

From: Sue Ryde  
Sent: 22 November 2010 15:14

To: Rosie Allsopp  
Cc: Michael Byrne; Robert Sillars

Subject: Guernsey Post's Proposed Tariff Changes

Could you please see below The Sigma Group response to the consultation paper OUR 10/12

1. The proposals cover a period 1 April 2011 to March 2014. The suggestion is that there would potentially be further changes in pricing in years 2012 and 2013. Our preference would be for a firm 3 year pricing structure to be published by the end of December 2010. Our clients prefer certainty, and liked the situation when prices for postage were known for a 3 year period. Excessive front loading of price increases in year 1 would not be acceptable to our clients.
2. The initial proposal to set maximum prices for individual products, and then relax to a group of products should be accelerated so that competition is achieved at the earliest opportunity. Our clients are exceedingly price sensitive and the risk for Guernsey is that while the transition is taking place businesses will move to other jurisdictions. The view of the Sigma Group is that open competition needs to be achieved at the earliest opportunity, acknowledging the need for the GPL to manage that change.
3. RM costs should **not** be accepted as "a given" because GPL needs incentives to access the most competitive postal services into the UK and for international post.
4. The pension scheme should be the responsibility of the GPL (i.e. not the States). However, the complexity of the pensions issue is such that we do not feel technically competent to make comment on the time period over which the deficit should be addressed.
5. The level of return on capital is an issue which requires a technical expertise requires an analysis and agreement by the States
6. The introduction of the 20mm limit for the Large Letter international product should not be contemplated until at least April 2012 at the earliest. It has to be understood that changes in packaging, IT systems and advertising for products takes a considerable lead time and there would be insufficient time from 31 Dec 10 to 1<sup>st</sup> April 11 to address such a change.
7. Price control is not required in the non reserved area, and needs maximum flexibility in the reserved area as soon as reasonably possible.

Many of the issues in the consultation paper are of a complex technical nature and the risk of making specific recommendations may have unforeseen consequences, therefore the response above are intended to give the general direction of thinking of The Sigma Group. If it is thought to be helpful to talk through these points would you please let me know.

Regards

Sue Ryde (on behalf of The Sigma Group)