be difficult to achieve, protracted and less financially beneficial than estimated.

The majority of local mail must be associated with business and as such is "business-to-customer" mail. It should not be assumed that all of this is billing, the delay of which might be welcomed! It can often include payment and the circulation of forms and information that benefit from being available over a weekend. Very often being returned for Monday delivery.

The reduction in the Saturday delivery and Sunday/early Monday collection could seriously affect such opportunities and slow down the Island's efficiency.

Many Islanders have become accustomed to posting greeting and condolence cards for delivery the next day, both in Guernsey and the UK. A 14% reduction in that service would be a great inconvenience, particularly as Saturday is the day families do things together.

Chairman: Roy Bisson, Deltim, Courtil St Jacques, St Peter Port, Guernsey. GY1 1SX
T 01481 710854 F 01481 713645 M 07781 100296 E Roy@Bisson.com

Changes to access points to the network (Letterboxes)

There can be no doubt that the number (148) and location of letterboxes, set in Victorian times, is long overdue for review. Certainly the Island could manage with far less, possibly less than 50 and operating costs would benefit from reduced collection time. Locations should be where Islanders naturally congregate (food stores and work places (although businesses generally allow employees to include their stamped post in their own collections)).

This might also enable GPL to extend the last posting times for UK post around the island which would increase the opportunities for Islanders to respond to mail received in the same day.

It has long been our opinion that the provision of a drive-in facility at least at Escort House, but hopefully also elsewhere, would reduce traffic congestion and be of great benefit to the community.

Reducing the number of retail outlets

The Consumer Group is conscious of the efforts of the Environment Department to develop Rural Centres and believes there is an obligation upon Guernsey Post to assist in this drive by retaining Post Office services in each of these centres. They are: St. Martin, Forest, St. Peter, Cobo and L'Islet. Additionally, there must be services in St. Sampson and St. Peter Port.

We agree that the Smith Street branch is no longer appropriate in terms of location and size and join others in regretting the decision to close the Arcade facility. A better-located town post office is to be encouraged.

The Group believes that no freight distribution system (for that is what GPL is) can operate without a well-distributed network of collection depots. The vast increase in mail order shopping has meant an equal rise in return traffic. If GPL is 'delighted' to be paid by Royal Mail to deliver their parcels in the first place, it must accept the responsibility of providing an easily accessed return service.

Three factors have reduced the popularity of local post offices: the early closing time for UK post at local post offices, the ease of access to Envoy House, and the general willingness to travel. However, it is notable that the most successful branches are those in the Co-op Supermarkets, where an attractive and accessible counter is evident. The facility at Safeway is quite off-putting and that at Forest Store almost inaccessible for other stock on occasions!

We also believe that the operating contracts are in need of examination. We believe that a simple commission agreement would be best operating system and that non postal services that require transaction payments may best be reserved for major branches. It may be necessary and acceptable to reduce the number of services available at these outlying branches to just post

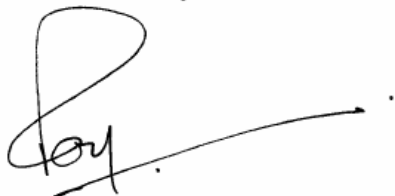
Finally, as a general observation on this matter, the idea that local mail services and costs should be influenced by the Royal Mail contract is absolute rubbish. It should be quite simple to cost and evaluate the collection of mail and the local delivery service without the influence of UK and world destination post. The fact that Royal Mail now pays GPL for onward delivery of mail presumably provides a cash input to that element of the delivery operation.

It is not appropriate for local deliveries to be subsidised by other services. However OUR has an obligation to quantify any cross subsidisation it believes might be advantageous to postal users.

It is regrettable that Postwatch Guernsey has seen fit to make its opinions known before listening to the views of Islanders, but it is to be hoped that that group will reconsider its statements in the light of the response.

The Consumer Group will publicly support the Petition currently circulating, but only within the context of the comments made in this letter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roy Bisson'. The signature is stylized with a large loop at the top and a long horizontal stroke extending to the right.

Roy Bisson
Chairman

Cc: Chairman Postwatch Guernsey



Guernsey Consumer Group
Member of The National Consumer Federation

Press Release

Issue Date: 2 March 2006

Guernsey Consumer Group supports retention of Post Offices and 6-day deliveries.

Following consideration of the consultation document issued by the Office of Utility Regulation on Guernsey Post's Universal Service Obligation, the Guernsey Consumer Group Executive Committee has responded in favour of retaining most of the USO's features.

In a letter to the OUR Director General, Chairman Roy Bisson has said: "While we accept that reductions in the USO can reduce the operating costs of the service, we believe that Islanders are more likely to be prepared to pay the small amount extra necessary for the retention in services."

The letter deals with each of the four options suggested by OUR and finds good reason to retain the present pattern on collections and deliveries. The Group strongly agrees with the overhaul of the letterbox numbers and siting and believes that only about 50 are required. They should be located where people naturally gather and some should be made convenient for drivers – without it being necessary to park and get out of their vehicle.

Consistent with the recently approved Rural Area Plan, the Group believes that Post Offices should be retained in the Rural Centres of St. Martin, Forest, St. Peter, Cobo and L'Islet although it might be reasonable for them to improve viability by reducing the number of services covered.

The Group believes that the function of public consultation on this matter rests with Postwatch Guernsey, the excellent sector user group, and the OUR and hopes that as many Islanders as possible will write with their views. The Group encourages Postwatch to reconsider its somewhat hurriedly given opinion on the issues in the light of the public reaction.

ENDS

Further information from the Chairman: Roy Bisson on 07781100296 or 710854

Copy of letter attached.

Chairman: Roy Bisson, Deltim, Courtil St. Jacques, St. Peter Port, Guernsey, GY1 1SX
T 01481 710854 F 01481 710848 M 07781 100296 E Roy@Bisson.com

①

MRK & MRS C BOWMAN

O. U. R,	19 MAR 2006	LA ROSE,
SUITE B1 & B2	15 MAR 2006	SANDY HOOK
HIRZEL COURT,		ST SAMPSON,
ST PETER PORT,		GY 2 4 EJ.
GY 1 ZNH.		18 MARCH - 2006

DEAR SIRS,

MY WIFE & I BOTH SUPPORT THE
CLOSURE OF SANDY HOOK POST OFFICE.

IT NOW SERVES NO PURPOSE FOR US AS GUERNSEY
PO IS NO LONGER USED BY THE CATALOGUE FIRMS WE
USE, OUR RETURNS ARE NOW VIA CERTAIN GARAGES
AS COLLECTION POINTS FOR THE COURIER FIRMS CONTRACTED
BY MAIL ORDER FIRMS.

IF WE DID USE PO'S WE WOULD HAVE TO PAY HOUSLEY
FOR OUR RETURNS, NOT FOR US!

MANY PEOPLE WHO USE SANDY HOOK DO SO IN
CARS, VANS, MOTORBIKES ETC WHICH ALSO CAUSE DANGER
TO PEDESTRIANS BY THOUGHTLESS PARKING, NOISE &
POLLUTION (ENGINES LEFT RUNNING BY MANY COMMERCIAL
VEHICLES!) ON MANY OCCASIONS ONE HAS TO WALK IN
MIDDLE OF ROAD TO GET AROUND PARKED VEHICLES!

WE HAVE MET WITH PAT WISHER (STEPS) TO VOICE OUR

②

CONCERN AT THE CONSTANT RISK OF ACCIDENTS.
RECENTLY AN ELDERLY GENTLEMAN WAS KNOCKED DOWN
BY A BLUE BMW WHICH FAILED TO STOP.

SURELY, ALL THOSE MANY PEOPLE WHO USE CARS
ETC CAN USE THE EXCELLENT HQ PO WITH LOTS
OF PARKING PLUS A FULL RANGE OF FACILITIES
TO HAND.

YOU WILL HAVE AND MANY PEOPLE SIGN AGAINST
CLOSURES, BUT AS WITH ALL PETITIONS MOST PEOPLE
WILL SIGN ANYTHING WITHOUT THE TIME TO STOP
& THINK OF WHAT THE REAL CONSEQUENCES ARE.

YOUR SINCERELY

Keith G. Bowmer
Carole Bowmer

To Guernsey Post.

TOBER LODGE
RUEtte RABEY
ST MARTINS
GUERNSEY C.I.
GY4 6DU
Tel: 01481 238555
Fax: 01481 237473

08 MAR 2006

7. 3. 06

Dear Mrs de Paris

As somebody familiar with both the UK and Guernsey Postal Systems I can tell you the Guernsey Post is first class better even than the UK 50 yrs ago

To change deliveries, Post Offices and Post Boxes is exactly what the UK has done and turned itself into a poor second class services system.

The OUG is quite wrong in its proposals. It is following the U.K.

Some increase in stamp cost is preferable to keep something as good as Guernsey Post.

Yours sincerely
John Ekan

Vidmar
Victoria Avenue
St Sampson's
Guernsey
GY2 4AY

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

15th March 2006

Reviewing Guernsey Post's Universal Service Obligation - Consultation Paper

This is a consumer response to the paper.

I am using section 5.5, the summary of options to provide the structure for my comments.

My general position is that electronic means of communicating and transferring information have cut my postal costs, and so I am prepared to pay more to ensure that the standard of service I get for the smaller number of items that I post remains unaltered. If, say, I previously sent ten items per week and now send only five because the other five have been sent electronically then I am no worse off if stamp prices double. In practice this means that I find a 30% rise in my overall cost of postage acceptable. As local mail is not subject to terminal dues its cost rise should be less, thus keeping my own cost increase close to that 30%.

The forecast increase in bulk mail costs is a cause for concern, but does not affect me.

