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JERSEY
COMPETITION
REGULATORY
AUTHORITY

STRATEGIC REVIEW OF
POSTAL SERVICES:
REFLECTIONS ON THE REVIEW

2nd Floor Salisbury House,
1-9 Union Street, St Helier, Jersey
01534 514990 | www.jcra.je

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The Strategic Review of Postal Services (the Review) was the Jersey Competition Regulatory Authority (the Authority)'s first major review of the postal sector in Jersey in over ten years.

The Review highlighted that the postal market has undergone great change since the establishment of the current legal and regulatory framework in Jersey and this has resulted in a number of challenges for the future. Therefore, this note sets out the Authority's reflections on the Review and some of the broader issues that have a significant impact on the postal sector, but which are outside the scope of the Authority's remit.

For context, 2024 represents the 20th anniversary of the introduction of Jersey's Postal Services Law.¹ This is a significant milestone and comes at a time of change, challenge and transition in the postal sector both locally and worldwide. In publishing the Authority's reflections and consistent with the recommendations from the Review, the Authority is encouraging the Government in the near future to update the 2004 Law to bring it

into line with recognised international principles and to deliver a Postal Policy.

Delivering these will help ensure Government's wider strategic goals and vision for this vital sector are captured and ultimately, will support the continued sustainability of this important sector, to deliver greater prosperity, security, and opportunities for Islanders.

The reflections are structured around four key themes:

- The value of postal services to Jersey;
- Maintaining the relevance of regulation;
- The role of competition; and
- Supporting island resilience.

The note then concludes by setting out the next steps.

¹ [Postal Services \(Jersey\) Law 2004](#)



The value of the postal service to Jersey



Postal services play a key role in society and almost everyone in Jersey interacts with postal services on a regular basis, be that receiving parcels, important medical correspondence or sending cards to friends and relatives. Further, the ability to send and receive letters and parcels is a key form of communication and allows islanders to complete business transactions and provide goods and services without having to meet in person.

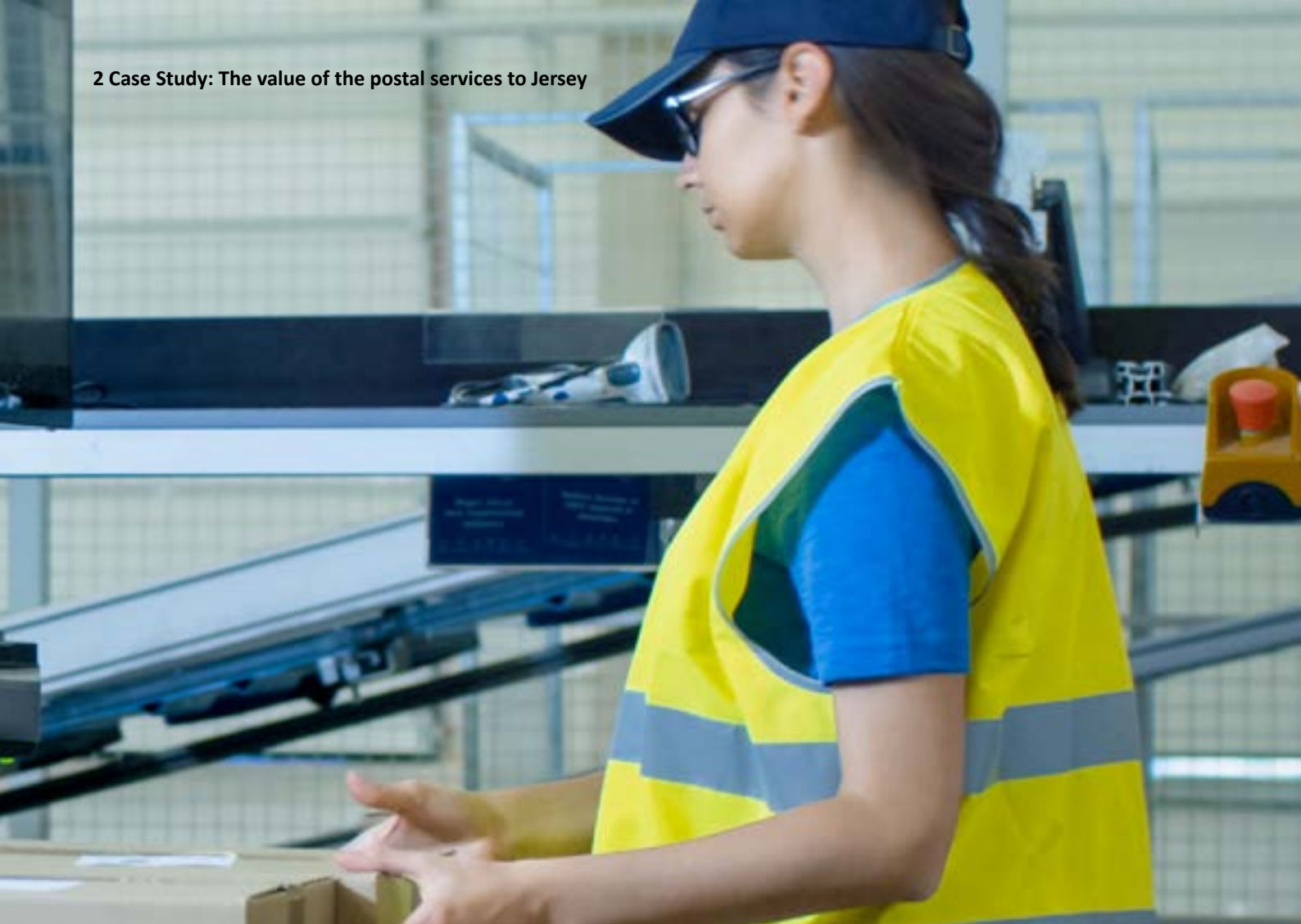
In line with other countries, Jersey has seen a large decrease in the number of letters sent, and an corresponding increase in the number of large letters and parcels being sent and received. In addition, there is significant differentiation between postal users, with many older users sending and receiving letters regularly, while younger users predominantly receive parcels.

