



Commission for
Communications Regulation

Submissions to Consultation

An Post's Application for Interim Price Increase – 2007

Submissions received from respondents

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1 An Post

An Post response to ComReg's Consultation Paper 06/67 'An Post's Application for Interim Price Increase – 2007'

An Post welcomes the opportunity to respond to ComReg's consultation on its application for an interim price increase in 2007, and would like to re-iterate some key points from its application (published in full as 06/67a). This submission should be read in conjunction with the application document, as not all points are repeated. The comments below are in answer to the consultation question posed by ComReg.

Through the implementation of a range of efficiency and cost-cutting measures and improved volume performance, An Post has achieved break-even from 2004, following substantial losses in previous years. However, the services comprising the Universal Service Obligation (USO) continue to record significant losses and will do so into the future if prices are not adjusted in line with cost.

The domestic portion of the USO is heavily loss-making (details available to ComReg on a confidential basis), but the headline tariff of 48c has remained unchanged since August 2003. Moreover, prior to 2003 there was a period of over a decade during which the headline rate increased only once, by 3c. As a result of this, even with the proposed interim increase, the price will remain lower in real terms (i.e. adjusted for inflation) than in 1991.

By May 2007 payroll costs will have grown by approximately 19% from August 2003. Between August 2003 and March 2007 (when the interim price increase is due for implementation), consumer prices will have risen by an estimated 12%. Wage inflation is a key variable for An Post as postal services are highly labour intensive. With almost 80% of the cost associated with the end-to-end handling of a standard domestic letter accounted for by pay costs, it is unsustainable for An Post to absorb cost increases of this magnitude without increases in the price of postal services. Accordingly, there is an absolute necessity for this interim price increase.

Consistent with the market and regulatory imperative to ensure that prices are cost reflective, the interim price application has a number of progressive, innovative provisions including:

- reduction of the tariff for letters less than 100g from 60c to 55c, giving a single tariff for all letters up to 100g;
- introduction of a 1c payment-method discount on letters for meter and Ceadúnas licence customers.

It is the intention of An Post to submit a full price application in 2007 for planned implementation in January 2008. This will be necessary in order to (i) ensure at an aggregate level that the remuneration of the USO is sufficient to cover cost and (ii) ensure at a micro level that prices are cost reflective, appropriate to a liberalised environment with increasing competition, and consistent with the An Post strategic initiatives to grow mail volumes and secure economies that will benefit all postal users.

In the interim period An Post and ComReg are working co-operatively to ensure early implementation of the systems, templates and review mechanisms necessary to

achieve compliance with the new Accounting Direction (issued in December 2006). Insofar as possible given the timelines, the full application will be based on 2007 Regulatory Accounts out-turns (i.e. for as many months of 2007 as it is practicable to include) prepared in accordance with the new Accounting Direction.

In the course of 2007 An Post will be conducting a detailed review of its bulk discounts, including the services offered, the price levels and the price relativities. The consultation paper makes a number of comments with regard to the existing discounts, for instance that the pre-sort discount should – on an intuitive basis – be larger than the discount for a service which is sorted automatically. This does not necessarily follow, and it should be borne in mind that a significant portion of mail is now routinely sorted to the level of the postal route through automated processes. In any event, as recognised in the consultation paper, the review process described will address all of these issues, and will have the benefit of new accounting information. For the purposes of the current price application, An Post believes that the net increase of 2c for all bulk discount letter services is a good interim solution, leaving essentially unchanged the structure of the bulk discounts as approved in 2003.¹

It is important to note that the standard postal tariff in Ireland is well below average levels for the EU15 comparator group, whereas Irish consumer prices are generally at the very top end of the scale for this group of countries, reflecting costs. Even after an increase to 55c, the letter tariff in Ireland is lowest in the comparator group at 100g, fourth lowest at 50g, and less than 3c above the EU15 average at 20g. Using a weighted average price for all letter traffic below 100g, the 55c tariff is the fourth lowest in the comparator group, approximately 8% below the average value.

In conclusion, An Post very much recommends the interim price application as submitted to ComReg, believing that it represents an important step forward in ensuring the future provision of a high-quality USO service on a viable basis. Particularly important in this regard is the link envisaged between quality performance in 2007 and the timing of the implementation of the 2008 price increase.

*

¹ Bulk discount services are priced off the corresponding retail rate. For example, where the retail letter rate is 48c, a discount amount of 9c will give a net price of 39c. With the introduction of the payment-method discount, which will apply to meter and Ceadúnas mail, both the payment-method discount and the bulk discount will apply in calculating the net bulk discount price. The net price increase of 2c refers to the final price following application of both discounts. In this regard, it is necessary to correct page 7 of ComReg's consultation paper – first bullet point under 'Discounts' and footnote 19. The discount in the example increases by 4c rather than 5c. However, when the payment-method discount is taken into account, the net result is the same.

2 C. Bradley

Title : An Post's Application for Interim Price Increase - 2007


Contact : postalconsult@comreg.ie

Expiry :

Respondents Name : C Bradley

Comments : An Post put up the price of non-national stamps by 10c last March (and stamps to Britain by 15c). A week before the price of non-national stamps were raised to 75c, I purchased a large quantity of 60c stamps for my small office. Stamps Direct neglected to advise that they would be essentially useless in a short time. I am spent a lot of time using non-sticky 5c and 10c stamps in addition to my sticky 60c stamps. This was a vast waste of time and it took almost 3 months to use up the stamps which I could not return without losing a percentage of the cost. There no 15c stamp. I note there is a huge array of useless stamp denominations like 1c, 7c, 12c, etc, so why no useful 15c? An Post should consider getting rid of all the lower denomination stamps and using the money they save in other departments. Stamps of an unusual value are already printed out as needed for parcels.

3 Mr. L.M. Curley



18 January 2007

Ms. Sinead Devey
Commission for Communications Regulation
Irish Life Centre
Abbey Street
Freepost
Dublin 1

Reference: Submission re ComReg 06/67

Dear Ms. Sinead Devey,

In relation to the proposed price increase by An Post for regular Letter, Large Envelope and Packet mail. I must disagree with the proposed price increase at this time as the service should be improved and restructured before any price rise is granted.

As a small business we send approximately 6,000 items of mail per annum, 500 per month. This price rise will have an impact on the cost of doing business without any increase in service from An Post. I will outline the main areas I would like to see improved by An Post before any price increase is sanctioned in the future. These improvements would greatly improve the postal service in Ireland and benefit businesses and customers of An Post.

Second Class Mail

There is currently no second class mail system offered by An Post. Such a service is essential for business. Mail-shots, company newsletters and other correspondence often do not require next day delivery and 2-3 days would be sufficient. A second class mailing service similar to the Royal Mail in the UK would be ideal, Royal Mail charge 24p/35.8c (April 2007 Rates) for second class mail. A similar price structure in Ireland would greatly reduce costs for business, and the extra volume of mail resulting from this would also increase revenue at An Post. Although before a second class mail service is introduced An Post must first improve their next day delivery rate, as it currently falls below the ComReg target for mail delivery.