A. Five-day deliveries and collections

This option appears to offer the biggest offset against future price increases. Is it worth doing without a Saturday delivery to reduce by 2 pence any inevitable increase in the price of stamps for UK posting? On balance, yes.

B. Alternate day services outside town. Not acceptable: it would be too confusing to work out whether indeed "the cheque was in the post", and horrible for estimating when a birthday card might arrive.

C. - D. Removing collection boxes. Against. Collection boxes are a core part of the service, and the savings of 0.1p - 0.2p per stamp are derisory. I accept that there may be

road safety and obsolescence issues here, but these should be negotiated between Guernsey Post Limited and the parish douzaines. The issue has nothing to do with the regulator.

E. Reducing retail outlets to five locations. I found, and still find, the lengthy section 5.3 confusing and obscure. On the UK mainland sub-postmasters receive direct remuneration not linked to their sales (known as the 'Assigned Office Payment' (Hansard written answers 3rd March 2006)). I understand that Guernsey sub-postmasters receive a percentage of their sales but not an 'Assigned Office Payment'. If this commission does not cover their costs, one would expect them to seek to end their contracts, although it may be that the sub-post office attracts customers to their main business and the sub-post office is a "loss leader". In such a case this would be to the benefit of GPL: their business would be subsidised by the sub-postmasters main business.

It appears to follow that the only benefit to GPL from closing sub post offices that are not crown offices would be to save paying the commission, and trust that the business done by the sub-post offices would transfer to crown offices. But the implication of page 14 para 2 line 8 is that the crown offices are running at a loss. There appears to be a hope that increased business at crown offices (due to the closure of sub-offices) would increase gross receipts without increasing costs. Perhaps it is the apportionment of the Retail Management salaries that makes the sub-offices appear to be loss-making. But if the sub-offices are closed, apportionment of Retail Management salary will fall entirely on the crown offices, increasing their costs.

I am not happy about having to accept the word of Guernsey Post Limited that the sub-offices are loss making when I do not know how all the costs are estimated and apportioned. The desired outcome (closure of sub-offices) may precede the choice of facts which justify the closure.

Finally, the reduction in costs of less than one penny per stamp does not seem to justify the closure of five sub-post offices.

F. Reducing retail outlets to three and introducing a mobile post office service.

This suggestion took me back to my childhood and youth when the butcher, the baker, and the fishmonger each had a mobile service and stopped at each house to offer their products. All are long gone and it is fanciful to imagine that the mobile post office will stop at each address like the old-time baker. I assume that the mobile post office will stop at selected locations like an ice cream vendor's van, and customers will approach it. This appears to have the same road safety dangers as an ice cream van.

"Channel Island Churches" (John McCormack 1986) points out that the locations of Guernsey churches were determined by the pre-Christian sacred sites that the Christian church sought to replace, not by the economic factors that influenced the locations of English churches. There are no village greens in Guernsey on which a mobile post office can safely park.

Where would a mobile post office park? If L'Islet sub-office closes will CI Traders give up customer parking spaces in Checkers' car park for a mobile post office? Or will GPL negotiate a space outside St Mary's Church with the Rector of St Sampson's, or on L'Anresse common with the commons council?

I'm afraid that without much more detail, the suggestion for a mobile post office appears simply ludicrous.

G. Maintain the status quo.

As stated at the beginning, this is my preferred option. Bulk users may protest that the price rise this would entail would hurt their profits, and so I would accept five day deliveries and collections, but would prefer to keep the six day deliveries and collections and pay more. The estimated savings on the remaining options are not high enough to justify their introduction.

Martin Bienvenu

From: Roy Bisson [mailto:roy@bisson.com]
Sent: 05 March 2006 15:25
To: John Curran; postwatchguernsey@cwgsy.net
Subject: Fwd: Closure of sub post offices

Begin forwarded message:

From: "Steve & Chris" <leguetcobo@cwgsy.net>
Date: 4 March 2006 14:47:20 GMT
To: <roy@bisson.com>
Subject: Closure of sub post offices

Dear Mr Bisson

This is the first time I have ever felt driven to write and have my views heard regarding a Guernsey issue, and I hope from that, that you and whoever else might read this email, will realise how strongly I feel about the issue.

I believe very strongly that the closure of Cobo post office (and the others mentioned) is truly a backwards step, for several reasons.

The replacement with a mobile post office will in no way be as satisfactory. I work full time as a teacher, as does my husband, and we use the postal services regularly. I fail to see how I will be able to use the mobile post office which would visit Cobo at set times of the day or week. At present, either I or my husband comes home every lunchtime, and that is when we use the post office, or else after 4.30 or on Saturday morning. When I want to post a letter or parcel I want it to go off immediately. I do not want to wait (nor could I) until the mobile post office comes around at a time when I am in Cobo (if it ever does). The number of people using it at the fixed time (so drastically reduced hours of opening) will also mean that queues are likely. This would make us late for work and therefore stop us using it, as well as making the people wait outside in the open air. I can just imagine a queue of people standing in the car park at Cobo with the waves lashing over the sea wall! This is one of the reasons why it has been so difficult to get people to use the buses – they don't want to stand outside in all weathers.

At Christmas time these problems would be even worse. The queues in Cobo and Smith Street are bad enough already at Christmas!

For the user this would a be backwards step.

Businesses are feeling the effects of internet shopping. What better way is there of encouraging more people to internet-shop for Christmas (where the company will post direct to your recipient) than to make it more difficult for the Guernsey people to buy locally and post it on? Over time Guernsey Post Office will have fewer customers if they make it so difficult to use the post office.

For local businesses this would be a backwards step, as well as for Guernsey Post.

Those in charge of this decision need to think a little further than just the profitability of Guernsey Post. Many people will be forced to get in their cars and drive to the nearest post office, making an extra journey. I was under the impression we wanted to reduce the number of cars on the roads not increase them!

Environmentally this would be a backwards step.

In the UK they are now feeling the effects in their villages of shops that have to close down because of the out-of-town Tescos etc taking their customers. Remove the Cobo Post Office and I will be forced to use a post office when I am at the supermarket (Safeways) or in town. This is because I try to cut down the travelling I do in the car as I try to be environmentally friendly. Who would suffer from this change in my shopping habits? Stampers in Cobo, Cobo Village Stores and Cobo Pharmacy! We all know that it is the corner shop in the UK that is struggling. Once these disappear a village effectively dies off. Closing the post office would mark the start of that trend, just as it has done in the UK.

Community-wise this would be a backward step.

Although I have a few years to go before I become a pensioner, I have always looked forward to the fact that when I retire I will have everything I need in Cobo. (The mobile post office would still be unacceptable for the reasons mentioned above.) Trips into town would happen infrequently. I think the beauty of living in Cobo, St Peters etc is that there is a village community, where people see each other. Closing the Post Office starts to reduce that village atmosphere.

Community-wise this would be a backwards step.

My plea is therefore that Guernsey Post looks a little further than their own profitability. I appreciate that they are trying to keep costs down for the consumer, but this is one instance where they are misguided. What does that extra penny on a stamp mean, when we lose all the above benefits? Guernsey is nearly always a little behind the times – in most cases a very good thing. Surely for once we can use this to our advantage and learn from the mistakes that have happened in the UK and ensure a better future.

Yours sincerely

Chris Dudley (Mrs)

Le Guet

Rue des Renouards

Cobo

Castel

Guernsey

GY5 7TX

Tel [deleted]

PS Please feel free to forward this email to whoever you think appropriate. Many thanks for your time.

22 FEB 2006

Val Stables,
Le Val, Alderney,
Channel Islands
GY9 3UL
01481 822900

20.02.06.

Dear Sir,

According to the Guernsey Evening Press, your Committee is having consultations with Guernsey Post; may I please inform you of the situation in Alderney.

Some time ago Guernsey Post liaised with Alderney Chamber of Commerce to discuss improving the mail on behalf of the Business Community; the improvements have proved successful.

Unfortunately Guernsey Post, without approaching the Chamber of Commerce, or the Postmaster, decided

to regulate the hours of business.

For decades the Post office had opened at 8.30 am. until 5 pm. with an hour for lunch.

The present hours are 9 am - 5 pm daily for 5 days, 9 am - 12.30 pm on Saturday.

The earlier opening allowed office staff to collect their mail on the way to work, and early shoppers could complete their buying with one visit to town, with easy parking; now a second visit is necessary for postal requirements.

The only businesses open at lunch time in Victoria Street

are 2 Butchers (half day on Wed.)
Kidune Stores and the T.S.B. Bank,
so why the Post Office? especially
in Winter.

The decision taken was
not for the Island's benefit, it
seems to be a U.K. directive,
which questions the use of
the Title 'Guernsey Post.'

Yours Faithfully,

Christine Atkinson.

(Mrs)

P.S. It was not unusual pre

Christmas to see someone standing
outside the post office with a parcel
waiting for 9am.

Val Stables,
Le Val, Alderney,
Channel Islands
GY9 3UL
01481 822900

28 FFR 2006

27.02.06.

Dear Mr Buckland,

Thank you for your
prompt reply to my letter, regarding
Alderney Post Office.

Alderney, with a static
population of 2000+ cannot be
compared to Guernsey, businesses
know the needs of their customers
and react accordingly.

It is unfortunate when
interference from Guernsey is involved.

Yours Sincerely,
Christine Atkinson
(Mrs)

MS/LW 01 GY

16 MAR 2006



NFSP

15 March 2006

Office of Utility Regulation
Suites B1 and B2
Hirzal Court
St Peters Post
Guernsey
GY1 2NH

— Dear Sir/Madam

**RE: DOCUMENT NO. 06/06, CONSULTATION PAPER REVIEWING GUERNSEY
POST'S UNIVERSAL SERVICE OBLIGATION**

I have enclosed a hard copy of the National Federation of Subpostmasters response to the above consultation. Please note that an electronic version has already been sent by e'mail dated 15 March 2006.