Postal services are essential for Jersey as they facilitate communication, commerce, access to goods and services, and support overall community well-being. They are a lifeline that connects island residents and businesses to the outside world and

support various aspects of island life, including economic development, healthcare and education.

As an integral part of the Review, the Authority sought to understand how Jersey businesses and consumers value postal services. A local market research company, 4insight, was commissioned for this purpose. Their research explored respondents' usage, habits, perceptions and key needs from postal services through both qualitative focus groups and a quantitative survey. The qualitative research addressed both consumer and business usage, while the quantitative survey focused on consumers only.

The research, summarised overleaf, highlighted the ongoing value of postal services in Jersey. It also showed that postal operators, in particular Jersey Post, were seen as a key institution in the wider Jersey community, supporting business and individuals alike. Below are key points from the report which highlight the ongoing value of postal services in Jersey.



Postal Services in Jersey – key findings²

Qualitative findings included participants sending and receiving parcels more frequently than letters and clear positive associations with customer service experiences. Speed of delivery was perceived as inextricably linked to consistency of delivery. Participants perceived costs as reasonable when sending locally in Jersey, however outbound post to other destinations was seen as overly expensive.

Building upon these insights and the key issues uncovered, quantitative findings show that the majority of respondents receive between 1 to 6 letters in an average week and send under 3 letters in an average month, with 33% sending 0 letters each month. In terms of speed expectations for letters, 94% expect delivery in one or two working days when sending locally and 79% expect delivery in two to three working days when sending to the UK.

For parcels, 65% of respondents had their last parcel delivered by Jersey Post and nearly half estimate they receive 1 to 2 parcels in an average week. In terms of speed expectations, 78% expect delivery in one or two working days when sending locally and most expect delivery in three working days to within a week when sending to the UK.

Respondents expect to receive fewer letters but expect to receive about the same amount or more parcels in three years' time. Echoing findings from the qualitative research, reliability was perceived as the most important need for both sending and receiving parcels. Through attitudinal statements, 96% of respondents agreed that they value postal delivery to their door. Customer service rated highest and cost rated lowest for experiences for both letters and parcels. Open-ended questions, which gave respondents a chance to give their views in more detail reaffirmed this, with a high portion valuing customer service and postal delivery to their door.

² [4Insight Postal Services in Jersey Consumer Research Report](#)

Maintaining the relevance of regulation

Maintaining the relevance of regulation in the postal sector is essential to ensure that the industry continues to function effectively in the face of evolving technologies and changing market dynamics. Regulation plays a crucial role in protecting consumers, promoting competition, and ensuring the continued availability of a range of postal services for consumers. It is also important to ensure regulation supports a level playing field and does not impose unnecessary barriers to entry.