Online Stamp Printing

USPS in the USA and the Royal Mail in the UK have both introduced postage printing online. The printing service enables you to print postage or shipping labels from your computer and printer using the Internet, 24 hours a day, 7 days a week. This is a fantastic service and enables customers and businesses to mail with ease. As a business which mails products both to Ireland and internationally this service would save many trips to the post office and greatly simplify the mailing process.

An Post can benefit greatly from the Internet and from businesses who work online. eBay sellers in Ireland is a perfect example of how printing your own shipping labels and postage make sense. This makes the entire process simpler increasing the number of users of the postal service and thus volume of mail.

In the USA it is possible to print personalised stamps using your own photos, this service is available at photostamps.com and zazzle.com a premium is charged for this service creating extra revenue for An Post.

Payment Options at Post Offices

Currently it is not easy for businesses or customers to purchase postal services at an An Post, Post Office. An Post does not accept Laser Card, Credit Card or Business Cheque as payment for postal services, including stamps at the Post Office. Cash is king at the Post Office which is a disadvantage as it requires me to carry cash to the post office, sometimes hundreds of euro to pay for stamps and postage which is a security liability for myself and the post office. An Post needs to offer more payment options other than cash, I don't consider the AIB banking service as an option as not everyone has an AIB account, also as An Post enters the banking sector I can see this service being discontinued.

Stamp Purchase Options

As mentioned above you need cash to purchase stamps at a post office. An Post does offer a mail-order option for ordering stamps for business, although you need to download an application form from their website, fill it in, send with payment via mail and 2-3 days later your stamps will be delivered.

An Post also offer stamps via their stamp collector's service, www.irishstamps.ie this is a great service but An Post is not marketing it as a solution for stamp purchase for the public and business it is marketed as a stamp collectors website. Also www.irishstamps.ie only accepts credit cards (VISA/Mastercard) and not Laser Cards which is a disappointment as otherwise it's a great service.

Stamp vending machines are a great way for people to quickly buy stamps at the post office. Current vending machines at some post offices offer limited stamp options, normally only 48c booklets. An Post should invest in better vending machine which dispense stamps of all denominations. Clear postage rates and should also be displayed on

large posters in every post office to reduce confusion of postage rates, as they are not currently displayed in every post office.

Ideally online stamp printing is the solution, but An Post also needs to move over to the www.irishstamps.ie style system for selling stamps online and add Laser Card payment to the service. They should also consider offering other supplies similar to the USPS which sells many supplies useful for business, <http://shop.usps.com>

Post Offices and Social Welfare Payments

An Post has a great nationwide post office network which is well suited for social welfare payments, but on Fridays it compromises their postal service in many towns throughout Ireland. Large post offices in cities avoid this problem by offering at least one counter designated as postage services only. This works extremely well in Limerick for example and enables people who require postal services only to avoid the long queues. Many towns throughout Ireland do not offer this, Naas is one I have experienced often with long queues and no designated postal counter. An extra desk for postal services only should be implemented in large post office nationwide to concentrate on An Posts core business, mail.

Bulk Mailing / Bulk Stamp Purchasing

We purchase all our 48c stamps in December for the entire year, as we save 4% on the stamp purchases due to An Post's Christmas Stamp Booklet (buy twenty five 48c stamps get one free) I buy these booklets in bulk and make a considerable saving. If I was to buy stamps in the normal 100 boxes I would make no saving. This is typical of An Post not rewarding their regular business customers who use their service regularly. Instead they reward the casual user who sends maybe 25/50 Christmas Cards every December, not the business user who send thousands of items of mail per annum.

The franking machine solution should be reformed as it is not cost effective for small and medium sized businesses and is not compatible with IP (Internet Protocol) infrastructure as it requires a phone line. Broadband is currently available via wireless, cable and satellite so a phone line is not a necessity for businesses so franking machines should be able to work via IP.

A recent Irish Times article showed that the average business sends less than 500 items of mail per month; they do not benefit from any of An Post's bulk mail services as the volume is too low. An Post should introduce a price plan to facility these business customers, and should at the very least offer the same discount as the Christmas Stamp booklets to their business customers.

TV Adverts

The recent An Post television adverts cost money and these adverts are produced every time that An Post requests a price rise. They try and convey a fantastic company image,

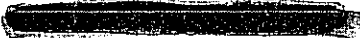
and mentioning how great a service they offer the customer and business, as a business I have to disagree. While each company is entitled to advertise and market their service it does annoy me greatly that An Post do this at the same time asking for a 13.7% increase in standard mail.

Post Codes

I cannot stress how important Post Codes are to Ireland. Twelve to eighteen months ago this was mentioned, but since then we have not heard of its progress. Post Codes in Ireland, in my view are extremely important and I would like to see progress being made on this. Post Codes would not only benefit An Post and reduce incorrect mailing delivery, it would also benefit all delivery service providers in the country. I would urge ComReg to implement post codes in Ireland as soon as possible and have An Post sign up to it before any agreement on price rises.

Can you please confirm delivery of this letter regarding the proposed price increase of post costs at An Post.

Kind regards,

Luke Maurice Curley


4 CWU

Reference: Submission re ComReg 06/67

**Submitted by:
Ian McArdle
Head of Regulatory Affairs
CWU
575 North Circular Road
Dublin 1**

Communications Workers' Union

Reference: Submission re ComReg 06/67

Introduction

The Communications Workers' Union (CWU) represents approximately 18,000 workers employed in the communications sector in the Republic of Ireland, of which 8,500 are employed by An Post, the applicant in respect of the consultation document 06/67 issued by the Commission for Communications Regulation (ComReg).

The financial well being and viability of An Post as a business into the future has clear and obvious implications for the job security and general economic well being of the staff in An Post. As the representative body for the vast majority of those staff it is incumbent on the CWU to articulate its view in relation to the proposal to increase the price of domestic postal services as detailed in the ComReg consultation document 06/67.

As the union with negotiating rights for 8,500 An Post staff and in light of the positive working relationship as exists between both parties, the Union should be considered an important stakeholder with a central role to play in the future success of the business. CWU has an intimate knowledge of the business within An Post and on that basis makes the following submission regarding An Post's proposals to increase the price of its domestic reserved services from 1st March 2007 for consideration by ComReg.

Consultation Question

What in your opinion are the pros and cons of ComReg concurring with An Post's proposal for an 'interim' price increase to be implemented on 1 March 2007?

In order to fully consider this subject one must put the question of an 'interim' price increase in context and examine the factors contributing to, and affected by, the decision to properly examine the pros and cons as the case might be.

BACKGROUND:

Tariff Principles and Universal Service Obligation

One of the fundamental considerations for ComReg when reviewing An Post's pricing proposals will be the Tariff Principles as set out in Regulation 9(1) of the European Communities (Postal Services) Regulations, 2002, S.I. No. 616 of 2002 (the "Postal Regulations") which states that:

'The tariffs for each of the services provided by a universal service provider which form part of its universal service shall comply with the following principles:

- (a) prices must be affordable and must be such that all users have access to the services provided;*
- (b) prices must be geared to costs;*
- (c) comply with any uniform tariff decided by the Regulator under paragraph (2);*
- (d) the application of a uniform tariff shall not exclude the right of An Post to conclude individual agreements on prices with customers and;*
- (e) tariffs must be transparent and non-discriminatory.*

These principles clearly set out that the tariffs should be *'affordable and must be such that all users have access to the services provided'* in addition to this they should be *'geared to costs'*. As such it is imperative that the proposed price increases continue to ensure accessibility at an affordable price that is aligned to the costs of running the business.