I would appreciate your acknowledgement of receipt of our response.

Yours sincerely

p.p.

MARILYN STODDART
Assistant General Secretary

Guernsey Office of Utility Regulation

Reviewing Guernsey Post's Universal Service Obligation Document No: OUR 06/06

Response from National Federation of SubPostmasters

1 National Federation of SubPostmasters

1.1 The National Federation of SubPostmasters (NFSP) represents the interests of 14,500 subpostmasters throughout the United Kingdom, including the offshore islands – the Channel Islands and the Isle of Man. Sub post offices make up 97% of the national network of post offices and are run by private business people, subpostmasters.

2 Background & Summary

2.1 The Office of Utility Regulation is considering a number of options as part of a review of Guernsey Post Ltd's 'Universal Service Obligation'. That review seeks to identify a number of measures that could be taken to redefine the USO in light of the changed economic environment.

2.2 In its consultation document the Office of Utility Regulation sets out four main areas that warrant consideration as means by which GPL might address the situation, viz:

- Develop and grow its existing business in order to generate additional revenue;
- Introduce new services to meet customers' needs and again generate additional revenue;
- Increase tariffs (subject to regulatory scrutiny where required) in order to increase revenues to cover additional Royal Mail costs; and
- Seek efficiency savings in its day to day operations in order to mitigate the increase in other parts of its cost base.

2.3 In looking at efficiency savings, the consultation paper poses the option of reducing the islands network of retail outlets from 9 to 5 locations, or alternatively a greater reduction from 9 to 3 locations with provision of a mobile Post Office.

2.4 The NFSP is opposed to the reduction of the number of retail outlets and believes that this would have an adverse impact on customers, communities and the subpostmasters who serve those communities.

2.5 The NFSP believe that efficiency savings could be found in other operational areas and that additionally there are opportunities to both maximise existing business and to introduce new products and services that customers want.

3 Local services

- 3.1 Post offices provide essential local services. Over 94% of the UK population lives within one mile of a post office. Not only does this provide people with easy access to Post Office services, including access to cash, but around two-thirds of post offices also have an attached shop. The island of Guernsey itself is host to 9 post offices: 4 being directly managed and the remaining 5 being sub-offices. All 5 sub-offices have an additional retail outlet. Guernsey Post Ltd's own Customer Charter defines the standard for provision of the retail network that each resident should be within a two mile radius of a post office.
- 3.2 Without a nearby post office, significant proportions of the population are inconvenienced. Studies of post office closures show that those most affected by post office closures are people with no transport, people with mobility problems, older people and people from social classes C2, D and E.
- 3.3 A lack of local post office means that people have to travel further to access post office services, and possibly also a local shop. Not only is the extra travelling inconvenient, it is also costly, since petrol, car parking fees or public transport fares may be incurred. Post office closures lead to more people travelling to the post office by car – this has obvious health and environmental implications. Local post office closures also result in many people, particularly older and less mobile people, becoming dependent on others to access post office services on their behalf or to take them to the post office.

4 Support for vulnerable residents

- 4.1 Post offices also play important roles in providing direct support for vulnerable local residents, including elderly and disabled people. For example, subpostmasters frequently interpret official letters, find lost property, take messages and offer emotional support. Research for the UK postal services regulator, Postcomm, found that subpostmasters each keep an eye upon significant numbers of people, helping them deal with forms and officialdom, and enquiring to make sure they are not unwell if they do not make their normal visit to the post office.¹

5 Focal point for community

- 5.1 It is widely recognised that post offices act as a focal point for communities. They give people a place to congregate and are used by the police, community organisations, local authority and tourist attractions to display information.

6 Services for local businesses

- 6.1 Post offices provide many services for other local businesses. They provide stamps and posting services, bill payment services, cash and deposit facilities for small businesses. Business users also make frequent use of shops attached to post offices.
- 6.2 Postwatch UK and other UK consumer bodies have been able to assess the impact of post office closures and have commented on the inconvenience caused to many local businesses in areas where post offices have recently shut. Local businesses say post office closures result in extra costs for petrol and lost work time in travelling to the post office to post letters and parcels, pay bills and access other services.²

- 6.3 The very presence of a local post office also supports other local businesses. Not only do post offices draw people into a local area; but they are a source of cash and people frequently spend cash locally to the place they access it. Research looking at the economic significance of post offices in small towns and villages found that in local shops and businesses with a nearby post office, 15% of customers' expenditure is directly due to the presence of the post office.³ Local post offices also support local businesses as clients. For example they often use local accountants, solicitors, window-cleaners, carpenters, decorators and plumbers. In addition, post office shops frequently stock locally produced food – thus supporting local farmers, bakers and other producers.

7 Conclusion

- 7.1 NFSP believes that post offices play a critical role in the economic and social wellbeing of Britain's communities and that this is as true in relation to Guernsey. The loss of a post office can result in increased isolation for vulnerable members of society, and a reduction in access to cash and in the availability of other local services, resulting in increased social and financial exclusion, particularly for already vulnerable groups. Conversely, a robust and viable post office network can play a key part in sustaining the social and economic fabric of communities and combating social and financial exclusion.
- 7.2 The current review provides the opportunity to assess how the viability of the current network can be maintained. The NFSP suggests that existing business can be grown and maximised and that all sub-offices should be able to provide the full range of post office services.
- 7.3 Additionally we believe that there is a need to introduce new products and services that will meet customers' needs and generate additional revenue. In its report the OUR has made reference on a number of occasions to the position in the UK and will be aware of the wide range of new products introduced by Post Office Ltd. over the last two years.
- 7.4 Specifically, the NFSP have already made representation to GPL that we believe they should be pro-active in seeking to introduce new business into the sub-office network to ensure sustainability. We have indicated that we would wish to explore the following:
- The acceptance and transaction of state receipts eg housing and public utility payments
 - Banking
 - The need for investment and automation to open up further possibilities for the network
- 7.5 The NFSP is of the view that savings could be found in other operational areas. As these are not within our specific competency we would not comment further other than to note that the consultation paper already alludes to these possibilities.
- 7.6 Finally, with regard to the possibility of further tariff increase we would note that the 'changed commercial environment', informing the rationale behind the current review, results from the reality of the new commercial arrangements between Royal Mail and GPL on mail delivery. As such it might be reasonable to expect that this would have some impact on local tariffs.

References

- 1 Postcomm, December 2001, *Serving the Community II – evidence of the community value of post offices in urban deprived areas.*
- 2 Postwatch, November 2002, *The Impact of Post Office Closures in the Rural Community.*
London Assembly, April 2004, *Post Office Closures in London*
- 3 Countryside Agency, July 2000, *The Economic Significance of Rural Post Offices.*

National Federation of SubPostmasters
February 2006

17th March 2006

The Director General
Office of Utility Regulation
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Dear Sir

COMMENTS ON THE REVIEW OF GUERNSEY POST'S UNIVERSAL SERVICE OBLIGATION

Postwatch Guernsey would like to make the following submission in relation to the OUR's Consultation Paper (No: 06/06) "Reviewing Guernsey Post's Universal Service Obligation".

1. Timeframe for the Review / Availability of Information

Following the OUR's Report on the 2006 Tariff Changes issued in December 2005 - which indicated the OUR's intention to undertake a review of Guernsey Post's Universal Service Obligation ("USO") - the Director General and colleagues subsequently met with our Members at the end of January to outline various options which the OUR proposed to put forward for preliminary consideration. Those substantially became the options that the OUR presented to the public meeting at Les Cotils on 22nd February 2006. At the time of our meeting in January, the OUR (and thus Postwatch Guernsey) had no indication of what cost-savings might be achievable by the introduction of any of those options, and Guernsey Post was working on producing that information for the OUR. Indeed, Postwatch Guernsey did not receive details of the potential savings until the week before the public meeting. That gave little time for our Members to consider the proposals as presented, let alone to attempt to seek further information to inform our deliberations.

Whilst we understand that the tight timeframe is driven by the need to ensure that any changes to the USO are agreed by the States by the summer - in order that the USO is determined before Guernsey Post makes a further tariff submission later this year for tariff increases from 1st April 2007 - we do feel that this exercise has been conducted rather hastily: this is an important issue for everyone on the Island (as almost everyone uses the postal system in some way) and it is preferable for there to be a considered and informed debate on the consequences of: (a) making changes to the USO; or (b) maintaining the status quo.

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We also consider it unfortunate (to say the least) that there is a general absence of data being made available to the public either by Guernsey Post or the OUR to explain/support the proposals under this review. Particularly in relation to the proposed reduction in the number of retail outlets, the lack of up to date, accurate (or verifiable) data on the number of customers visiting those outlets for postal purposes, is very unhelpful. As regards financial detail, as the OUR is aware, Postwatch Guernsey receives little financial information in relation to Guernsey Post's activities, and certainly such that would enable us to evaluate the savings indicated against the options proposed.

We also feel that it is unfortunate that the Company's financial statements for the year ended 30th September 2005 are yet to be made available to the public.

2. The Proposed Savings

We are disappointed with the level of savings identified (we imagine the OUR is also). Our understanding was that the main driver behind this exercise was to seek to identify cost-savings to mitigate the further tariff increases that Guernsey Post will undoubtedly be seeking from 1st April 2007. Also, the savings identified - if pursued - will only offset price increases; cutting services will not see any reduction in stamp prices. Indeed, it seems likely that there may need to be substantial increases in stamp prices (refer section 3 following).

3. Provision of Postal Services at "Affordable Prices" / Future Price Increases

The States, when it determined the USO in 2001, required that it be provided at "uniform and affordable prices".

In view of the additional (approximately) £4.7m in increased charges that will be payable to Royal Mail this year (ie effectively a further removal of the subsidy that Guernsey received from Royal Mail in the past), which we assume Guernsey Post will be seeking (at least in part) to recover from customers under its tariff submission for April 2007, we are most concerned at the potentially high increases in stamp prices over the next few years.

