



Office of Utility Regulation

Reserved Postal Services in Guernsey

Notice of a Decision to Modify the Reserved Area in which Guernsey Post Ltd has the exclusive right to provide postal services, under Section 9 of the Post Office (Bailiwick of Guernsey) Law, 2001

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Office of Utility Regulation

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1. Introduction

This document explains the Director General's ("DG") decision to make an Order in accordance with section 9(1) of the Post Office (Bailiwick of Guernsey) Law, 2001 ("the Postal Law") designating certain postal services as reserved postal services.

The effect of the Order is to reserve the right to provide certain postal services to the first licensee in the postal sector in Guernsey, which is Guernsey Post Limited, in accordance with States Directions agreed by the States of Guernsey at its meeting in September 2001. The purpose of the Order is to extend competition in postal markets by reducing the exclusive rights awarded to Guernsey Post Limited ("GPL") while ensuring that the universal postal services in the Bailiwick of Guernsey can be maintained.

2. Background

The Postal Law defines postal services as

"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".

Under section 1 of the Postal Law, it is an offence to provide these services without a licence from the Director General, unless the services fall into one of the exempted categories described in the Law. All postal services that are not designated as reserved postal services may be provided without holding a licence.

Under Section 9 of the Postal Law, the Director General may designate the services that are defined as "reserved postal services" where he believes it is necessary to ensure the provision of the universal postal service in the Bailiwick, or if it is necessary to comply with States Directions. By virtue of its licence, GPL enjoys exclusive right to provide reserved postal services. These, together, constitute the Reserved Area.

Directions given by the States in 2001 define the universal postal service and request the Director General to review and revise the award of exclusive rights from time to time with a view to opening up the Bailiwick postal services market to competition, provided that any such opening up does not prejudice the continued provision of the universal postal service.

In December 2009 the OUR issued a decision document (OUR 09/21) relating to various matters concerning GPL. One of the decisions contained in that document related to the reserved area. The reserved area defined in 2001 included all services provided for less than £1.35. The decision which the DG reached in relation to the current reserved area was that its limit should be reduced from its existing £1.35 level to £1.00 and that packets should be excluded from the reserved area. GPL appealed that decision.

In August 2010, following the provision of further information, an agreement was reached between GPL and the DG regarding the issues relevant to the reserved area decision. Arising from the information which had been provided and the discussions which had taken place, the DG consulted on proposals to amend the reserved area decision published in the December 2009 decision document, as set out in document OUR 10/10. The DG's proposal upon which he sought views was to revise the reserved area, namely to exclude packets from the reserved area but to retain the price point for all other services at £1.35. This proposal was supported by GPL.

3. Responses to the Consultation

Only one response to the consultation was received, from the Sigma Group. It supported the proposals to revise the Reserved Area as set out in OUR 10/10. However, Sigma also indicated that it believed further changes should be made to the Reserved Area in the future, as GPL's efficiency improves and as issues such as the future scope of the universal service obligation are clarified. It also believes GPL should be allowed to operate more commercially in a more competitive market.

4. Final Decision

Only one formal response has been received to the consultation on the DG's proposals, with that response being in favour of the proposed decision. The DG therefore intends to confirm the proposed decision. He will, in conjunction with this decision paper, publish a revised Reserved Area Order to give effect to the decision.

The DG believes that this decision will balance the interests of consumers and other postal users in the Bailiwick of Guernsey, with those of GPL. In particular, the DG considers that the exclusion of packets will offer considerable benefits to the bulk mailers who operate in Guernsey but will also permit GPL to maintain Guernsey's universal postal service.

The DG also considers that the proposed decision has the benefit of providing certainty for the postal market in early course, while still enabling the DG to perform his duties under the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001. These duties include protecting the interests of consumers and other users in the Bailiwick in respect of the prices charged for utility services and ensuring that utility activities are carried out in such a way as best to serve and contribute to the economic and social well-being of the Bailiwick.