



Office of Utility Regulation

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More Postal Competition from April 2010

The OUR has published its final decision with regard to changes in Guernsey's postal market which will take effect from April 2010. Following a detailed review, the OUR has confirmed that it intends to reduce Guernsey Post's monopoly by lowering the Reserved Area.

The key decisions from the review are:

- the OUR has approved tariff changes and the introduction of PiP based pricing from April 2010;
- any obstacles to competition for packet mail have been removed and Guernsey Post's reserved area for all other services is to be reduced to £1.00;
- requiring GPL to reduce costs by approximately £800,000 during 2010; and
- the cost of the basic local stamp will remain unchanged at 36p while a UK stamp will increase by 2p to 45p.

The Reserved Area is the protected area in which Guernsey Post has the right to operate as a monopoly. It currently stands at £1.35 for all services.

OUR Director General John Curran said: "We have looked very carefully at what is in the best interest of all postal users and the wider economy. We believe facilitating some additional competition is the best solution for all concerned. We are satisfied that this approach balances the many competing interests of which we must take account. This level of competition, at this time, should have no impact on the quality of service postal users have come to expect but it gives a key group of customers choice where we believe it is needed."

“We have redefined how the Reserved Area is set having taken account of issues raised by bulk mailers and following discussions with Guernsey Post. Under our approach all postal packets, regardless of weight, size or cost, will be open to full competition. In addition we have lowered the price point for the Reserved Area for all other postal services to £1.00. We believe lowering the Reserved Area in this way will encourage competition and help drive benefits for all postal users.”

The OUR has also confirmed that it expects Guernsey Post to reduce its costs next year by £800,000 next year. Mr Curran said one of the benefits of encouraging further competition would be to increase the incentives for Guernsey Post to accelerate its efficiency improvements.

“We remain of the view that Guernsey Post’s costs are higher than needed to provide an efficient, high quality postal service and have noted that Guernsey Post acknowledges that it does need to make savings. We have formed a view on the level of Guernsey Post’s costs for next year and have taken account of those costs when setting tariffs. It is for Guernsey Post to now determine how it actually makes these savings.”

The OUR has also given the go-ahead for the introduction of Pricing in Proportion (PiP) from April 2010 which will see a change in how mail costs are calculated, moving from solely weight based to weight and size based pricing for all mail including local and intra-island mail. The OUR believes that on balance the introduction of PiP is in the best interest of most postal users. The OUR is now expecting Guernsey Post to commence an extensive campaign to ensure postal customers are prepared for the change.

“We believe this package of measures which we have announced today is right for the Guernsey economy, for all postal users and for Guernsey Post. This decision is about safeguarding the long term future of a quality postal service and ensuring Guernsey remains an attractive location to do business for bulk mailers that provide significant employment, support and diversification in our economy.”

The OUR’s final decision, OUR 09/21 is available on the OUR’s website at www.regutil.gg

Information for the Editor

About the OUR

The Office of Utility Regulation was established in 2001 to regulate the three utilities of post, telecommunications and electricity in the Bailiwick of Guernsey. The Office is headed up by Director General, John Curran and has five staff.

The role of the OUR is to protect the interests of Guernsey consumers and the economy. It does this by ensuring that customers receive the best in price, choice and quality services in the three regulated sectors, while at the same time ensuring that those sectors are vibrant and robust so that they can positively contribute to and underpin a successful Guernsey economy.

The OUR licenses and regulates telecommunications operators, Guernsey Electricity Ltd and Guernsey Post Ltd. Wherever possible, the OUR promotes the introduction of competition by ensuring that there is fair play and a level playing field between the operators. Where competition is not yet effective or where it is not feasible, the OUR regulates prices and quality of services to end customers. More information is available from the OUR website www.regutil.gg, or by contacting the Office of Utility Regulation on 01481 711120.