Our understanding from Guernsey Post is that the current local stamp price of 26p (29p from 1st April 2006) falls considerably short of the (approximately actual) 40p per item current cost of providing the local collection and delivery service. Mike Hall (Guernsey Post's Managing Director), in response to our question at the public meeting as to what level of prices might be envisaged from 2007, said that by the end of the three year period (ie 2007 - 2010), Guernsey Post would envisage prices rising to 37p-38p for local mail and to 40p-42p for mail to the UK. He did concede that making changes to the USO would mitigate the increases.

If Guernsey Post is minded to seek increases to the local stamp price from April 2007 that are better able to cover local delivery and collection costs - and if the OUR is minded to grant such increases - then customers could be faced with (possibly) a 10p increase in the price of a local stamp from 2007. Whilst we understand, and would certainly hope, that the price is likely to be fixed for a three year period (ie 2007 to 2010), we also understand that Royal Mail's charges will increase further over the next three years and therefore we are concerned - regardless of whether or not changes are made to the USO - as to how high prices are going to rise over the next, say, five years, and what level of local stamp price the OUR considers to be "affordable". We believe that it is appropriate to take a long-term view and endeavour to seek savings now that will keep postal prices "affordable" into the future.

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We also recognise the points put forward by the representative from the Guernsey Bulk Mailers Association at the public meeting, that the GBMA effectively subsidises the social user by paying a higher than fair proportion of mail costs. Whilst we are not in a position to comment on the figures that were mentioned, the point was made that Guernsey Post's finances would be in a somewhat precarious position in the event that say, two bulk mailers were to withdraw from the Island. We know that this point is recognised by the OUR and that it must also be factored into its consideration of Guernsey Post's tariff submission for 2007.

With the present situation as outlined above, we are concerned that the emotions of the debate of whether to close some of the existing retail outlets should not overlook the fact that in the event the States decide not to change the USO, then all customers will be required to bear the increased cost of that decision, for the benefit of what may be only a "relative few" who visit the lesser used retail outlets. NB: we recognise the "social needs" argument (see section 8).

We do believe that the economic climate in which Guernsey Post now operates (ie an obligation to pay market rates) means that serious consideration should be given to opportunities to achieve cost-savings. Regrettably, it seems that regardless of whether or not changes are made to the USO, all customers are likely to have pay more in the future for both local mail and mail sent to the UK and overseas.

We are not ignoring that the opening up of the UK postal market to competition from 2007 may well enable Guernsey Post to identify more competitively priced alternative service providers to Royal Mail in the future, however it seems likely that it will take some time to establish those relationships, and certainly at the current time we understand that Royal Mail remains the only real service provider that is able to offer acceptable levels of service and price to Guernsey Post.

4. Proposals to Change the USO - Guernsey Post's position as we understand it

With the exception of the comments made by Mike Hall at the public meeting, some of which have been reiterated in print, Guernsey Post has generally been silent during the consultation process. The Company has been keen to point out that it does not favour reducing quality of service ("QoS") (ie withdrawing Saturday deliveries and Sunday collections), stressing that some three years have been spent putting the QoS right (refer also to comments in section 6).

Guernsey Post does however believe that there is a case to close some of the retail outlets (refer section 8).

We would make the following specific comments on the various options identified:

5. Option A : Five day deliveries and collections (ie the withdrawal of Saturday deliveries and Sunday collections)

Option B : Five day deliveries for Town and alternate day deliveries for all other rounds

We would support Option A and the withdrawal of Saturday deliveries.

We would not support Option B on the basis that it would discriminate against customers outside St Peter Port and would not be a "universal" service.

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We have noted Mike Hall's comments that there would be a 13-14% cut in QoS if Saturday deliveries were withdrawn and a 37% cut if alternate day deliveries were introduced. We would of course prefer not to see any derogation in the existing QoS. However, it cannot be ignored that the collection and delivery part of Guernsey Post's business (ie labour) is what incurs the greatest cost. That being the situation and taking into account the comments in section 3 concerning the possible scale of price increases, we believe the proposed reduction in deliveries from 6 to 5 days warrants further consideration.

However, Guernsey Post has stated that mail posted in letter boxes from Friday evening through to Monday afternoon would not be delivered until Tuesday. We feel that would be too long a timeframe and we do not consider that would be acceptable to customers. We would only favour a reduction to 5 day deliveries if mail posted on a Friday and Saturday was able to be delivered on a Monday (obviously this would require Saturday collections, restricted to specific boxes).

Aside from its reluctance to make any changes to existing deliveries and collections, Guernsey Post has said that it finds Saturday a particularly useful day for parcel deliveries as many customers are at home. Customers would probably have the same view, so it may be that parcel deliveries should be maintained on a Saturday.

With regard to letter mail, whilst few customers (we imagine) would be unhappy not to receive a bill on a Saturday, the removal of Saturday deliveries would adversely impact on social users (ie the sending of birthday cards that would ideally arrive on a specific day). The point has also been made that it could adversely impact on hoteliers, Saturday effectively being a "working day" for them, as indeed it is for a number of other businesses.

The proposal (and the cost/savings implications) therefore requires careful investigation: it may be that the workplan required to achieve Monday deliveries (of mail posted on Friday evening and Saturday (to a specific cut-off time)) would not deliver sufficient savings to warrant making the changes.

We also feel, as part of this investigation, that Guernsey Post should consider all transport options, eg smaller planes for "premium" mail, greater use of container transport (ie first and second class postage options) and whether there is the ability to share resources with other carriers (eg to combine the transportation of newspapers and mail). We do note that Guernsey Post takes the view that providing first and second class options would not be cost efficient from an operations point of view, and obviously that would need to be evaluated. As regards the suggestion for greater use of container transport, that is partly made in consideration of Royal Mail's intended introduction, in September 2006, of Pricing In Proportion ("PiP") (a move from weight based to sized based pricing); that will impact on Royal Mail's pricing structure, and on Guernsey Post, although to what extent is presently unknown. Whilst Guernsey Post has yet to indicate how it proposes to deal with PiP, there may well be a need to re-evaluate transportation options as a consequence of those changes.

At the end of the day, the major issue has to be what level of savings (determined with reasonable accuracy) can be achieved by making the proposed changes. Clearly there would be no point making what would be presumably significant changes to Guernsey Post's working practices to achieve relatively small savings: we believe that it would be more preferable to the majority of customers to recognise that they receive a high QoS over 6 days, and to accept that a higher stamp price was needed in order to maintain that level of service.

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6. Quality of Service

We would like to reiterate something that we have stated before concerning QoS. One of the speakers at the public meeting said that as far as he was concerned there had been no difficulties or delays in customers receiving mail in the past (ie pre 2001) and he suggested that there had been no need for Guernsey Post to have taken on the additional employees to meet the QoS targets set by the OUR. There seems to be a common misconception amongst many customers that everything was just as good in “the old days”. From what we have seen and our understanding of Guernsey Post’s operations and the changes that have been brought in by the current management since 2003, that is an erroneous view, and it is clear that in “the old days” not all mail was being delivered in a timely manner, and certainly not to the consistent standard which customers should (and certainly now do) expect. Mike Hall stated at the meeting that pre-commercialisation Guernsey Post was non-compliant with its licence: that there weren’t 100% deliveries on 6 days; some 10% of mail didn’t go out; some customers were receiving deliveries on alternate days; the mail didn’t always connect for the UK plane, leaving a volume over to handle separately; and there was insufficient cover for employees’ leave. The changes implemented by Guernsey Post to meet the QoS targets set by the OUR addressed those deficiencies, but clearly at a cost of increased manpower (although we are not in a position to say what increase in manpower was necessary/appropriate to achieve the improved QoS).

Our view is that overall customers do receive a consistently high quality QoS; we don’t believe that higher targets are necessary or that those would be appropriate, but we would not wish to see a reduction. Currently Guernsey Post seeks to ensure that all mail is delivered before 1.00pm; most customers receive their mail much earlier, and we do not feel that a later deadline would be acceptable as that would adversely affect (particularly) businesses.

We do however agree with the speaker’s comments concerning the high cost incurred by the need to recruit additional employees and we concur with his point that it had been understood that mechanisation would reduce the overall number of employees required by Guernsey Post. This is a point that we would ask the OUR to consider further as part of its intended efficiency review into Guernsey Post.

7. Options C and D : Removing circa 100 / circa 70 roadside collection boxes

We would support a “significant” reduction in the number of roadside collection boxes. There are currently 146 roadside collection boxes and that is an unnecessarily high number on this small Island. Many are sited in dangerous or inconvenient places, both as regards access on foot or by car. Whilst we would be prepared to support the option, we would first wish to see proposals as to which boxes it was proposed to remove together with statistics as to their usage, and if they were being moved for health and safety considerations (which obviously would need to over-ride usage considerations, but might require an alternatively sited box). Whilst we agree with the principle of there being less boxes, there does need to be sufficient coverage for customers’ needs, and also consideration as to whether the boxes are appropriately accessible. We also feel - as adoption of either of the above options would necessitate an overall review of the roadside collection boxes - that consideration should be given as to whether there are other locations in which boxes could be sited for customers’ convenience, again taking into account accessibility on foot, by bus or car.

There are a number of examples of not terribly well sited collection boxes, including unfortunately, the one at Envoy House: we have noted that when the gates there are closed access to the box can be difficult - more than two cars stopping at the same time, which is probably not uncommon, presents difficulties.