In addition, An Post must meet its obligations as the Universal Service Provider in an environment that has seen the reserved area reduced in phases whilst the company adapts to the rigours of the open market. As a supporter of Universal Service, CWU believes that an appropriate pricing strategy that allows An Post to provide the USO on a financially stable basis whilst meeting its commitments to its staff in line with national wage agreements is essential to the continued success of the company.

Furthermore CWU considers it important that ComReg reflects on the Policy Direction 12, issued by the Minister for Communications, Marine and Natural Resources in February 2003, pursuant to Section 13 of the Communications Regulation Act 2002. The Policy Direction states *'the Commission shall ensure that, in making regulatory decisions in relation to the postal universal service obligation, it considers the impact of such decisions on the cost of sustaining the universal service, which costs include per employee costs arising from national pay policy.'*

CPI and Cost Increases

It is the firm belief of the CWU, for reasons detailed below, that ComReg should concur with An Post's proposal for an interim price increase in the context of increased CPI and business costs which have been absorbed by the company whilst the price of domestic letter services have not increased for the last 3 ½ years.

It should be noted that in the last 15 years the headline tariffs for the domestic letter have increased only twice; in April 2002 the price increased by 3c and in August it moved by 7c. This represents an increase of 26% in the headline tariff for that period. In the same period CPI has increased by 52.3%. Though the proposed price increase to 55c will mean that, in nominal terms, the tariff is 45% higher than the 1991 rate, it is still significantly below the CPI rate for that period at 52.3%.

As such the proposed increases adhere to the Tariff Principles as outlined above in so far as they are actually below the CPI rate for the reference period and should, on that basis, be considered reasonable and affordable.

In the period since August 2003 there has been no increase in the headline tariff of 48c and should an increase be implemented in March 2007 as proposed, it will be the first increase in 42 months.

In the same period An Post has had to absorb cumulative increases in its labour costs of 18.9%. This, in conjunction with significant rises in the costs of fuel and energy, has placed the company in a financially perilous position that will only be exacerbated in the absence of a pricing structure review.

With pay costs accounting for over 70% of the domestic letter service and non-pay accounting for the remainder, the composite increase in costs for An Post in the period August 2003 to the end of 2007, using this ratio, is in the region of 17.7%. The increase being sought by An Post, at 14.6%, is significantly lower than the costs as predicted.

Indeed one could argue that this is not aligned to the Tariff Principle that states increases should be '*geared to costs*' given that the increase is not enough to meet the costs. However it should be noted that CWU is committed to continue to work in partnership with the An Post management to ensure that change programmes aimed at improving efficiency and quality of service are delivered without delay in the interests of all stakeholders and the continued success of the business.

As such the proposed tariff increase should be considered to comply with the principle that the increase must be '*geared to cost*' while at the same time it will provide the company with the appropriate resources to meet its obligations under national wage agreements. In conjunction with this, CWU recognises the importance of the new Accounting Direction which will provide the necessary accounting information to establish An Post's compliance with Regulation 9 "Tariff Principles" in 2007.

The price of reserved 'large envelope' and 'packet' products has not been reviewed in the last 12 months and CWU concurs with ComReg's view that the weighted price increase as proposed '*compares satisfactorily*' with a movement in the CPI of 4.4% in the 12 months to the end of November 2006.

For these reasons CWU believes that a review of the pricing structure within An Post as proposed is essential to ensure the future success of the business and its ability to meet its commitments as the Universal Service Provider in conjunction with fulfilling its commitments to its staff under the national pay agreements.

Positive Pricing Structure

There are a number of innovations within the An Post proposals that the CWU wishes to highlight.

An Post is proposing to remove the differential in the price for the 50g and 100g fully paid service which represents a decrease of 8.3% on the current tariff of 60c for letters from 50-100g. Such a development should be recognised as positive and indeed worthy given that the company is operating in an increasingly competitive environment. General consumers will welcome this move by An Post and CWU welcomes it as strengthening the company's commitment to its Universal Service Obligations.

In addition to this the company has committed to introduce a discount of 1c for payment by meter franking/Ceadúnas. CWU supports this proposal on the basis that it should be recognised as a development that is good for the business community that should drive an increase in volumes.

Furthermore it should be noted that a study by Price Waterhouse Coopers conducted as part of the European Commission's review of the postal sector in Europe has found that Ireland has the sixth lowest letter price adjusted for purchase power parity out of twenty seven states. With twenty one states charging more for their letter post it is apparent that there is room for An Post to increase its tariffs and still remain in line with other European states.

Commitment to Quality

CWU would echo the views of An Post in its proposal that there is no legal basis for the alignment of quality of service improvement with price increases. Equally however CWU shares the view that the company should be committed to the provision of a high quality, reliable service at affordable prices to its customers.

In that regard, CWU recognises the innovative proposal by An Post to link the implementation of price increases in 2008 to the achievement of quality of service improvements in 2007. As previously stated, CWU is committed to working with the new Chief Executive and An Post management to deliver on the agreed change programmes that will help the company realise cost savings through efficiency gains and improvements in the quality of service delivered to the customer.

Consultation Question

What in your opinion are the pros and cons of ComReg concurring with An Post's proposal for an 'interim' price increase to be implemented on 1 March 2007?

Summary

CWU fully supports An Post's proposals for an interim price increase in the reserved domestic tariffs and feels that a compelling case featuring numerous pros has been made for what is in effect a moderate, justifiable and ultimately warranted price increase. Given that 3 ½ years will have elapsed since the last price review for An Post should this application be successful, CWU believes that the increases being sought are in line CPI and business cost increases for the same period.

In seeking this increase the company is merely ensuring that it can comply with its Universal Service Obligations whilst moving ahead strategically in an increasingly competitive environment without the threat of potential losses, a substantial pro in and of itself.

As outlined above, the increases being sought are in line with the Tariff Principles as set out in Regulation 9 of the Postal Regulations in so far as they are affordable, ensure that services are accessible and are geared to costs. The company, in welcoming the new Accounting Direction from ComReg, is further committed to ensuring that their cost gearing is transparent and appropriate.

Furthermore the innovative aspects of the An Post proposals in relation to pricing and quality of service are worthy of note and are further evidence of a company this is committed to positive progress and continued high levels of customer service in an increasingly competitive environment.

The discounts as proposed will benefit the citizen and the business consumer alike and this should be recognised as something that can only help to drive an increase in mail volumes.

A potential con, as may be argued by some, is that the increase might have a potential negative impact on mail volumes. The CWU does accept this argument and believes the moderate increase as proposed, taken in conjunction with the proposed discounts, will not lead to a diminution in volumes and should in fact have the opposite effect.

