

### **3.4 Deputy R.G. Le Herissier:**

Would the Minister confirm whether the move to postal corporatisation is proceeding to schedule and on what date the planned incorporation will take place?

#### **Senator P.F.C. Ozouf:**

Postal incorporation is proceeding according to the current timetable. I would remind the Deputy and the Assembly of the statement made by the last President of the Finance and Economics Committee, on 25th October 2005, which set out the timetable for incorporation. The President then noted that while it had been intended to bring incorporation of Jersey Post in on 1st January 2006, this had not been possible because of the decision of the previous Chairman Designate, that a potential conflict of interest prevented him from committing at that time to Jersey Post. As a result of that, Mr Mike Liston was appointed as Chairman Designate; however, given the limited time remaining in the previous States session, the Finance and Economics Committee decided that incorporation of Jersey Post would take place in the first quarter of 2006. As a consequence of this change to the incorporation timetable, P.205 of 2005 of the previous EDC Committee was withdrawn and will be replaced in due course by an amended, though similar, proposition reflecting the new schedule. The lodging arrangements for propositions are such that we will be seeking a debate on 14th March 2006 and, if that is successful, the approved incorporation will proceed on 1st April 2006.

#### **3.4.1 Deputy R.G. Le Herissier:**

Having brought a fresh mind to the situation, is the Minister happy with the conditions under which corporatisation is proceeding? For example, the never-ending increase in local postal rates versus the vast sums being accumulated via fulfilment. Is he pleased, Sir, with the fact that a whole series of Chinese walls - admittedly at the start with good reasons for being erected - have led to an immensely costly local service and an immense accumulation of funds in other areas?

#### **Senator P.F.C. Ozouf:**

The Deputy would expect me to, of course, say that I remain committed to that because I was not only a member of the Finance and Economics Committee that progressed this whole matter, but I also was the Member that brought the setting of the independent Competition Regulator Authority which set up, for the first time, independent regulations. So, yes, I remain committed and I remain of the view - even taking a fresh approach - that incorporation is the best thing for Jersey Post in whatever circumstances. Of course he is right when he says that there are some challenges or when he suggests that there are challenges for Jersey Post. I need to tell him though that fulfilment is actually being of benefit to Jersey Postal consumers. Because of the good level of profitability from that business, that means that high postage charges have actually lessened as a result. If we were to lose fulfilment, I have to say to the Deputy that it is likely, in my view, that postal rates would have to rise. In any event, incorporation is the best structure for the postal service, that they should be on a commercial footing and that they are absolutely independently regulated, which is best practice all over the world.

#### **3.4.2 Deputy R.G. Le Herissier:**

Is the Minister, Sir, aware that the elimination to all countries I think, bar the United Kingdom, of the printed paper rate - and indeed the surface rate - has created

enormous problems for people, for example, who use eBay or other internet exchanges? It has created enormous problems and was seen by those people as a fairly minor matter in terms of the finances of the post office which has had an utterly disproportionate effect on people who are trying to trade out of the Island.

**Senator P.F.C. Ozouf:**

I do understand that issue, but I have to say that it does not make any difference; that is not an issue which turns on incorporation. Incorporation: we are turning a States department into a corporate body and I think the comments that he makes are the same, whether or not we would be continuing as a States department or continuing as a body. The issue fundamentally is 'What is the regulatory approach to the postal services?' and I am satisfied, and indeed confident, that the JCRA (Jersey Competition Regulatory Authority) is able to deal with these issues.

**3.4.3 Deputy G.P. Southern:**

Is the Minister content that there are no outstanding issues around the position of Jersey Post and the fulfilment industry yet to be resolved which may get in the way of incorporation?