Regulation is not just at the local level, there are also global regulations at play, overseen by the Universal Postal Union (**UPU**). The UPU sets the standards under which licensed operators like Jersey Post must operate. Global changes to these standards, such as the revised customs requirements, will be imposed on its members and it is essential that local regulations are consistent with these standards.

A key part of postal sector regulation, in both Jersey and globally, is ensuring the provision of the Universal Service Obligation (**USO**). This is to enable all consumers to have access to basic postal services at affordable rates and with a known service expectation. The Review has concluded that, at present, there is no need to change the existing USO, which is delivered by Jersey Post. However, the Authority recognises that given the ongoing changes forecast in the postal sector (i.e. continued volume declines and increased competition), together with the changing needs of the consumer (i.e. a move away from letters), the USO will come under increasing pressure and may not be fit for purpose in the future.

Given the existing policy framework, as set out in the Review, it is likely that Government will need to lead on any future changes to the USO. Considerations for how this review process could take place may form part of a Government Postal Policy. This can take into account developments across different jurisdictions which are highlighted in the case study overleaf.



USO changes around the world³

Reflecting the changes in the postal sector many jurisdictions have seen significant changes to both the scope and means of provision for the USO in recent years.

With respect to provision, Denmark is one extreme, where the USO itself has been abolished, albeit with targets still applied to Post Denmark, to safeguard postal services to island communities, free shipments for the blind, and the provision of international mail.

In other jurisdictions, the changes are less significant. For example, many have changed delivery frequency, for instance moving to delivery every other business day, rather than every day. In the United Kingdom, Ofcom, the postal regulator, are currently considering whether to move from a six day a week USO, to a five day, and any change here may lead to further changes.

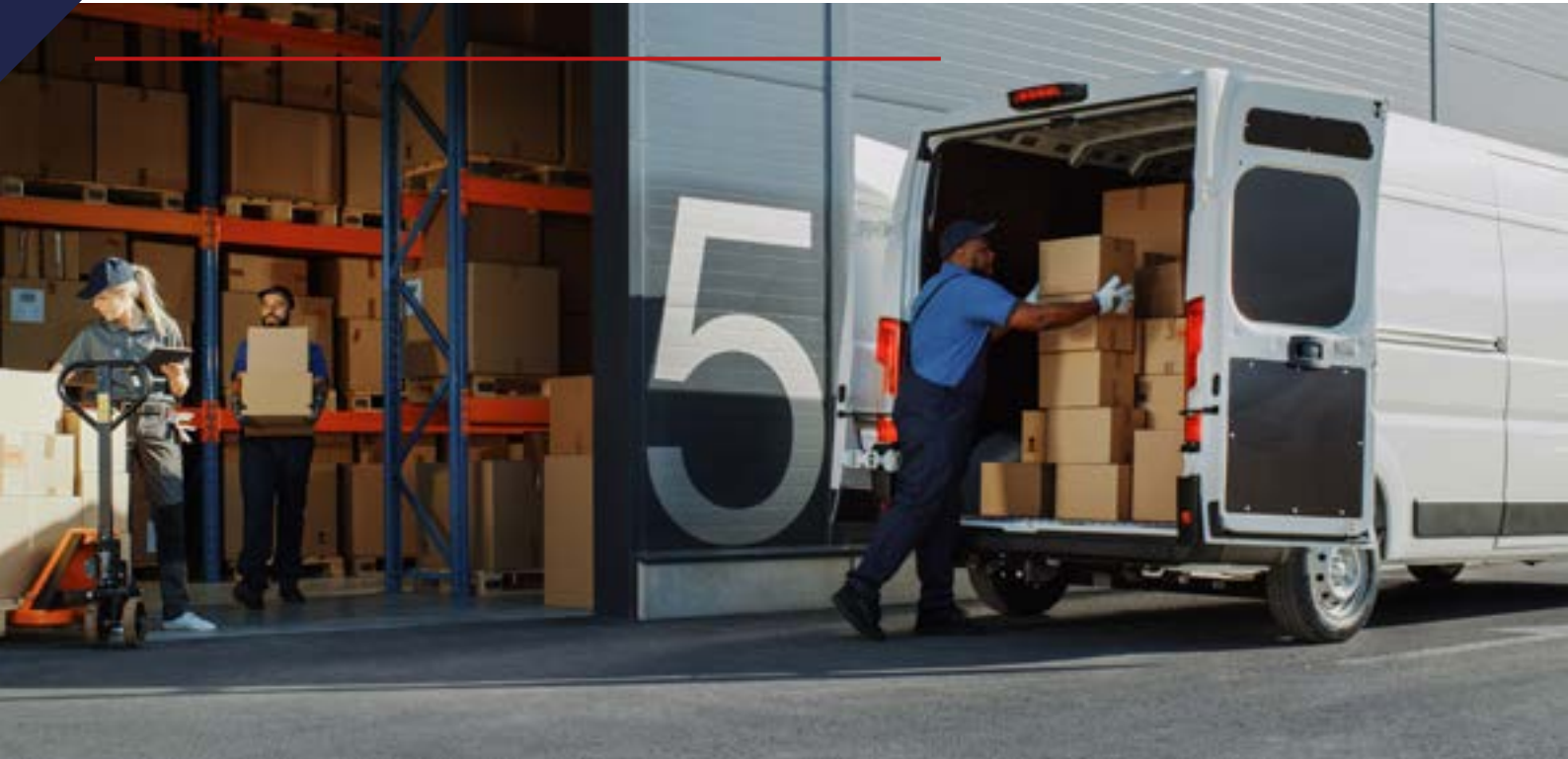
Another aspect that has changed is the approach to funding, with a move away from the postal provider being able to finance USO activities from non-USO activity, to receiving 'compensation' or funding for providing the USO. For example, in the European Union, the Postal Services Directive specifies that operators can be compensated if the net cost of providing the USO represents an unfair financial burden. The most commonly used calculation is the 'commercial approach', which takes into account the cost and benefits of the USO and was identified in the Authority's Review as best practice.