As such and given the pros and cons outlined herein, the CWU would urge ComReg to recognise the merits of these reasonable views and concur with An Post's proposal for an interim price increase to be implemented on 1 March 2007.

5 ESB

An Post's Application for Interim Price Increase -2007

ESB Customer Supply Response

ComReg's Consultation Paper

Ref: Submission re ComReg 06/67

19th January 2007

ESB Customer Supply welcomes the opportunity to respond to the Commission's consultation paper.

1. "Discounted" bulk mail services

The specification for the rate applied to ESB Supply bill postage requires a minimum quantity of 2000.

Currently ESB Customer Supply issues in excess of 50,000 bills & letters daily and we expect that there are additional avoided costs for An Post of delivering such significant volumes, well in excess of the 2,000 minimum quantity on which the discount is based.

We believe that consideration should be given to reviewing the costs of providing the postal delivery service at different levels in excess of the minimum quantity that is set at present of 2,000 for "discounted services".

We are disappointed that such a review is not proposed as part of the current application for a price increase and that there will not be a higher discount in place this year for higher volumes of post.

2. Timing Of Price Increase

The timing of the proposed price increase has not allowed us to budget for this proposed increase in our 2007 Budget. It is important that any proposed change in prices are finalised ahead of the financial year in which they apply as the postal charges are a significant cost to our business.

6 Mr. S. Feehan

There are many elements to the price of An Post services. The cost to the consumer is more than the cost of a stamp. It is invidious of An Post to state that they have not had a price increase for 42 months and that the increase was 14.2%. This submission by An Post makes a mockery of the use of the word transparent. It is submitted that the application should be rejected simply on the basis of the false information used in support of the application.

- 1) An Post abolished the concept of 2nd class mail (previously called Printed Matter). They promised that thereafter all mail would be treated as first class mail. What actually happened was the first class service was abolished. At that time next day deliveries of first class post was 96% and second class was 84%. Today the next day delivery results average 74%. It is therefore misleading to compare the price of a first class stamp now with that of a first class stamp in 2002, Notwithstanding the fact that today there is a reduction of 10% in delivery rates of second class mail as it stood, the correct comparison should be the price of a second class stamp in 2002 and a stamp in 2007. This is an increase From March 1st 2002 to March 1st 2007 (when the new tariff is proposed) in the order of 100% being from 28p to a proposed 55c.
- 2) The service provided by An Post in return for the price of a stamp is also a cost factor to the customer. For instance An Post will still guarantee next day delivery but only if the customer uses Swiftpost costing €5 for the same service that cost 24p in 2002. Clearly the company is capable of making next day deliveries but fails to do so unless they are paid €5. It is submitted this is in clear breach of the companies statutory obligations.
- 3) The clearest evidence of the failure of pricing structure of An Post is the falling mail volumes at a time when the potential customers, ie population and businesses, has substantially increased. An Post appears to be unconcerned at these falling volumes. In my case I mailed 350,000 items in 2004. Due to the service offered by An Post I reduced this mailing to 195,000 items in 2005 in the mistaken belief An Post might do something to address problems. An Post were not concerned at this reduction. In 2006 I further decreased my mailing to 150,000 items. Again An Post were unconcerned. It is submitted that An Post should be actively seeking to increase volumes whereas the actual position is that they are actively pushing increased volumes to their competitors. It is submitted controlling costs and increasing volumes is the only strategy for success. Continued price increases simply prolongs a strategy which has proven to be one of abject failure over recent years.
- 4) While personal experience cannot be equated with the overall position I can confirm similar problems being experienced by colleagues in business. I can only submit personal experience but respectfully suggest my experiences are unique to me. In the the period 2004-2006 I shipped 400,000 items to Newry in Northern Ireland for my UK customers. I paid a bulk rate of 27p sterling as against a charge of 75c being levied by An Post. It seems inconceivable to me that An Post would be paying Royal Mail 27p per item on much larger volumes and there is no justification for charging 75c for a letter posted to the UK. Equally as important and also a cost factor for the user is that by posting within the UK the average

delivery time is in the order of two days. By posting in Ireland to the UK the average delivery time is 11 days. This is a considerable cost to the consumer.

- 5) I use Postairm for my bulk mailings. In the period concerned there has been a change in pre sort from a pre sort requirement of 40 postal districts to 150 postal districts. This constitutes a price increase for An Post in that there is far less handling bearing in mind that the bulk of the costs of An Post are labour. From my calculations the increase in cost to the customer is 14% for extra pre sorting and the saving to An Post is a further 19% in handling costs associated with Postairm. Similarly while the regulations state An Post will collect items of mail for Postairm in practice they do not. In November 2006 An Post advised me there was a charge of €600 to send a van to collect my mail. In the event a private contractor did the same job for €180. This is a further cost increase for the consumer. I submit it is the area of cost control which An Post should address rather than further increasing an already uncompetitive pricing structure.
- 6) Similarly with Postairm it simply defies logic that An Post withdraw this service from Nov 17th (in 2006) to Christmas and prior to elections etc. On the same date they launched a service whereby they offer customers a free stamp in a booklet for immediate delivery (postairm is a 10 day delivery) and spend heavily to promote this service. This makes no commercial sense. It is yet another price increase affecting the consumer.
- 7) In terms of increasing volume there is no incentive for the consumer to do so under existing price and service structures. For instance under Postairm there is a saving of just 1c per item between mailing 250,000 items and 500,000 items. The difference between mailing 2000 items and 500,000 items is 5c. This is a completely unrealistic 'incentive' in a business environment whereby the major cost, labour costs, are enormously reduced for the supplier. In my personal case I can say I have a market for 750,000 items, 90% of which would be speculative mailings. Unfortunately the cost of this service, especially in relation to the service provided for this cost, far outweighs the potential benefits. I suggest there should be a saving of at least 25% to encourage larger volumes- contrast this with the increase applied for and the maths speak for themselves. I have reduced my mailings with An Post by 50% over the past three years yet An Post submit they are committed to increasing volumes. Recent press announcement concerning the Land Registry account would clearly confirm I am not alone in my experience. The pricing structure has got to a level where it is now the same price to post goods to Ireland with no pre sort requirement from Switzerland and Belgium as within Ireland. In a personal capacity I posted 10,000 items from each of these countries as an experiment in 2006. It is my intention to increase the volumes from Belgium to Ireland from 10,000 items in 2006 to my entire mailings by 2009. An Post still have to sort and handle these mailings but without the revenue. Clearly this makes no commercial sense. In 1970 when I purchased my company the cost of mailing my goods was 4% of the cost of producing the goods. Today the cost of posting the goods is 41% of the production costs. Notwithstanding this the only proposal An Post make is to re submit data which has proven to be inaccurate and seek to further increase the cost to consumers. The cost of other services regulated by the Commission has fallen drastically and resulted in

increased profits for the suppliers. Contrast this with the enormous increases in a like for like service offered by An Post over recent years and its continuing financial difficulties.