**Senator P.F.C. Ozouf:**

It is an excellent question because the fulfilment issue is one which covers the whole portfolio within Economic Development, and indeed this morning I have been in discussions with officials concerning the fulfilment policy as it relates to the Regulation of Undertakings. I will be delegating the responsibility for the former Postal Committee to the Constable of St. Lawrence shortly so that there is a split responsibility in the department, with those issues concerning fulfilment in Jersey Post being for the Constable to deal with, and for myself remaining with the knotty issues concerning fulfilment which must be addressed, and are in the process of being addressed. But I say exactly the same thing to the previous comments. The changes that we must make concerning Jersey's fulfilment policy do not change the fact of incorporation.

**3.4.4 Deputy R.G. Le Herissier:**

Would the Minister promise to look into the whole issue of surplus mail on the basis that for relatively minor savings it has had, as I said, a disproportionate impact on a certain group of people and is utterly against the trend of people who are trying to set themselves up - for example, as sole traders and using the mail system to do so - a thing which is done on a vast scale by the likes of, for example, Amazon.

**Senator P.F.C. Ozouf:**

I am happy to look at it. I am not sure whether I would need to say that I need to research and have a better understanding of some of the fundamental issues, but it does not change the issue. The question was whether or not incorporation is going to proceed, and incorporation proceeds whether or not there are ongoing reviews about surface mail and issues of regulatory approach. I am happy to look at it, but as far as I am concerned it does not change the timetable.

**3.4.5 Connétable A.S. Crowcroft of St. Helier:**

This may be a small deal in comparison to the other questions, but is the Minister aware that the slippage from 1st January 2006 to incorporation is going to cost the

Parish of St. Helier a considerable amount of money in lost rates? This on the basis that the post office, as we all know, has been operating for some years now a very successful stationery shop which competes with the High Street. Does he not think it is time for the post office or his Committee or department to pay something in lieu of those lost rates to the Parish this year?

**Senator P.F.C. Ozouf:**

The Constable will well remember the views of a Deputy of St. Helier on this very issue and impressed repeatedly at the time with the then Deputy Crowcroft, that there should be - and it was right that there should be - rates payable on States companies or States *de facto* companies. The fact is that the previous administrations of both the Postal Committee and EDC attempted I think - I am advised - to make some changes in this but the law prevents us from making such payments, I am told upon legal advice. I am happy to look at it again but, yes, fundamentally the Minister is absolutely aware that delaying incorporation is costing St. Helier ratepayers. He understands that.

**3.4.6 Deputy P.J.D. Ryan of St. Helier:**

What is the Minister's view on the basic principle that normal Jersey consumers that buy postage stamps - old age pensioners - would be subsidising a small number of entrepreneurial business people to have a lower postage rate? I am referring to the surface mail that Deputy Le Herissier was referring to. What is the Minister's view? Does he think that this is an acceptable practice, that Jersey Post would in fact have slightly higher postage rates in order to subsidise a small number of business people?

**Senator P.F.C. Ozouf:**

The general approach that I take to this is one that I have held for a number of years, which is fundamentally that there should not be cross-subsidisation of services. There should not be cross-subsidy within the postal service. It should not happen and it has now ended in relation to telecoms. So, the short answer is no, and those are the principles and the guidelines which are, I think, enshrined in the arrangements that this Assembly has approved in relation to the regulatory approach of the JCRA.

**3.4.7 Deputy R.G. Le Herissier:**

Could the Minister confirm that, rather than look at cross-subsidisation, it would have been much more valid for Jersey Post to have looked at encouragement and growth of that business as a way of making it more viable?

**Senator P.F.C. Ozouf:**

I am certainly going to have to understand exactly some of the subtext that is coming out in this knotty issue of surface mail, and I am happy to do that. Fundamentally, I think that it has to be said that Jersey Post has actually been business-like - perhaps too business-like, perhaps too entrepreneurial - in relation to some of its activities that are causing some of the issues that we have got with Jersey fulfilment. In my responsibilities as Minister for Economic Development - with those additional responsibilities of Jersey Post - I am determined to ensure that Jersey Post is brought in to the collective responsibility that it has as far as being a state-owned entity as regards the integrity of the Island, and there are knotty issues concerning fulfilment. No doubt this will raise its head again in questions without notice.