Highlighting the pressure the USO is under internationally, Copenhagen Economics' recent study, completed in 2022, highlighted that out of 32 European Country's reviewed, 23 (72%) have authorised compensation for their USO providers.

³ Further details on USO change can be found in: [Copenhagen Economics Main Developments in the Postal Sector 2017-2021](#)



The role of competition



Competition plays a crucial role in the postal sector by promoting efficiency, innovation, and encouraging the provision of a wide range of services for businesses and consumers. Worldwide, and in Jersey, the postal sector was traditionally dominated by Government owned entities. However, the introduction of competition, from the early 2000s, has seen significant changes to the way the postal services are provided in both Jersey and wider jurisdictions.

These changes have been far more visible in recent years, with the continued steep decline in traditional letter mail and corresponding increase in large letters, packets and parcel traffic. Not only have postal operators had to adapt their processes to service the changing mail profile, they have also experienced increased competition. For Jersey, these competitors are typically businesses which provide an inbound service to the Island, focused on the delivery of goods purchased online. They offer a door to door service and are often backed by global partners.

Given the diversification in the postal service providers, it is important to consider competition and how it interacts with the existing licensing

framework in Jersey. Being a licence holder brings with it greater responsibility both with respect to the regulator and ultimately to consumers. As the Review noted when the existing legal framework was devised in 2004 the focus was on letters, with regulation set by price and weight. With the changing mail mix, the scope of regulation is increasingly narrow. For example, parcels are largely excluded and many letter services sit outside the scope of regulation, given the general increase in the price level since the Law was introduced.

Further, another area where competition may not deliver optimal outcomes is with respect to consumer protection. As the case study overleaf shows, the UK Postal Services Act empowers Ofcom to impose Consumer Protection Conditions on every postal operator, or postal operators of a specified description (so captures parcel only firms). In considering updates to the Law and the Postal Policy, consideration should be given to consumer protection and whether steps need to be taken to ensure wider policy objectives are met.

Consumer protection

In the United Kingdom, Ofcom are issuing strengthened guidance to drive improvements in how unregulated delivery firms handle complaints and new rules to ensure disabled people are treated fairly by delivery companies. To improve consumer protections, the new guidance states that all operators must have a simple and transparent complaints process in place. This means parcel customers will be:

- Told who to contact, and what channels they can use to make a complaint;
- Told what the complaint process will be, and how long it will take to resolve; and
- Dealt with by staff who have received appropriate training.

Regarding disabled individuals, the new requirement is for delivery firms to establish, publish and comply with clear and effective policies and procedures for the fair treatment.

Disabled people are more likely to experience parcel delivery problems than non-disabled customers. These include couriers not allowing enough time at the door, parcels being left in inaccessible places, and operators not acting on specific delivery instructions provided to them.

Under the new rules, postal operators must have policies and procedures in place to ensure disabled customers can communicate their delivery needs to them, and firms will need to ensure couriers will meet those needs when delivering parcels.⁴

⁴ [Ofcom Stronger protections and fairer treatment for parcel customers](#)



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Supporting island resilience

Postal services play a vital role in supporting the economy of Jersey, keeping the Island connected locally and overseas. Critical documents and goods are delivered through postal services. These are essential for both businesses and consumers.