- 8) It is submitted that there is nothing in the application to address the problem of mailings being made with other operators. I am informed by Royal Mail in Northern Ireland that users from the Republic account for a substantial percentage, estimated at 25%, of their business. I submit addressing the issue of increasing volumes and reducing costs is clearly the only proven successful business strategy in today's business environment. I offer the Ryanair phenomenon as being a clear confirmation of the success of this strategy.
- 9) It is recognised that a streamlined profitable An Post is highly desirable. It is submitted that the current strategy has a proven history of failure. Notwithstanding this there is no strategy to address this failure outlined in the application of An Post. It is no more than a continuation of an already failed strategy. An Post has had major infrastructural investment and a complete change of operating systems over recent years. Notwithstanding promises made in support of various price applications in recent years the net result of the promises and this investment has been a 20% reduction in delivery times and a 100% increase in the cost to the consumer in the provision of a like for like service. It is beyond comprehension that An Post seems incapable of addressing this situation.
- 10) I submit that the number of incorrectly delivered items of mail is a significant factor in the consumer being driven to other suppliers. These significant volumes of missing post are a further cost to the consumer. The results of the quality of service survey indicates 98% of mail is delivered within 3 days. No mention is made of what happens the remaining 2%. I can only submit personal experience. I have put An Post on notice on many occasions of my receipt of mail not for my company. Often I only get three deliveries of post per week. An Post explanation for this is that they are aware of incorrectly delivered mail to my office and accordingly they require extra time to fully screen my post. Notwithstanding this in the period December 1st 2006 to January 3rd 2007 16% of post received was not for my company. Orders for Christmas goods ordered between December 17th and 19th were delivered to me on December 29th and January 3rd. On January 5th 2007 I had a call from Allied Irish Banks advising they had approximately 100 letters addressed to me. On collecting this the porter advised me that it had not been delivered to the Bank but had been found by him on the street approximately half way between my office and the bank. An Post simply do not care about their customers and customer relations do not exist in any form. The only explanation from An Post in this case was that it fell out of a delivery bag but nobody was held to account. This is a cost issue over and above the cost of a stamp, to me as a consumer. Should the bank not have found the goods An Post would have benefited two fold: firstly by not delivering goods they were paid to deliver but more seriously for my company there were payments of €210.85 in postal orders which would not have been cashed. An Post should be obliged to advise the Commission of the value of postal orders uncashed for a period of six months after issue. I get many calls from clients confirming they sent me an order with payment for goods. In pretty well all of these cases we have not received the order

or if we have, the client has not received the goods posted. This is a significant cost to my company over and above the cost of postage. It is also significant in terms of company image and retaining the confidence of customers. As a direct result of this failure to comply with statutory requirements by An Post every order valued in excess of €50 is sent via private operators rather than An Post.

- 11) It is submitted the Commission should have a survey of a sample of 5000 customers who have used the service on 10 occasions in the last 12 months. It is suggested this might very well indicate a significant percentage of consumers have had post go astray which is both a cost issue and a confidence issue for consumers.
- 12) It is submitted that in cases such as these the primary concern is a reliable service. The current position is that consumers face an unreliable cost with no guarantee and this at a premium price. Improving this level of service is not addressed in any meaningful way in the current application. It is submitted the lack of confidence in the service provided and the cost of the service such as it is, is the reason for falling volumes. It is submitted that the quality of service needs to be addressed far more urgently than a price increase. It is submitted a price increase should only be approved following a proven improvement in the service provided for the price charged. The entire history of price increase approvals has been one of unfulfilled and failed aspirations in support of granted applications. It is submitted this course of action has failed. In the current business environment no approvals should be given prior to a clear fulfilling of its obligations under the Sale of Goods and Services Act by An Post.
- 13) Far from the insignificant proposals in the application in relation to penalising An Post in a trivial fashion for failures in its service, it is submitted an incentive should be provided. The current application seems to put the cart before the horse.

I submit An Post should be obliged abide by the terms of the Sale of Goods and Services Act.

I submit An Post should be obliged to have a customer charter wherein they pay €10 for every letter not delivered within three days, and €20 for every letter not delivered within 14 days.

I submit An Post should only have a price increase approved at the rate of 1c for every 2% improvement in the level of next day delivery achieved.

I submit An Post should introduce a weight increment in between the 100g and 250g currently in position.

I submit An Post should introduce a volume increment between 75,000 and 250,000 items for Postaim mailings

I submit the increase applied for of 2p per item in Postaim rates should be granted in respect of mailings of under 75,000 items provided it is coupled with a 2c reduction

in current charges for mailings of 250,000 items and a 4c reduction for mailings in excess of 500,000 items. This would encourage greater use of the system.

I submit a further reduction in current charges should be offered to bulk and postaim customers who increase their annual (rather than individual) mailings by more than 5%. It is suggested a 1c reduction for an increase of 5-10% and a 2c reduction for in excess of 10% increase. This reduction to be made in the form of a credit for future mailings rather than a cash rebate.

I submit the entire focus of An Post must be directed to the needs of the customer alone, ie the provision of a reliable service at a reasonable cost. This is a statutory requirement currently unfulfilled. Volume increases will flow from this course of action.

7 Mr. B Hazard

Dear Sir or Madam,

I am writing to register my support for the proposed increase in the cost of postage stamps. The door to door service provided by An Post and the benefits of local post offices throughout the country merit the increase.

Moreover, An Post has to deal with the added burden of collecting the RTE license fee. They do not profit from doing so, indeed it adds to their annual losses. I therefore believe that paying more for our postage will help to support our national postal service. Thank you.

Yours faithfully,
Ben Hazard

8 Irish Charities Postal Users’ Forum

Irish Charities Postal Users' Forum

P.O. Box 23 Western Road Cork

Telephone 021-4545704 Email msepromotion@eircom.net

17th January 2007

Response to ComReg 06/67

Introduction

The Irish Charities Postal Users' Forum is comprised of 18 registered charities that are large users of the national postal service. The objective of the Forum is to co-ordinate the views of member organisations in postal related issues. We have working relationships with the following:

- The Irish Missionary Union representing 76 charities
- The Irish Periodical Publishers' Association representing 45 businesses
- The Irish Charities Tax Reform Group representing 140 charities, and
- The Irish Direct Marketing Association representing 160 businesses.

Due to the nature of our business we are very cost sensitive. In considering postal rates we must not only to consider the actual rate being charged but equally the accompanying conditions of posting that impact negatively on our operating costs. Whilst some of the monopoly powers of An Post are being stripped away in theory, it remains the only provider of nationwide letter delivery services in the Irish market, and it is protected by a raft of primary and secondary legislation that allows it to introduce restrictive terms and conditions that are obligatory on users but are not always in their financial interest.

For example, it restricts its Postaim service from mid-November and during referenda and election campaigns because it says that it cannot handle the volume during those periods. That explanation has no foundation in logic after the un-precedented investment in postal infrastructure, and it is one that this Forum has contested in compelling detail with the company. Its failure to meet users' needs demonstrates that customers are not considered very seriously as stakeholders in its business. The suspension of Postaim created significant financial hardship and inconvenience for several of our member organisations during their critical pre-Christmas fundraising campaigns and many of them conveyed this message clearly to senior management in An Post. An affordability issue arose for some users of Postaim who simply did not post what they had planned because of the earlier date of suspension.

