

4.4 Deputy S. Pitman of St. Helier of the Minister for Treasury and Resources regarding the profitability of the Market Sub-Post Office:

Would the Minister inform members whether the Market Sub-Post Office has made a financial loss to Jersey Post for the last 5 years?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

Jersey Post Sub-Post Office network consists of 22 outlets and is run on a stand-alone business unit basis. With the traditional type of counter transactions switching to alternative electronic methods Jersey Post's volumes of letters is declining significantly. The total sub-post office business made a loss over the last 5 years and without action this loss will continue to rise. The Central Market Post Office was previously run by an independent Sub-Postmistress with financial support from Jersey Post. On her retirement Jersey Post took over the running of the Central Market Sub-Post Office in July 2008 and the total cost of running the Central Market Sub-Post Office was in the region of £141,000 a year. The new model with alternative access to postal services will mean that the majority of this expenditure will be saved, contributing to a significant reduction in the overall loss of the network. Jersey Post has to be focused on taking a commercial approach to running its business, at the same time to ensure that it reshapes the provision of services to meet the future customer demands. In the case of the sub-post office network they accept that the traditional post office model with counters is no longer viable commercially. Jersey Post has already introduced a number of automated post and pay kiosks where customers can post letters and parcels and pay their utilities without the need to go to the post office. There were going to be further reforms needed to bring the sub-post office network into a break-even position.

[10:15]

4.4.1 Deputy S. Pitman:

Supplementary. Could the Minister then tell us what profit the post office was making and what services will be lost once this service goes to the Co-op?

Senator P.F.C. Ozouf:

The first question is that Jersey Post as a business overall is currently profitable. I acting as shareholder will attend the Annual General Meeting of Jersey Post in the next few days and receive formally the accounts. Jersey Post is profitable. It is profitable, however, because of the substantial amount of fulfilment business that Jersey Post has. There are substantial difficulties going forward with Jersey Post as we see letters and the traditional business declining. I am in discussions with the Minister for Economic Development about how we can work with Jersey Post and the J.C.R.A. (Jersey Competition Regulatory Authority) to work out a future which does not require public subsidy for Jersey Post. I am afraid I have forgotten the second part of the question.

4.4.2 Deputy S. Pitman:

Well, he did not answer the first part of the question. **[Laughter]** Would the Minister inform Members what profit has been made by the sub-post office each year in the last 5 years and also what services will be lost once the service goes to the Co-op?

Senator P.F.C. Ozouf:

I thought I had answered the question. It has been loss-making. The entire retail network is loss-making to a significant extent, and no services will be lost as far as I am aware in terms of the services provided by the Central Market. If there are then I am happy to have discussions with the Deputy and Jersey Post in order to find solutions.

4.4.3 Senator S.C. Ferguson:

As a comment, if there is any sort of public subsidy then the accounts of Jersey Post should be published to the public. My understanding is that packets such as the boxes of flowers and so on were not accepted by the Central Market Post Office for shipping. Why was that not done and has that been taken into account in the figures which the Minister has quoted, because that would have made the Central Market Post Office run at a profit?

Senator P.F.C. Ozouf:

First of all, the accounts for Jersey Post are published together with all the other owned utilities in one consolidated document and I will advise Members of exactly the date that that happens. I am not, I have to say, the Minister for Post, I am not the President of the Committee for Postal Administration. Jersey Post is a wholly-owned States company and I cannot answer detailed questions in relation to cost. I know that she and other Members are in discussions with Jersey Post. I think that for everything that I have seen there is an inescapable issue that the retail network is loss making and that difficult decisions are going to have to be taken in order to bring the retail network to at least a break-even position, of which unfortunately the Central Market is an important component of bringing it back into a break-even position. I regret that and we are working with Property Holdings to find an alternative use for that valuable and important site in the Central Market.

4.4.4 Deputy D.J. De Sousa:

Does the Minister not consider that open competition in the post market will put Jersey Post at a disadvantage due to having to cope with the ordinary day-to-day post?