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We believe that the removal of boxes would very much be a long-term view option, and it would lend itself to a phased process. Not only will making these changes incur Guernsey Post management time (which the Company will undoubtedly argue against), but of course there will be costs involved in removing boxes and the subsequent “making good” of those sites. There is also likely to be the need to increase the capacity of some boxes. As Guernsey Post is aware from customer comments that we have passed on, some of the collection boxes have inadequate capacity for current needs; it is regrettable (and rather frustrating) that it seems to take an inordinate amount of time to get round to addressing those capacity difficulties.

A reduction in the overall number of collection boxes should also be considered an opportunity: for example, to (hopefully) permit later collection times for next day delivery of local mail (or more boxes with early morning collections for same day delivery): the current 5.30am collection from Monday to Saturday from those boxes at the various retail outlets (and later times for Smith Street and Envoy House) is helpful for many customers, and the St Peter’s Post Office box was particularly mentioned by a customer quoted in one of the recent Guernsey Press articles (although we did feel that there was some confusion in that the customer concerned appeared to be under the impression if the postal service was withdrawn from St Peter’s Post Office shop, that the post box outside would go too, which certainly ought not to be the case).

8. Option E : To reduce the retail outlets to five locations

Option F: To reduce the retail outlets to three locations (one of which will be Envoy House) with a mobile post office

These are the most radical suggestions to change the USO and - unsurprisingly - have generated a considerable amount of media attention, not all of which, it has to be said, has been balanced.

Some of the outcry has been directed at Postwatch Guernsey for our endorsement of the OUR’s proposals. We do support the OUR in taking the view that the number of retail outlets should be reduced. We would agree with the reduction to five, or even (as we said at the public meeting) to four (but if four, then a mobile postal facility to be introduced also). We don’t take that view lightly, and would make the following comments:

- Why positive action is needed

Refer earlier comments (section 3) concerning “affordable prices” and that increased postal costs will apply regardless of whether or not changes are made to the USO.

We have been criticised for saying that it is “time to move into the real world”, but one has only to look as close as the UK, let alone overseas, to see the difficulties being experienced in keeping retail outlets open. We are now in the 21st Century, and the way in which we communicate (ie internet e-mail and other electronic communication), is resulting in a decrease in the number of people visiting post offices and it seems likely that will continue to be the case over the coming years. Both Postwatch in the UK, and Postcomm the UK regulatory, have conducted considerable research into how post offices are used, in the UK and overseas, and the future trends, and their conclusions reinforce the decreased use and the need to take positive action to restructure postal services appropriately.

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Guernsey currently has nine postal retail outlets, and there is also an outlet in each of Alderney, Herm and Sark; those latter three must be retained. In an ideal world, of course we would wish to see all existing retail outlets retained (and would have wished for those offices that were shut over the past ten years to have remained open). However, we understand that the retail network is still making overall losses in the region of £100k. In view of the reducing footfall, it seems highly unlikely, even with whatever further cost-cutting measures Guernsey Post can find for the retail network, and also of course the generation of additional retail revenue, that the network as it stands can achieve financial viability if all existing outlets are retained.

- Why a mobile postal service?

This is something that we raised during 2004 during the debate over L'Islet post office. Mobile postal services have been trialled in the UK since 2002, so are quite well tried and tested. We believe that a mobile facility could be a positive option if we are faced with the need to close four or five fixed retail outlets: due to the relatively small size of Guernsey there should be no reason why a mobile could not visit several parts of the Island during the course of a week and - looking at this from the perspective of all customers - it could have wider benefits by restoring postal services to parishes that have previously lost their fixed retail outlets (eg Torteval, St Andrew and St Saviour).

Of course, there would need to be detailed consideration of the issues involved: the costs of setting up and running a mobile would have to be less than the costs of the fixed retail outlets it was replacing; serious (and perhaps creative) thought would need to be given, in conjunction with the relevant parishes, as to where best a mobile should be sited in order to maximise accessibility by customers (including whether they were arriving on foot, or by bus or car), and then obviously customers would need to be made aware of where and when the mobile would be located. But we believe this option is very much worth investigating.

- Why we would be in favour of an alternative site to Smith Street

- We understand that some 50% of the space is not required by Guernsey Post and is under-utilised; if Smith Street was to be retained that issue (and the attendant rental costs) would need to be addressed.
- Its location makes it difficult for some customers.
- There does need to be a post office in Town but it could be a smaller, more efficient outlet sited in a different location. A number of people at the public meeting suggested that the market could be a good location and certainly if the rejuvenation of the market is successful, a post office there would be well placed for people travelling into Town both by car and bus. It is clear that locating postal facilities in thriving shopping areas facilitates an increased spend.

- Developments (?) since L'Islet

When Guernsey Post management announced in 2004 that they were considering closing L'Islet post office, they did so partly to instigate a debate into the wider issue of how to fund the overall retail network, which at that time was making significant losses. Guernsey Post has been able to improve the financial position somewhat since then, although those efforts have been adversely affected in 2005 by: (a) the withdrawal of UK pensions paid to local residents through post offices; (b) the withdrawal of Girobank; and (c) the closure of the National Savings Bank accounts, all of which have reduced revenue through Guernsey's retail network.

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Although - following the representations made during and after the public meeting, including by Postwatch Guernsey - Guernsey Post subsequently announced that a decision to close L'Islet wouldn't be taken until the National Audit Office Report was issued¹ no-one should be under any illusion that it remains Guernsey Post's desire to close L'Islet. Furthermore, at the time of the L'Islet announcement, at least one (maybe more) other retail outlet(s) were under similar consideration by Guernsey Post. Indeed, at the L'Islet public meeting, Guernsey Post stated that its intention was "To reduce the network in line with its Customer Charter obligation which provides for a postal outlet within a 2-mile radius of each Guernsey home." (see paragraph following concerning the USO and over-capacity of retail outlets).

¹ It is most unfortunate, given the States' decision to proceed with the review of commercialisation and regulation in November 2004, that the NAO Report of that review has still not been made available.

At the present time, the retail network continues to lose money and - despite all the publicity generated in relation to L'Islet - the problem of how to fund the network remains unanswered. The problem has not gone away; it has merely gone quiet, or at least it had until this present review was announced.

- The vagueness of the USO concerning the retail network - and the implications

The USO as it currently stands was determined by the States in 2001, and only the States - not the OUR or Guernsey Post - has the power to change the USO.

Whilst hindsight is a wonderful thing, it is regrettable that the USO does not specify the number of retail outlets that Guernsey Post should maintain. The States' Directions said: "In providing these services [the USO], the licensee shall ensure that the density of access points and contact points [retail outlets and roadside collection boxes] shall take account of the needs of the users." As noted earlier, Guernsey Post has taken the view in its Customer Charter that "every Guernsey resident should have a Guernsey Post retail facility within 2 miles of his home". This seems not unreasonable, but as Guernsey Post has pointed out, this means that in some areas, residents have access to up to 7 retail outlets. Aside from this obvious over-capacity, any (other) commercial business that needed to make cost-savings would not be expected to carry on providing loss-making services.

The failure of the States to have imposed an obligation for Guernsey Post to retain a certain number of retail outlets under the USO means - as seen with L'Islet - that Guernsey Post can propose closures. Importantly, what it also means is that if the States - in considering the OUR's proposals on the USO when those are presented - determine that no change should be made to the USO, then the uncertainty for customers will continue as Guernsey Post will be able to propose closures in the future. We believe that there needs to be certainty here - both for customers and Guernsey Post - on the question of retail outlets. Apart from anything else, a not inconsiderable amount of time (and associated costs) is spent by Guernsey Post, the OUR, and consumer groups such as Postwatch Guernsey, when these issues with the retail network arise every so often, including the associated media frenzy, and as they will again in the future unless the problem is addressed - this review should be considered an opportunity to take positive action.

The States could, if it so determined, stipulate as part of the USO the number of postal outlets that Guernsey Post should retain. If it was so minded, it could (i) stipulate that all existing outlets should be retained; or (ii) stipulate a minimum number (which would presumably have to include the one outlet in each of Alderney, Sark and Herm), bearing in mind that if option (ii) was chosen, then it must be recognised that Guernsey Post could subsequently decide to close any outlets that were above the stated

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minimum. Such a decision would provide certainty for customers as it would remove any possibility of Guernsey Post itself suggesting at a future time that a particular postal outlet should close (depending on whether scenario (i) or (ii) was determined); any such decision could then only be taken by the States as a modification of the USO.

- The “social needs” argument

One of the difficulties with this review, as noted earlier in this submission, is the absence of information available to inform a considered decision. The media has given a great deal of coverage to people’s concerns on the proposed reduction in retail outlets, but it is unclear by how many customers those outlets are actually used to access postal services - and also specifically what postal services customers are purchasing - bearing in mind that excluding Envoy House and Smith Street, which are solely postal outlets, six of the remaining are based in food stores, and the other is St Peter’s Post Office, which sells a wide range of non-food items, so those shops will be visited by a large number of customers for non-postal needs. Having requested footfall data from Guernsey Post we feel that the figures provided are “suspect”, particularly the suggestion that each week 374 people use the postal counter at Forest Stores. Surely, the obtaining of accurate footfall data has to be fundamental in underpinning any retail strategy and particularly any decision to reduce the retail network? We have noted recent comments by Deputy Dave Jones, the Housing Minister, that many States House tenants pay their rent in cash at post offices. In the event of closures, there may be a need for States Departments to consider what measures could be put in place to minimise the adverse impact of a particular outlet being closed.

We do of course recognise that the proposals to close retail outlets carry the potential of disadvantaging elderly customers, disabled people and those without transport. That was also recognised by the OUR in its Consultation Paper, and Postwatch in the UK has carried out a detailed case study on the impact on customers of closures and changes in services. We do feel though that there is a need to keep the issues in perspective. In the UK, many rural communities have no immediate access to any shops or post offices and people may have to travel some miles to the nearest services. In addition, in many areas there is often inadequate public transport, which can contribute to a loss of independence.