The Question Posed:

Cons: On the cons side the situation is similar to that in 2002 because An Post has not provided the relevant accounting information to ComReg as required. The delay in meeting this requirement, and the need for the issuing of the Accounting Direction by ComReg in December 2006, indicates the slow pace at which An Post moves and its attitude to regulation.

Likewise, the delay in achieving progress in the implementation of its change programme for improved efficiency and quality are noteworthy.

The 4% increase in the rate to Great Britain, coupled with a likely further increase from early 2008, provides further justification for bulk mailers to post with Royal Mail in Northern Ireland where the first class rate and the basic second class rate from 2nd April 2007 will be 47c and 32c respectively as against 78c posting from the Republic. These two simple comparisons indicate very clearly the cost efficiencies that mailers in the Republic can enjoy by posting in Northern Ireland where, in addition, 28 days credit and a debit payment system are available to account customers. The clear result of this will be further dilution of mail volume to An Post. In view of the importance of Great Britain as a trading partner with Ireland, this volume dilution has to be a cause of concern.

Pros: On the pros side we recognise the increases in operating costs particularly labour and energy that An Post, like other businesses, has had to endure since August 2003 when the base tariff was last increased. However, we also note the company's reduced cost of labour due to its staff reduction programme.

We recognise the need to maintain the financial stability of An Post consistent with it achieving the efficiencies and overall quality standards that are expected by its business customers and charities as key stakeholders.

In the circumstances, and notwithstanding the cons side of the issue, we concur with an interim rate increase but we do not agree with 6c or 12.5% increase on the base rate for businesses using meter or ceadunas payment methods. We think that 4c or 8.3% would be adequate as an interim rate increase.

There are a number of welcome initiatives in the proposal such as:

1. the same tariff for letters up to 50g applying to letters from 50g -100g ... the question arises why was the opposite done in March 2006?
2. a small but significant differential of 1c as a discount for letters paid for by meter or Ceadunas. We note that the Royal Mail differential is 3c and concur with ComReg that "further increases in the level of discount may be warranted when full costing information becomes available later in 2007"

In welcoming these initiatives, we recognise that:

1. There could be a case here of An Post endeavouring to get "two bites of the cherry" by using an interim application, and
2. The 'sting in the tail' is likely to be in the next application for a rate increase that An Post has indicated will be submitted to ComReg later in 2007.

Before submitting that application we appeal to An Post through this medium to:

1. Respond to the user issues raised concerning the totally un-necessary restrictions on Postaim and the 2-day Deferred Delivery Service ... this Forum outlined in great detail the widely held concerns of charities and the direct marketing industry about the arbitrary suspension of Postaim, and we are currently seeking a meeting with the CEO of An Post to discuss the issue.

2. Create a new and imaginative focus on the ‘demand’ side and customer service for business customers and charities in line with basic marketing principles. The current level of customer care is typified by receipt of the “Last Dates for Posting” for Christmas 2006 on 11th December last whilst Royal Mail had notified its customers at the end of October about its latest dates.
3. Introduce a market development programme for direct mail that for several years past has been totally under-resourced within the company and not treated as an advertising medium. An Post appears to fail in understanding that direct mail is under competitive attack from technology-based communications in a fast changing advertising market and that it is an advertising medium that cannot be just treated as a postal service ... what advertising media owner suspends its service when its customers want it most, e.g. in mid-November for the Christmas period?

What other postal administration suspends its bulk direct mail service like An Post does pre-Christmas and during election and referenda campaigns? What other postal administration says that it cannot handle its bulk direct mail volume during these periods like An Post does? The suspension of Postaim is bizarre but it demonstrates how far removed An Post senior management are from the needs of their customers.

Examination of Discount Schemes

Whilst the decision of An Post to examine comprehensively its discount offerings, including the number and type of bulk discounts is reasonable, we are concerned that once again this type of examination will be carried out without any consultation or engagement with users of these specific services, i.e. the examination will focus on internal An Post operations and the supply side with little recognition of the demand side.

In its review An Post needs to recognise the critical importance of some of these services to charities. In particular it needs to recognise the importance of Postaim to direct mailers and how sensitive these are to postal costs. We ask ComReg to bear in mind the access issues that arise in a) the arbitrary, and sometimes very abrupt, suspension of Postaim, thereby, throwing planned direct mail campaigns into dis-array, and b) the barrier to use condition that the 12noon posting time applies to the 2-day Deferred Delivery Service.

Implementation Date of Rate Changes

We ask An Post and ComReg to recognise the budgetary implications of increases sought or approved after business customers / charities have completed their own budgetary process, normally during the last quarter of the financial year. Based on the historical situation with postal rate increases, it is very difficult for these customers to factor in what might happen with postal rates if the rates are not known to them when preparing their budgets.

Then there is the related issue of the date of implementation after approval by ComReg. We note that Royal Mail announced in early December 2006 the rates that it will implement in April 2007.

Absence of a Users’ Forum

As we have pointed out in responses to earlier consultation papers, there is no mechanism such as a Users’ Forum where structured consultation between An Post and its customers

can take place concerning user needs and the services it offers or proposes to offer or intends to change. An Post advised ComReg three years ago that it was planning to set up a consultation process with users but nothing appears to have come of that. A basic tenet of good marketing is that a business engages with existing users of a service before it changes that service, i.e. the focus is not only on 'supply' but also on the 'demand' side and basic customer care.

Absence of a Customer Charter

We repeat again that it is not acceptable that An Post has failed to introduce a Customer Charter despite having promised this a number of years ago. There is urgency now for an appropriate Charter in a company that:

- a) Holds the dominant position in the Irish postal market and is likely to do so for the very foreseeable future, and
- b) Enjoys unique immunity from normal commercial responsibilities under a raft of primary and secondary legislation – the latter never having been debated by the Oireachtas or reviewed as suggested in *Regulating Better* as government policy.

We recall ComReg requesting An Post to provide a transparent and easy to use compensation scheme for customers in August 2003, but there does not appear to have been any developments with that initiative after over three years. We understood that this issue was to go to public consultation in 2006 but we are not aware of any developments in that process.

Legal immunity is a barrier to competition

This level of legal protection is a civil service relic of the past, has no place in a modern commercial State enterprise, and it acts as a barrier to competition entering the market. These are issues that we will seek debate on during the forthcoming consultation that the Minister has advised us he will conduct on the EU amending Directive 97/67/EC concerning the full accomplishment of the internal market of Community postal services.

Definition of Quality

As in previous submissions we again draw attention to the very inadequate definition of 'quality'. The total emphasis is on the number of days taken to deliver some types of letters.

We recognise the importance of this, but point out that the determinants of service quality include much more. Sadly, many aspects of that 'much more' are being ignored.

We welcome the innovation of An Post by linking its delivery standards into the timing of rate increases, but think that it would be more customer-focused if they decided to pay customers a refund of say, 1%, for every 1% their quality of service falls below 94%. That would be the real test and the real challenge.