Senator P.F.C. Ozouf:

Strictly wearing the responsibilities that I have as shareholder on behalf of the Assembly for Jersey Post, Members will perhaps not be aware that I have written to the J.C.R.A. expressing my concern about the issue of issuing further licences and also stating very clearly that there is no prospect of any public subsidy in my view, subject to this Assembly's decisions of course, in relation to subsidising both the retail network or the delivery of letters. I am urging caution with the J.C.R.A. in relation to their decisions and I know that that is something that is a matter of ongoing discussions with myself and the Minister for Economic Development. However, again, the J.C.R.A. is an independent agency which has been set up but they can of course hear the views of Members and I have made my views very clear.

4.4.5 Deputy P.V.F. Le Claire:

Would the Minister care to comment about the fact that when the Central Post Office is taken away from the market that that will have an impact on the other businesses within the market? It is not all about profit; it is certainly about providing services to the community.

Senator P.F.C. Ozouf:

I completely agree that it is not about profit in relation to the Central Market and that is why about 10 days ago I met with as many stallholders as could be gathered together in order to discuss the future of the site with Property Holdings for the post office. I am determined that we take as much of a bold and innovative path in terms of finding an alternative use for the Central Market Post Office. It is vital that we get a facility - a retail outlet - which will match, if not exceed, the footfall from the post office. Indeed market traders themselves I think were split. Many of them see the opportunity but they are concerned that they want a site which is going to yield footfall and which is going to help the Central Market. They were pleased and thanked me and thanked the Assembly for the significant investment which has been made in the roof *et cetera* for the Central Market.

4.4.6 Deputy G.P. Southern:

Does the Minister accept that there is a balance indeed, perhaps a competition, between the impact of the introduction of postal competition into the market on his taxes and dividend revenues, and as a Minister that has to balance with his duties as an Island-wide representative representing 90,000 of the population who need the universal service obligations presented by the post office?

Senator P.F.C. Ozouf:

Fundamentally competition drives innovation and the threat of competition in whatever market, whether it is telecoms or postal, drives innovation and lowers cost. That is what we are seeing in a number of markets and we are going to be seeing it in the postal services too. I do accept that there is an important issue of how the universal service obligation for Jersey Post is funded and I would not want to see an immediate unbridled competition in the postal packet market which would render Jersey Post - immediately probably - unprofitable and cause me and this Assembly a difficulty. I have made those views very clear. What is not clear at the moment is the extent to which Jersey Post needs to make further efficiencies in their overall operation in order that they can close the gap on the current loss-making retail and postal delivery network. It should not be fundamentally in the longer term subsidised in the way that it is, and therefore difficult decisions will have to be made.

4.4.7 Deputy M. Tadier:

First of all I would ask the Minister, does he accept that Jersey Post is not simply a business like any other, it is a utility and a public service? Because I know that the Minister is an intelligent man I would like to have him explain how on earth, if he wants to reduce subsidies, can he do this by leasing-out the most profitable parts of the business which currently pay for the less profitable parts, because that simply does not seem to make economic sense to me or anyone here I would suggest?

Senator P.F.C. Ozouf:

The Assembly has set up an independent regulator, as is the normal procedure for governments around the world in setting up a non-political regulator. Regulators that have to have regard to the funding of the utilities need to have regard to customer interests and the general well-being of the Island. I do not think that the Deputy is suggesting that any of the utilities should simply be cast in aspic in order that they can continue to exploit a monopoly position where there is one. There is a balance with these issues and the J.C.R.A. must balance these carefully. Balancing issues of customer demands and funding the operation in their decisions in terms of licensing.

Fundamentally competition works, it reduces cost and it means that consumers are better off, and that is what the J.C.R.A. is doing.

4.4.8 Deputy M. Tadier:

I would challenge the Minister to answer the first question. First of all the whole problem as I see it is that the Jersey postal service is not simply a business and as soon as we classify it erroneously as a business when it is a public service we can allow all sorts of pernicious events occur in its name. So would the Minister simply acknowledge the fact that ... if this is the case would he simply agree or disagree that Jersey Post is not a business, it is a public service and there is a service level agreement which should be maintained?