Guernsey, comparative to many parts of the UK, comprises quite a small area. For people without a car, it has a generally reliable bus service providing comprehensive coverage across the Island, and allowing good access to a wide range of shops and other outlets and facilities, including the post offices. Unless one is on foot or in a wheelchair, most facilities around the Island are able to be accessed relatively easily. It is important that these factors are borne in mind during this debate. It is also the case that in the UK, Postwatch’s research found that the actual impact of the closure of retail outlets was less than the perception of the impact that closures would have.

If the number of postal outlets to be retained was such that the retail network would never be able to cover its costs, but the States’ view was that it should be retained from the “social needs” point of view, consideration would also need to be given to how to fund the loss-making part of the retail network. It would not be reasonable for the States to force Guernsey Post to maintain loss-making offices unless it [the States] also made reasonable provision for how those should be funded. The UK Government currently funds the rural network in the UK with up to £150m each year - a subsidy that it is proposing to remove in 2008, and that will result in an uncertain future for many rural post offices. We would not be in favour of the States subsidising Guernsey’s retail network because that cost would have to be met by the taxpayer; we already have a much publicised looming black hole - would it be fair on taxpayers to increase that burden?

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The States determined that Guernsey Post should be run on a commercial basis. The adoption of a commercial model forces a business to address inefficiencies across the business and operate more efficiently. Whilst that has undoubtedly ensured that Guernsey Post is now more efficient than was the former post office, the downside is that the retail network is not permitted to be cross-subsidised by the more profitable parts of Guernsey Post's business. If it is the will of the States that a larger than profitable retail network should be retained on the basis of "social needs" then consideration should also be given as to whether limited cross-subsidisation should be permitted.

- States' support for Guernsey Post

In considering the various issues we would also ask whether the States is doing all that it can to support Guernsey Post. It was our understanding that the introduction by Guernsey Post of the EPOSS bill payment system (at presumably no small cost) would enable customers of States Departments and also the other utility companies to pay their utility bills at postal outlets (and that the use of that payment system by other companies would also be a possibility). Now, whilst it is likely that the majority of people do not actually visit a utility (or other) office to pay a bill, clearly a number do (as evidenced by comments previously published in the Guernsey Press when utility companies change payment arrangements at outlets). Our enquiries of Guernsey Post as to the expansion of that service do not suggest that it has been utilised to its full potential. Are States Departments being encouraged to utilise Guernsey Post's bill payment system?

- Retail revenue opportunities

It is clear that the programme of change implemented by Guernsey Post since 2003 demanded a considerable amount of management time. Whilst that has undoubtedly brought improved QoS and also improvements in other areas, Guernsey Post's marketing activities and attention to revenue generating opportunities, particularly in retail, have suffered. Whilst that is perhaps unsurprising, it is very regrettable.

We do feel that if a more proactive (rather than reactive) approach had been adopted in the past to generating retail revenue, Guernsey Post could have further improved the current loss position; although we accept it is unlikely - as the trend is that lesser numbers of people are visiting post offices - that sufficient revenue could be generated to save all those offices. As a consequence of the current review, Guernsey Post is undertaking a postal survey (of randomly selected customers) seeking their views on the retail outlets in general and what services/products customers would wish to see provided by those. Whilst that is to be welcomed, it does seem rather late in the day to be asking these questions: in view of Guernsey Post's previously stated intention to reduce the retail network, surely strength of customer feeling for using the retail outlets should have been ascertained as one of a number of factors to inform Guernsey Post's existing retail strategy?

Certainly going forward, Guernsey Post needs to work closely with its sub-postmasters and sub-postmistresses to maximise revenue opportunities for both parties and encourage greater numbers of customers to visit (in making this statement we recognise the space constraints on some sub-post offices). Clearly it would be sensible to focus on a small number of products that would provide a reasonable return, and that would be attractive to customers, also that would be straightforward enough to be provided at a retail outlet without the need for complicated training. Potential products is an area that has been considered in some detail in the UK and overseas, so it shouldn't need to be a case of "reinventing the wheel", and clearly on such a small Island some of the opportunities that might exist in the UK wouldn't work here, but we believe that there are definitely opportunities to be investigated.

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As a general comment, a number of shops around the Island currently supply Bailiwick and UK self-stick stamp books, and the wide availability of those should be maintained.

9. Guernsey Post's Operating Costs / Efficiencies

Of course, a major question that arises is: "Is Guernsey Post operating to its maximum efficiency and has it made all the cost-savings that it can?"

We don't know the answer to that as only the OUR (and Guernsey Post of course) has that information, but we suspect not.

There are a number of areas that we have concerns about in relation to Guernsey Post's costs and whether all efficiencies have been made, and we have provided details of those to the OUR previously. As the OUR is aware, certain issues have been raised by us with Guernsey Post directly; in some cases partial (but not necessarily satisfactorily) responses have been received, and in other cases Guernsey Post has refused to provide the information, using the argument that it has already been provided to the OUR and therefore there is no need for Postwatch Guernsey to seek the information also.

The OUR will appreciate that we, and the Guernsey public, are reliant on the OUR as being the only body that is able to properly consider Guernsey Post's finances and to evaluate its requests for increased tariffs. We welcome the OUR's announcement that it will be conducting a detailed efficiency review into Guernsey Post, and whilst we would have preferred that such a review would have been carried out before this USO review commenced, we understand that had that been done, and the USO subsequently changed, it would be necessary to redo the exercise. Such a duplication of costs is undesirable to all parties but we would stress on the OUR the importance - particularly to customers - of it being able to provide reassurance that Guernsey Post's staffing levels and wage costs are not unreasonable in the context of the services it provides.

All businesses need to look to the future, and we would hope that the OUR, as part of its detailed efficiency review, will consider whether Guernsey Post is adequately future-proofing its business.

10. Revision of Guernsey's Postal Law

We would take this opportunity to add that if proposals are taken to the States regarding the USO, then we believe that would be an opportune time to consider making certain revisions to The Post Office (Bailiwick of Guernsey) Law, 2001. As the OUR is aware (as is Guernsey Post) there are certain deficiencies and weaknesses in that Law, but we particularly find it quite staggering that there is a complete absence in the Law to any requirement for Guernsey Post to effect a "secure delivery" of mail. We would welcome that specific deficiency being addressed as part of a review into the Law.

11. Summary / Conclusions

- This review represents an opportunity for customers under the consultation, and the States in considering the OUR's recommendations, to support making changes to save costs over the coming years.
- It is regrettable that there is a general absence of data being made available to the public either by Guernsey Post or the OUR to explain/support the proposals.
- It is important that services can be provided at "affordable prices" in the future.

17th March 2006

The Director General
Office of Utility Regulation

- We would support the withdrawal of Saturday deliveries to achieve cost-savings but the proposals need to be carefully considered; making major changes for small savings would not be sensible.
- Overall quality of service is at a good, consistent standard and should be maintained.
- We would support removing a “significant” number of roadside collection boxes; there are too many, some sited in dangerous or inconvenient places.
- In removing boxes, consideration should also be given to increasing the capacity of certain boxes, and siting new/replacement boxes in locations more convenient for customer access (ie with adequate parking).
- Reducing the number of boxes would hopefully give rise to other benefits, eg permitting collection times to be put back on some remaining boxes, to permit later posting by customers.
- We would support a reduction in the number of retail outlets in Guernsey, from nine down to five, or even four with a mobile postal facility. We recognise that this is contentious but the way we communicate now is changing and the number of people visiting retail outlets is decreasing; the retail network continues to make a loss - removal of the lesser-used outlets should increase viability of those remaining.
- We would favour a mobile postal service: in addition to replacing retail outlets that may be lost under this review, it could also provide services to parts of the Island that have previously lost their fixed retail outlets.
- The overall issue of how to fund the retail network needs to be resolved, particularly if retail outlets are to be maintained on a “social needs” basis.
- This review presents the opportunity for the States to address the lack of clarity within the USO as to the number of retail outlets to be maintained; whilst we believe it is appropriate to close some outlets, stipulating the number to be maintained as part of the USO will preserve those remaining in the future; only the States is able to change the USO.
- Guernsey Post should be encouraged to pursue retail revenue opportunities to increase income.
- The question of whether Guernsey Post is operating to its maximum efficiency and whether it has made all cost-savings that it can needs to be considered by the OUR as part of its detailed efficiency review into Guernsey Post.

We trust that the above comments are of assistance to the OUR in preparing its submission to the Commerce and Employment Department.

Yours faithfully
For Postwatch Guernsey

David Inglis
Chairman

**GUERNSEY POST RESPONSE
TO THE REVIEW OF THE POSTAL
UNIVERSAL SERVICE OBLIGATION**

(OUR Document No.OUR 06/06)

1.0 Introduction

As part of the 2006 tariff proposals Guernsey Post submitted to the Office of Utility Regulation (OUR) a request for a review of the Reserved Area (RA) for postal services that funds the Universal Service Obligation (USO). A finance model highlighting the associated costs and revenues supported this. The Director General could not take the assessment into consideration within that process, as any consideration in this regard would require a public consultation on the scope of the USO to allow interested parties to comment. However he decided that the submission would be considered as part of the subsequent work programme and in particular in the preparation of the new price control to come into effect on 1st April 2007.¹

This document has been produced in response to his USO consultation document OUR No.06/06 in order to present the views of the operator that provides the USO services.

The document presents some of the information originally submitted to the OUR in November 2004 in a similar exercise designed to support the 2006 price control, which regrettably was not furthered by the OUR for that process but which remains pertinent to the review today. It also includes commentary to inform the reader of the legislation underpinning Guernsey Post's legal monopoly on reserved postal services and its USO; a confidential impact analysis of the scenarios presented by the OUR in the annexes; and as a result the considered view of Guernsey Post on the future specification of the USO.