We plead with the new management of the company to adopt a fresh marketing strategy and be innovative by revising and upgrading its overall customer care practice from the very top of the company down. The general experience of our member organisations is that postal staff on the ground provide a good service within the constraints of company policies that are geared to its internal operations only.

Matt Moran
Chairman.

9 ISME

19/01/2007.

Ref: Submission Re: Comreg 06/67.

ISME, the *Independent Business Organisation* is the main representative body for SMEs with over 5,000 member companies nationwide. The postal service remains an integral part of the communications process for companies, with many businesses still reliant on An Post even taking into the account the advances in communications. It is on that basis that we object to the application by An Post for a number of price increases to their tariffs.

The Association is particularly concerned at the request for a 15% increase on standard letters from the current tariff of 48c for letters to 55c per letter, almost four times the current rate of inflation. It should be noted that a considerable bulk of mail from small businesses would be using this tariff and an increase of the magnitude outlined will seriously influence their bottom line, particularly those companies who still use the post for incoming and outgoing payments and as a marketing tool. An Post's attempts to justify the price hikes based on increased costs, in particular labour, is ironic to say the least when it is considered that small companies have also been hit with cost increases, in most cases well in excess of those suffered by An Post. The key difference is as price takers and not price leaders our members are not in a position to increase our prices to match the increase in costs, a luxury that is being sought by An Post. We also note that An Post has actually reduced their cost of labour due to its staff reduction programme, in the last number of years.

While acknowledging that An Post management is attempting to address the inefficiencies that have historically haunted the company, the facts remain that in comparison to the majority of their European counterparts the company has a long way to go. It is our argument that you cannot continue to mask inefficiencies through price increases. Any income derived from further price increases, in our view, would be quickly wasted on existing restrictive work practices and operational inefficiencies. ISME believes that the general public and the small business community should not be requested to pay for An Post's restructuring.

On the subject of inefficiencies Comreg's own review document, **06/25**, confirmed that An Post's performance in delivering standard mail has fallen to 20% below target, with 74% of standard mail delivered within one working day against a next-day-delivery target of 94%, a drop of 2% in the quality of service compared to the first quarter 2005. This would indicate that as far as service is concerned their restructuring programme, agreed over six years ago, has failed. Why should small business and other customers pick up the slack? Surely it is incumbent on the management of An Post to get its 'house in order' before attempting to introduce cost increases of the magnitude outlined.

It is also the view of the Association that an increase in the basic stamp would drive volumes down further, increasing unit costs and will in the process lead to calls for further price increases.

It is the opinion of ISME that Comreg should focus on the actual cost of provision of service and price accordingly. We acknowledge that the price for the provision of the service cannot remain the same over a protracted period of time. The Association suggests that in this and future reviews postal charges should be kept in line with the consumer price index less an approved percentage, to cover increased efficiencies. In other words if the service continues to run inefficiently there should be no corresponding increase in the cost of providing postal services. Increases will be granted on an agreed level of increase in efficiencies, thus allowing the service to profit from these same efficiencies. This, in our view, provides the fairest solution all-round in that it introduces a level of certainty with regard to future price increases and at the same time provides an incentive for An Post to become more efficient.

In conclusion, it is widely acknowledged that the Country needs a healthy, competitive postal service. It is our view however that granting price increases to mask inefficiencies is not the way forward but will simply lead to further inefficiencies becoming embedded in the organisation. It is on this basis that we respectfully suggest that you consider our alternative proposals so as to accommodate all sides and to bring a level of certainty into the equation.

Mark Fielding

Chief Executive.

ISME, the *independent* business organisation

10 Pitney Bowes

Dear Sinead Devey

Thank you for the opportunity to respond to the consultation on An Post's application for an interim price increase. While no one can welcome price increases Pitney Bowes understands the background and context to this application and overall, we support An Post's application. It is in everyone's interest that Ireland's universal service provider is financially strong with the capability to develop its services and invest for the future.

We particularly welcome An Post's proposal to moderate the price impact on business mailers with a 1c discount for meter users. We support ComReg's arguments that is strong evidence that accessing and paying for mail services through a meter significantly avoids transactions' costs for a post (compared to the stamps channel) and can be more profitable for the post based on higher average unit revenue (compared to the PPI channel). It is right that An Post's pricing structure rewards and incentivises mailers to access its services through the most efficient channel. More generally, cost-reflective pricing for metered mail sends the right signals to technology companies like ourselves to invest in stamp replacement and other technologies, which is good for innovation, good for the post, good for mailers and good for the wider market.

In supporting An Post's application in overall terms we would, in future, look forward to a further re-balancing of prices in favour of metered mail discounts. Data seen by ComReg (and commented on in earlier ComReg documents) suggests that this would be justified on a cost-reflective basis. Longer-term, therefore, we would like to see the discount widened but also extended - for example to international traffic. We particularly welcome An Post's application in that the proposed 1c discount is the same for metered and ceadunas mail. This secures the benefits of more commercial rates to Ireland's small and medium-sized businesses (as well as larger businesses for whom the meter is the channel of choice) without creating unnecessary complexity in rates. We believe An Post have listened to representations along these lines and thank the universal service provider in this respect.

In sum, Pitney Bowes supports An Post's price application, strongly welcomes the principle of channel pricing and looks forward to further re-structuring of tariffs to ensure that the cost-efficiency and profitability of the meter channel is fully recognised in rates of the future.

Tim Walsh
Vice-President
Strategy and Regulatory Affairs
Pitney Bowes International

11 Living Solutions

LIVING SOLUTIONS

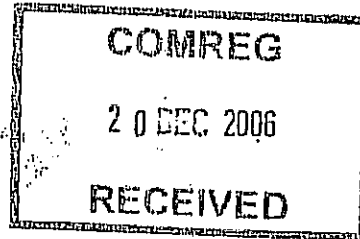
POSTAL ADDRESS: P.O. Box 616, Cork, Ireland.



HAZELDEN® DISTRIBUTOR EUROPE

Case Ref
45448.

Commission for Communications
Regulation
Block DEF, Abbey Court
Irish Life Centre
Lower Abbey Street
Dublin 1



19th December 2006

AN POST APPLICATION FOR PRICE INCREASES - 15%

Dear Regulator,

We are in the mail order business with 62% of our sales in the U.K. We provide books etc. for people recovering from various addictions - i.e. drugs alcohol etc.

In 2003 the rate for our average large envelope size was:

Books - 500/1KG i.e. large envelope - €4.80

At present the rate is:


Books - 500/1KG i.e. large envelope - €7.00 + 45%

We don't know what rate increase An Post are seeking for the large envelope classification this time around.

The strength of Sterling against the US Dollar affects our business - in that our customers go direct to the U.S.A. for their needs. Another 15% increase will make life very difficult if not impossible for us.

How can An Post justify an average increase of 15% annually? We wish we could apply the same increase to our prices. We have been unable to increase our prices for the last four years.