Designated Postal operators such as Jersey Post have direct access agreements with 192 Postal operators across the world, through their membership of the UPU, to exchange mail using pre-determined processes and with centralised quality of service measurements.

Postal services are inextricably linked to freight logistics and the islands sea transport. The Government's published draft policy framework for the Ports sector highlights the importance of strategic maritime connectivity and supply chain resilience.⁵ The Government aims to work with the ports sector to facilitate a competitive, dynamic and effective market for the maritime and shipping services, which enables sustainable and resilient connectivity, contributing to economic development in Jersey.

Supporting this, the Postal sector itself has its own aims and timelines to become fully sustainable, which dovetails with Government wider ambition for the transport and logistics sector.

The importance of island resilience was also a key theme of the Authority's market study into Freight Logistics.⁶ This is set out in the case study overleaf and is also likely to be prominent in the Postal Policy.





Freight Logistics Market Study – Resilience considerations

Resilience was a key strand in the Authority's market study into Freight Logistics. On resilience, analysis and engagement during the market study indicated that freight logistics showed itself to be resilient during the pandemic. However, it was noted this does not preclude risks to future market resilience and, going forward, most users remained concerned about choice. Indeed, a number of stakeholders referenced the potential resilience risks were there to be a material change in market circumstances and/or structure, such as key entities ceasing to trade.

The Authority's recommendations from the market study aimed to help mitigate the potential risk to market resilience. These recommendations included:

- Ports of Jersey to review the use of facilities and leasing arrangements at the port of St Helier.
- Government/DVS to review traffic/accessibility issues on Jersey to create temporary and targeted 'freight corridors'.
- Ports of Jersey to support initiatives to drive improvements in operational efficiency within current constraints at the Port of St Helier.
- The freight industry should establish a Freight Trade Association, to drive efficiency and support innovation in the sector.
- Government should develop a policy framework to support effective competition in the freight logistics sector, including a Ports Policy.
- Ports of Jersey should ensure the Ports Masterplan will support effective competition in freight logistics sector.
- Government to support the development of existing and new freight routes to France.

The Authority is pleased to note that a number of these recommendations have already been taken forward and it is closely following policy developments in freight logistics to ensure the benefits from the study are delivered.

⁵ [Ports Policy Framework](#)

⁶ [Freight Logistics Market Study](#)

The Authority is carrying out the required statutory steps to carry out changes within its remit. The changes identified in the Review include:

- The strengthening of the Authority's oversight of postal service operators and how they report their performance.
- The introduction of a Jersey Post User Council to help put consumers at the heart of the way Jersey Post runs its business.
- Setting a clear process for any future changes to the USO, which would be subject to a separate consultation process.
- New quality of service targets for Jersey Post, these include:
 - Targets for Jersey to Jersey mail
 - Targets for dispatch and receipt of Jersey to UK and UK to Jersey mail
 - Continued monitoring of end to end mail delivery times.

These steps will help ensure the effective regulation of the postal sector within the current framework.

More widely, and in the interests of ensuring the legal and policy framework is appropriate for the future, the Authority is encouraging the Government in the near future to update the 2004 Law to bring it into line with recognised international principles and to deliver a Postal Policy. In considering this, it is likely that the following strategic questions, drawing on the themes of this note, will have to be considered:

- **What are the future expectations for postal services, for example:**
 - What will be the future demand profile for postal services?
 - How will the businesses and consumers of tomorrow interact with postal services?
 - Will the role of competition increase or decrease in the future?

- **What should be the scope of regulation of postal services, for example:**

- What value of services should be exempt from regulation?
- To what extent should parcels be captured within regulation?
- What should the expectations be for consumer protection?

- **What is the future of the USO, for example:**

- What services should be included?
- What should the requirements be, for instance around access (to Post Offices), delivery timescales/frequency and services for vulnerable consumers?
- How can it be sustainably funded?

- **What role do postal service operators have in supporting island resilience, for example:**

- What are the expectations for postal service operators in ensuring island resilience?
- How can the postal sector support the drive for a sustainable future for Jersey?
- How should the postal sector balance new technologies with inclusiveness?

Given the ongoing changes forecasted in the postal sector, it is clear that time for action is now. The Authority will closely follow policy developments in this area and will be available to support developments, building on the learnings from this Review.