Senator P.F.C. Ozouf:

This is not a simple issue. First of all, Jersey Post is a business. It has been set up as a business by this Assembly and it is regulated accordingly. Indeed I think there is a philosophical debate that this Assembly is going to have to wrestle with over the coming months of how we provide services. I do not believe that services cannot be provided in a business-like way. Currently we are the regulator, the operator, the funder and the provider of lots of services: can this be afforded in the longer term? The Deputy is one that I think would not agree with raising G.S.T. (Goods and Service Tax) or other taxes. There are real issues about how we can afford public services in the longer term and how we deliver them. If the Deputy is suggesting that we simply say to Jersey Post: "You are a public service and we will subsidise you" the money has to come from somewhere and has to be prioritised against other priorities of this Assembly of Health Services, Education, Home Affairs, *et cetera*. Currently Jersey Post does not receive a public subsidy and I do not believe it should do in the longer term.

Deputy M. Tadier:

Can I make a clarification? A point of order. The Minister did put words in my mouth speculating as to which taxes I would or would not support. I can say I would not support G.S.T.; I would quite happily support the increase or introduction of other taxes.

The Bailiff:

The Deputy of St. John and then a final question from Deputy Shona Pitman.

4.4.9 The Deputy of St. John:

Would the Minister agree that when the post office was privatised it was known that all sub-post offices or the majority of them would be loss-making and that an undertaking was given by the president of the committee - of which I was a member of at the time - that we would make sure that provision was made that sub-post offices would not be lost to the community. Therefore, would he give great consideration when looking at anything in the future that we do not lose our sub-post offices?

Senator P.F.C. Ozouf:

First of all if I may respectfully say to the Deputy, the post office has not been privatised, it has been incorporated as a States-owned entity. There is an important difference and for the avoidance of doubt I confirm that there are no plans in order to dispose of the Jersey Post holding that the States of Jersey has. I know that the Deputy was a member of the Committee for Postal Administration and the Committee

for Postal Administration did a very good job in running the post office at the time. However, things have moved on. Ten years ago one would not have possibly conceived the massive changes in terms of the postal business, the huge decline in terms of letter volumes, the huge differences in terms of the way that people get services. I am aware that these changes have had a significant issue on Jersey Post and changes are going to have to be made, both in terms of the way we receive letters and we get those services. What I will say to the Deputy is as far as the sub-post offices are concerned, there are solutions for this, most importantly, I hope, for example providing postal services at Parish Halls in the future, just as La Poste has done in France, that Mairies are now almost sub-post offices in their own right. There are innovative solutions as to the issue of the sub-post office network and I am going to give Jersey Post every encouragement to find them.

4.4.10 The Deputy of St. John:

I accept the clarification from privatised to incorporatised but we are somewhat playing at words given that you are the main shareholder in this and the Minister is the only person with responsibility on this particular issue therefore I sincerely hope that the Minister will take note of the comments made by the Members this morning that the people of Jersey do not want to lose their sub-post offices, and I hope he will agree to that.

Senator P.F.C. Ozouf:

I will do everything I can as appropriate as a shareholder in order to deal with the challenges that Jersey Post certainly has.

4.4.11 Deputy S. Pitman:

Would the Minister inform Members as to why the 4 staff currently working at the sub-post office are not being transferred to the Co-op?

Senator P.F.C. Ozouf:

The reason why I am advised that they are not being transferred is because of the model for the postal provision at the Co-op is different. The costs that I referred to in my answer were the direct costs for Jersey Post. The future model of Jersey Post is to get other entities - in this case the Co-op -, to provide the identical services that the post office provides. This is where the cost-saving is and therefore those 4 jobs are not being transferred to the Co-op, those jobs are disappearing and that is unfortunately one of the difficulties of the difficult decisions that Jersey Post has to make in order to cut its costs and to provide those services in a more economical way in the future.