

Citipost

Dear Sir,

I am writing on behalf of Citipost DSA Ltd in response to your Consultation Paper OUR 10/04 - Licensing of Postal Operators.

Citipost is an established and experienced UK and international postal operator, licensed by PostComm to offer down-stream access services to the postal market in the UK. We have a reputation for excellent customer service and have won several industry awards , including the 2009 " Distribution Supplier of the Year for Fulfilment and Response Handling " (European Catalogue and Mail Order Distribution awards, London October 2009).

Citipost have already conducted a number of mailings from Guernsey where the consideration is outside of the Restricted Area , and have had excellent feedback on our price competitiveness and value-added services.

Citipost would welcome the introduction of a licensing regime for new operators of postal services within Guernsey but only if that regime is within the current Restricted Area. We have experience of postal licensing within Jersey and have already been proposed a Licence by the Jersey Competition and Regulatory Authority. However, we have reservations about introducing a licensing regime in Guernsey outside the Restricted Area which potentially could bring significant additional cost to new entrants, without them being able to compete in key areas of the mail market.

In response to the three questions you raise ,

Question 1 - Licensing of Postal Operators would only be worthwhile if the Restricted Area was reduced in the way proposed by the OUR in December 2009 - that is , no restrictions on packets, and large letters above £1 .If the Restricted Area is maintained at £1.35 a licensing regime would give too many restrictions and constraints and potential extra costs with very little market opportunity for new entrants to engage in .
With regard to who should be licensed , it is our view that only established operators with robust , secure networks for mail distribution should be considered. Those operators who already have experience in meeting postal licensing conditions should be given particular consideration.

Question 2 - Yes , the provision should be made for the exemption of certain classes of postal services , by direction.

Question 3 - In the economic interests of the Island of Guernsey a postal licensing regime should encourage reputable and experienced postal operators to compete and add value for the broader e-commerce sector, particularly those businesses referred to as " bulk mailers " and who employ several hundred people. The large letter and packet market is already open to competition from other jurisdictions and operators are already competing outside the Restricted Area within Guernsey itself. If the letter market remains a monopoly of Guernsey Post then other more competitive jurisdictions could attract business away from Guernsey and as a consequence further reduce the ability of Guernsey Post to fund

the USO. Lack of competitive pricing and service is also likely to restrict the growth of remaining businesses in Guernsey and deter new entrants. In this scenario a licensing regime within Guernsey that would require new postal operators to contribute to a USO compensation fund would potentially be a LOSE LOSE situation for new entrants in that they have a restricted market opportunity and have no influence on the effectiveness of Guernsey Post to maintain its revenue and profitability to fund the USO.

In summary, partial liberalisation of the market and licensing of new postal operators should be a fine balance between opportunity and cost .If Guernsey Post is successful in its appeal before the Royal Court , whereby the Restricted Area is maintained at £1.35 , we do not feel a licensing regime would be beneficial for postal operators or their customers since the only beneficiaries would be Guernsey Post by introducing a mechanism to fund their USO costs.

Your Sincerely

Bob Jones

Citipost DSA Ltd