The document is organised as follows:

- Section 2: Executive Summary
- Section 3: Revised Universal Service Obligation
- Section 4: Legislation
- Section 5: Background
- Section 6: Review of the scenarios presented by the OUR
- Section 7: Conclusions
- Section 8: Annexes

¹ OUR document 05/30

2.0 Executive Summary

In 2003 and again later this year, Guernsey Post will be subject to an independent efficiency review to advise the OUR of the cost base employed by the Company to provide its licensed services. This ensures that the OUR is well informed in considering tariff proposals from the Company and assists in its evaluation of the need to review services to ameliorate the future increase in stamp prices.

The Guernsey Post Board researched the options for such cost savings through reductions in service in 2004. This was repeated to update and extend those options under consideration as requested by the OUR to inform its USO consultation paper (OUR No.06/06). This paper forms the Company's response to the formal consultation.

2.1 Postal Service Standards

It remains Guernsey Post's view that a derogation of service through a reduction in postal service quality or the scope of the USO will make only small cost savings in comparison with the more significant elements of the Company's cost base. The costs to convey and secure the delivery of mail outside the Bailiwick continue to increase dramatically as markets liberalise and cross subsidisation of services is eradicated (of particular impact with regard to the delivery of mail in the UK).

Guernsey Post is against withdrawal of Saturday deliveries or providing alternate day deliveries in parts of the Bailiwick. It sees no need for large reductions in the number of posting boxes, save for those whose locality is to be altered or are located in dangerous positions because, for example, of increased road usage by vehicular traffic.

To decrease the quality of its postal service would damage the reputation of Guernsey as a finance business centre and appears to Guernsey Post to be the wrong way to manage the commercial reality of a significant increase in costs following the removal of a privileged subsidy that had been maintained for over three decades by Royal Mail.

This subsidy had led to significant under pricing of postal services in Guernsey compared with European comparators, and whilst prices have increased to assist the Company in meeting these increased costs, they remain very competitive for both social and business customers. In no small part this is due to the pressure exerted on the newly commercialised Guernsey Post to review its operation, to introduce efficiencies and to develop enhanced services meeting customers' needs.

The Company also worked hard to restore quality of service to levels that are consistent with European standards, and in September 2004 it achieved 22 of its 23 Postal Licence Quality of Service targets for 2004/05² - a very significant improvement from its position as a government department operating with no targets and few measures in 2000/01.

The OUR states that product development and attracting new business should also support the burden of realistic UK delivery charges alongside the review of tariffs. Guernsey Post disagrees. It argues that new products would not necessarily fall within the RA designed to fund the USO, indeed the type of services that would be developed are more likely to be targeted where the returns on the investments of

² GPL QoS report submitted 25th October 2005

product development are more viable for a commercialised company. This would not therefore assist in funding the USO.

With regard to attracting new high value/high volume business that would make a difference to its long-term profitability, Guernsey Post is in an invidious position. It provides high service quality at very competitive prices with UK prepaid VAT customs clearance as an option for its clients, but in an environment that is becoming increasingly unwelcoming of new business in light of the media interest and political lobbying activities of UK retailers reacting to the globalisation phenomena supported by the Internet.

Guernsey Post therefore contends that the increased cost of mail transport and delivery outside the Bailiwick should be met through its own continued efficiency improvements and the organic growth of business within the island but must be underpinned by the continued review and rebalancing of its tariff structure.

2.2 Retail Service Provision

Whilst not supporting derogation in postal service quality, Guernsey Post continues to believe that there is scope to rationalise the Retail Network. However, Guernsey Post does not go as far as the OUR or Postwatch Guernsey in closure of postal outlets; instead it recommends adopting the Rural Centres strategy in the States Rural Area plan.

Previous customer consultations undertaken by Guernsey Post on the shape of its Retail Network generated considerable public and political interest in the Company maintaining its existing service levels³. As a result Guernsey Post announced a postponement to the closure of its L'Islet outlet pending further consideration of the funding of the Retail Network. The OUR's consultation on the USO and the NAO review on Commercialisation in general, commissioned by the States of Guernsey, are both vehicles to assist in this funding review.

In the meantime, Guernsey Post has exhausted all opportunities for efficiency savings and urgently needs the ability to introduce the results of its own Retail Strategy Review, scheduled for Board consideration in May 2006. A final decision cannot, however, be made until the States has determined the new USO under which the Company must operate.

It is too early to present findings from Guernsey Post's Retail Strategy Review although the Company is strongly against the wholesale removal of rural outlets and their replacement with a mobile unit – it considers this a retrograde step for an island looking to grow its international reputation as part of its strategy to attract industries with high earners for taxation reasons.

Indeed it is likely that its Strategic Review will include the retention of at least three outlets in the urban area focussed on the two major retail and commercial centres managed through the States Urban Area Plan. It follows that the rationalisation of the rural Retail Network would be in line with the States Rural Area Plan⁴ - agreed at its meeting on 2nd December 2005. Here a formula based on a set of indicators of sustainability, highlighting the common areas that lie within 500 metres of each indicator, has been adopted to identify Rural Centres. Areas clearly meeting the

³ Guernsey Post launched its consultation into the future of its Retail Network and with particular regard to its outlet at L'Islet on 10th September 2004. The consultation document and determination are published on www.guernseypost.com

⁴ Rural Area Plan Review No.1

criteria are at Cobo, St Martin's and St Pierre du Bois; it is these undoubted Rural Centres that should be identified within the postal USO.

It is important that the Company has the commercial freedom to flex the network and in this regard refers to its own Customer Charter. Here outlets should be provided such that customers have access within two miles. The scale map at Annex One demonstrates clearly that the Guernsey Post model provides adequate coverage and indeed focuses more provision in the areas of higher density by following the planning guidelines laid down by the States.

The Guernsey Post Retail Strategy is also challenged to identify yet more new, profitable products and services to replace those traditional services it used to supply as the "UK Government shop". The UK Government has withdrawn many of those services, especially pension payments, offering – not surprisingly – no compensation to Guernsey Post unlike the subsidies given to the British Post Office by its Government to maintain its sub offices in the UK.

Such new products and services as identified by the Review would very likely need the support of significant capital investment in Electronic Point of Sale Systems (EPOSS) that would be subject to rigorous scrutiny through commercial business planning processes.

2.3 Other areas of change within the USO

The OUR also sought views on other areas that should be specified in the social obligation of the Licenced operator. In this regard Guernsey Post would spot-light the provision of services such as reduced rates for the registered blind and serving forces personnel and families. It also recommends the removal of the phrase "registered mail" as such a service does not exist within the portfolio of international postal services any longer; instead replacing it with signed-for insured services (although it should be noted that individual country exclusions do apply on cross-border mail).

3.0 Revised Universal Service Obligation

Guernsey Post supports and recommends revision to the USO in line with the following draft text.

The following Universal Postal Service shall be provided by at least one Licensee 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 week days;*
- ◆ *Collections for all postal items up to a weight of 20kgs;*
- ◆ *Deliveries on a minimum of five working days for all postal items up to a weight of 20kgs;*
- ◆ *Services for signed-for insured mail (individual country exclusions apply for cross-border mail)*
- ◆ *Reduced fee services for HM Forces (BFPO)*
- ◆ *Reduced fee services for the registered blind*

In providing these services, the Licensee shall ensure that the density of safe and secure access points and Guernsey Post Retail Branches shall take account of the States of Guernsey Urban and Rural Area Plans developed from its Strategic and Corporate Plan; six being the minimum acceptable level for the latter, providing access within 2 miles for the majority of Guernsey residents.

“access points” shall include any post boxes or other facility provided by the Licensee for the purpose of receiving postal items for onward transmission in connection with the provision of this universal postal service.

4.0 Legislation

In September 2001, the States of Guernsey issued Directions to the Director General of the OUR in accordance with section 3(1) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 regarding the scope of the USO (as detailed below) and directed that the reserved postal services be defined so as to ensure that the USO was met:

The USO reads:

‘The following Universal Postal Service shall be provided by at least one Licensee 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 week days;
- ◆ Collections for all postal items up to a weight of 20kgs;
- ◆ Deliveries on a minimum of five working days for all postal items up to a weight of 20kgs;
- ◆ Services for registered and insured mail.

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.

“access points” shall include any post boxes or other facility provided by the Licensee for the purpose of receiving postal items for onward transmission in connection with the provision of this universal postal service.’

As outlined above, the regulatory model in the Bailiwick requires that a legal monopoly be prescribed by the Director General to fund this USO. In document OUR 01/17, the Director General described the background to an Order made in October 2001 designating certain postal services as ‘reserved postal services’.

The effect of the Order was to reserve the right to provide certain postal services to the first licensee in the postal sector in the Bailiwick, i.e. Guernsey Post Limited, to ensure that the USO could be met. The document also indicated that the Director General expected to carry out more in-depth analysis of the postal market in Guernsey with a view to determining whether this designation should be amended in the future.

The Director General may designate what services are defined as reserved postal services⁵, but may only do so for two reasons:

- ◆ if he considers it is necessary to ensure the provision of the USO in the Bailiwick⁶, or
- ◆ if it is necessary to comply with States Directions⁷

Given the limited information available at that time on the Guernsey postal market, as well as having due regard to international practice, the reserved postal services were defined exclusively by value, as those postal services provided for a consideration of less than £1.35. A postal service being 'the service of conveying postal packets from one place to another, the incidental services of receiving, collecting and delivering such packets and any other service which relates to such services. A "postal packet" means a letter, parcel, packet or other article capable of transmission by post.

The price limit was arrived at by multiplying the standard tariff for letters to the UK (27p in 2001) by five, along the lines of the EU approach.⁸ The use of the standard UK tariff reflected the fact that a significant amount of the Bailiwick's mail is between the islands and the UK. It is understood that the Director General did not wish to include a weight limit in the designation of the reserved services until further consideration could be given to the profile of Bailiwick postal service, particularly those services that were provided on the basis of volume rather than weight (flower boxes).⁹

Guernsey Post contends that with the liberalisation of the UK postal market forcing upward pressure on the charges faced by the Company to deliver mail in the UK, that the Reserved Area funding the USO also needs to be significantly reviewed by the Director General concurrent with his deliberations on the USO.

⁵ Section 9(1) of the Post Office (Bailiwick of Guernsey) Law, 2001

⁶ Section 9(2)(a) of the Post Office (Bailiwick of Guernsey) Law, 2001

⁷ Section 9(2)(b) of the Post Office (Bailiwick of Guernsey) Law, 2001

⁸ Directive 97/67/C of the European Parliament and of the Council of 15 December 1997 on the common rules for the development of the internal market of Community postal services and the improvement of quality of service.

⁹ Guernsey Post replaced the flower box tariff with a cost related weight tariff in 2004 in light of the significant cost base changes brought about by the new commercial contract required by Royal Mail to bring Guernsey Post into line with the arrangements that it had with other international postal operators.

5.0 Background

On 1st November 2003 Guernsey Post submitted to the OUR its tariff application for increases with effect from 1st June 2004.

In the course of managing the subsequent Information Requests that were received from the OUR as a result of its work analysing and reviewing the data supplied, it became increasingly clear that the review of the USO and reserved postal services that was referred to above within OUR 01/17 was urgently required.

Guernsey Post therefore submitted a document to the OUR¹⁰ which discussed the following issues:

- ◆ Guernsey Post's understanding of what was within the USO and reserved area (reserved postal services);
- ◆ Guernsey Post's understanding of the guidance that the States had given the shareholder (now the Treasury and Resources Department) in setting financial targets for the Company for the reserved and non-reserved postal services;
- ◆ a demonstration that the reserved postal services would not be achieving their objective of providing an exclusive operating environment to fund the maintenance of the USO as:
 - the reserved postal services revenue would not cover the cost of the USO even if Guernsey Post realised its planned efficiency levels and its proposed tariff increases¹¹;
 - nor would the reserved postal services generate funding either to maintain and develop the postal infrastructure for the island or to provide the rate of return implicit in the States guidance;
- ◆ an assessment that in the short-term the current formula for identifying the level of the reserved postal services needed to be maintained at its current 5x60g postal rate from Guernsey to the UK, or even increased.

The OUR, in its letter to the Company of 23rd February 2004, explained that this argument had to be reviewed in more detail and would be subject to public consultation independent of the 2004 tariff process.

On 1st April 2004, the OUR wrote to Guernsey Post to outline the work it required in order that the OUR could consider the scope of the USO and its funding through reserved postal services¹².

In this regard, the OUR considered it necessary for Guernsey Post to consider the appropriate quality of service and specification of the USO within the Bailiwick reflecting the company's changed market environment and in particular, the impact of the new commercial contract between it and Royal Mail¹³. The particular objectives were:

¹⁰ Document submitted 18th February 2004

¹¹ full financial details on the company's operating costs etc were submitted in confidence in support of its tariff application

¹² As referred would be required in OUR01/17

¹³ OUR guidance note of 1st April 2004

- ◆ Guernsey Post to assess the cost implications of a limited number of strategic postal options to inform OUR's consideration of the definition of reserved area (reserved postal services) and the cost of Guernsey Post's universal service.
- ◆ Guernsey Post to consult with key customers and identify their preferences and views on the scenarios identified.
- ◆ Guernsey Post to propose to key stakeholders its preferred strategy taking into account cost implications of each scenario and customers' preferences.

The document was submitted on 14th November 2004 and indicated that as time was already limited, for the purposes of the 2006 price control the existing USO would be referenced.

The OUR utilised the 2004 document to develop eight scenarios that it presented to Guernsey Post in January 2006¹⁴ for urgent analysis to inform its USO consultation programmed for February 2006.

6.0 Review of the scenarios presented by the OUR

The OUR's original eight scenarios were reduced to seven in its consultation document OUR 06/06, and are:

- a) Reducing standard deliveries and collections from 6 days to 5 days per week;
- b) 5 day deliveries for St Peter Port rounds and alternate day deliveries for rural areas;
- c) Eliminating circa 100 roadside collection boxes from Guernsey based on criteria of current usage after any H&S considerations;
- d) Removing circa 70 roadside collection boxes from Guernsey based on criteria of current usage after any H&S considerations;
- e) Reducing Guernsey's retail (ie: manned postal access points) outlets to five locations
- f) Reducing Guernsey's retail (ie: manned postal access points) outlets to three locations and providing mobile post office service across Guernsey;
- g) Retain the existing service standards and retail network.

Guernsey Post has analysed scenarios (a) to (f) and provided the following information in a confidential annex to the OUR:

- A detailed description of the changes required in the company's on-going operations. This needs to be at a sufficient level of detail to enable the potential annual cost savings to be quantified in monetary terms;

¹⁴ Letter dated 6th January 2006

- An estimate of the annual cost saving associated with the company's on-going operations (this was supported by an excel spreadsheet containing
- A description of any preliminary actions that need to be undertaken in order to implement the changes;
- An estimate of the preliminary implementation costs (as above this should be provided in a supporting excel spreadsheet);
- A qualitative description of the impact of the proposed changes specified by the OUR on customers and quality of service;
- An estimate of the time needed to implement changes; and
- Any risks that such a change may make to terms expected for Universal Postal union (UPU) service provision i.e. will Royal Mail expect a reduction in delivery charge as not UPU standard service.

The analysis of each option was provided in the confidential annex supported by an excel spreadsheet containing the underlying assumptions and inputs from which the annual savings were derived. At this stage, it should also be made clear that the Company's shareholder may also require a share of the savings from the introduction of change because it will be reflected in the value of its shareholding.

The analysis of business risk has been limited. Concern centres on the reaction of Royal Mail (RM) to a reduction in service to its mail. Yet to be quantified is the risk strategically to Guernsey Post of reducing its services, which would encourage other operators and then threaten the viability of Guernsey Post and the remaining USO obligations it services.

The final, and immediate, threat if radical postal service change is required will be the lost opportunity cost to Guernsey Post with regard to development. Its managers will have to concentrate their efforts on meeting the implementation of change to ensure cost savings are achieved as scheduled to secure the viability of the Company and the USO. This reduces, and may even remove, the opportunity to cost-effectively continue with service improvements, product development and enhancements, and strategic planning. This is an unhealthy position, indeed a retrograde step, for the Bailiwick's postal operator.

7.0 Conclusion

This document has drawn together the legislation and background to the current USO and previous work on its review to inform the reader when considering the analysis on the new scenarios required by the OUR. It has identified the costs, implementation timeframes, and impact for customers on the scenarios but has been unable to present clear evidence of the anticipated risk of any of these changes to the business.

Guernsey Post itself does not support changes to the postal service standards and advocates changes only to the specification of retail provision through the USO, stating the minimum provision to reflect the States planning guidelines and the 2 mile radius of its Customer Charter. Some small changes on the provision of services for vulnerable users and forces serving overseas might be considered worthy of a social obligation.

The constitutional position of Sark and its relationship with Guernsey differs also to the other islands and should also be noted in consideration of the USO. Guernsey Post does not, however, recommend significant change in this regard.



PARISH OF ST. PIERRE DU BOIS

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30 MAR 2006

28th March 2006

Mr. Jon Buckland,
Office of Utility Regulation,
B1 & B2 Hirzel Court,
St. Peter Port,
Guernsey.
GY1 2NH

Dear Mr. Buckland,

Review of Postal Universal Service Obligation

Further to your letter of 10th March 2006, the Douzaine has now had the opportunity to discuss your Consultation Paper reviewing Guernsey Post's Universal Service Obligation, and would like to put forward the following comments.

Douzeniers felt strongly that there should be no diminution in the level of current postal services. These services are a very important part of our community amenities, and should be maintained as they are now.

We were disappointed that there is no indication in your report as to how much future charges will be increased by the Royal Mail but, instead of cutting services, Douzeniers agreed that efforts should be made to increase efficiency and productivity in order to offset those increased charges. It would appear that archaic work practices have contributed to inefficiencies in the use of manpower, and we would hope that these could be investigated and eradicated.

Douzeniers were also very concerned at the reaction of the Postwatch group to your report, and would question the group's role and authority.

Thank you for extending your deadline to give the parish authorities the opportunity to comment on your review of postal services.

Yours sincerely,

S. L. LANGLOIS
J. H. LENFESTEY
Constables of St. Pierre du Bois



Paroisse de Torteval

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27th march 2006

29 MAR 2006

MR Jon Buckland,
Office of Utility Regulation,

Review of Postal Services

Dear Mr Buckland,

Thank you for sending the Douzaine the consultation documents on Postal services.

The Douzaine would like to voice their strong concern in retaining current postal services at both St Peters post office and at the Forest Stores. The former is used by large numbers of Torteval parishioners as our most proximal post office. The latter is used for example by elderly people along the number 7 bus route, as well as those using this popular shop.

The Douzaine strongly objects to any reduction in current services for the western parishes.

Yours sincerely

Mary Singer

Constables of the Vale



0 3 MAR 2006

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GUERNSEY GY1 2NH

29TH. March 2006

Dear Mr. Buckland,

Review of Postal Universal Service Obligation

Thank you for your letter of the 10th. March 2006. The matter referred to was discussed at a meeting of the Vale Douzaine on Monday 27th. March 2006.

It may come as no surprise to you that the Douzaine expressed themselves as strongly opposed to any further reduction in the sub-post office service available in the north of the Island.

Yours sincerely,

P. de Garis
Senior Constable