Yours faithfully


Walter H. Beirne
Managing Director

LIVING SOLUTIONS LIMITED

25D SOUTHSIDE INDUSTRIAL ESTATE, POULADUFF, CORK, IRELAND

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12 Mr. M. Purcell

Title : An Post's Application for Interim Price Increase - 2007

Contact : postalconsult@comreg.ie

Expiry :

Respondents Name : Martin Purcell

Comments : An post should not be granted the full increase sought. A 2 cent increase is reasonable to keep in line with inflation and taking into account increasing turnover from mail resulting from online sales. Higher increase will only have the effect of pushing customers away.

13 Quinn Direct



Dublin Road
Cavan
Ireland

19/01/07

Ms. Sinead Davey,
Commission for Communications Regulation,
Irish Life Centre,
Abbey Street,
Dublin 1

Reference - Submission re ComReg 06/67

Dear Ms. Davey,

Question What in your opinion are the pros and cons of Comreg concurring with An Post's proposal for an "interim" price increase to be implemented on Mar 1 2007.

Quinn-direct Insurance has in excess of 500,000 policyholders with whom we communicate through the postal system from our Head Office in Cavan. Due to the nature of our business, speed of communication with our client base is a critical success factor and hence next day delivery is a key requirement if we are to remain competitive in the market.

Under the current structure, our nearest mail centre is Athlone which is over 100km from our base. Due to the distance and time involved in delivering our post to Athlone, we have been advised by An Post that we cannot avail of the potential bulk mail discounts and at the same time maintain our existing turnaround postal standards. As postal turnaround times are critical for the company, we do not have the option of compromising on our existing delivery service levels. Therefore, we are left with little option other than to deliver our post to our local Cavan office and forgo all available discounts.

It would appear that provincial companies are being discriminated against in terms of the availability of potential postal discounts. It seems unlikely that other national service providers such as the ESB, would succeed in offering the availability of reduced rates to its urban customers at the expense of its rural peers. Considering the annual volume of letters processed by Quinn-direct Insurance, currently in excess of 1.5 million items, and also the investments we have made in processes to ensure that all letters are in Auto-sort

/ Readability format, it is disappointing that we are not afforded the opportunity to avail of any postal discounts due to our location.

We are further disappointed that the recent proposed interim price increase is, yet again, discriminating against provincial companies such as ours. The proposed increase in unit costs of standard letters from 48 c to 54 c equates to a 12.5% increase while the average % increase for discounted mail users is significantly lower at 5%.

It would appear that companies which cannot avail of the bulk discounts are yet again subsidising our urban peers who can avail of the discounts. This is a point of particular frustration considering that you have noted that it is generally believed that the current discounts on offer from An Post are too great.

We currently employ 1,800 staff providing much need employment in County Cavan and the surrounding counties. The development of local economies and communities are significantly influenced by the successful growth of our company. It is hardly an encouragement for other companies to base their operations in rural Ireland, where it is likely that they will be discriminated against in the provision of core national services.

In summary, we believe that while reasonable increases in the unit prices of mail are acceptable, an increase of 12.5% would seem excessive. We feel that the proposed increases are discriminatory against non bulk mail users in preference to discounted mail users. Our concern is compounded by the fact that according to you Bulk Mail is currently over subsidised . It would appear more equitable that the proposed increases impacted all business users proportionately until such time that solid cost data becomes available. It appears unfair that certain segments of An Post's customer base are being targeted to further carry the load for its competitors without appropriate information on which to base the proposals.

Finally, as we have addressed in previous correspondence to you, we believe that Cavan post office should be in a position to offer a similar discount scheme as the mail centres for next day delivery.

Yours faithfully,

Robert Keyes
Finance Manager

14 UPC Broadband Ireland Limited (UPC Ireland)

**UPC Ireland response to An Post's application for
Interim Price increase – 2007**

(ComReg consultation Doc. ref. 00/07)

Introduction

UPC Broadband Ireland Limited (UPC Ireland) is the new operational name for the recently formed merged entity of Chorus Communications (Ireland) Limited and NTL Irish Networks Limited (NTL Limited).

With almost [REDACTED] customers in the Irish market to whom we mainly communicate via postal means, the financial impact of an interim – not to mention an additional and more permanent – price increase will be both immediate and significant.

We would reject the interim proposal outright as unjustified, unreasonable, and unfairly penalising its customer base. UPC Ireland would advocate that there should be no change to the current pricing model which we find to be already excessively high. We would instead call on ComReg and An Post to focus their attention on meeting ComReg's quality of service targets for which customers currently pay but do not receive.

No valid grounds for (interim) price increase

Any business seeking to increase its prices must have justifiable reasons backed up with clear deliverables all of which need to have the support and approval of the businesses' higher authority. Where price increases concern a monopolistic state sponsored body such as An Post, the power of approval rests with the regulator.

The fact that An Post has not had a recent price increase for either reserved letters (3.6 years) or large envelopes and packet products (12 months) is in itself neither a valid reason for An Post to seek a price rise nor for ComReg to approve it.

In fact we find the proposal wholly unjustifiable. As regular users of a large range of An Post services (billing, dunning letters, OTC transaction payments, Bulk Mail (Postal, Direct Marketing)) we pay dearly for a service that is at best mediocre and at worst sub standard. It is a service that certainly does not live up to its own quality of standard principles, nor has it, for some time, in a business where we send out bills that have to be settled in a 14 day period the promise of next day delivery is of utmost importance. Since 2003, An Post has consistently failed year on year to meet ComReg's targets on next day delivery which ComReg claims currently stands at 74% - well short of the 94% target set by ComReg¹.

Industry roundly rejected the proposed price increases in 2003, why should it agree to such proposals in 2007 when little has changed in the last four years?

We appreciate the fact that An Post may not be in a position to share sensitive financial data with third parties but to base a proposal for a price increase on passing reference to CPI and inflation is not in itself sufficient.

¹ Comreg report on An Post quality of service July – September 2006.

The timing of the proposed introduction of interim proposal is unreasonable

We have considerable concerns with regards the timing for the proposed interim increase.

In the first instance, UPC Ireland, has already agreed with its shareholders a financial budget for 2007. Like most businesses, those figures are based on estimates for 2006 that are adjusted for normal and expected price rises (e.g. inflation etc). As such projected figures do not account for unforeseen or significant increases in operational costs such as those proposed by An Post.

In 2006, the NTL side of the UPC Ireland business alone spent in excess of ~~€100m~~ for the range of postal services it uses. Given the vast majority of our postal communications fall into the 0-50g category, the proposed increases for normal letters and postalm services will have a massive financial impact on our 2007 budget. If large companies such as ours find the financial impact significant, we can only imagine it will have a crippling effect on the SME industry.

Notwithstanding this, the proposed timing for the intended introduction of interim price increase is such that for services that fall under Bulk Mail (Direct Marketing (DM) services which typically are planned 3 months in advance) have no opportunity to revise the expected financial costs for their DM.

In fact we do not understand the principle of introducing an interim price increase, which will then be revisited (and presumably confirmed if not raised even higher). Surely it would make more sense for An Post to first implement the Accounting Directive, analyse the output from that process and then determine whether or not (current) prices are even justified?

In any event UPC Ireland is of the opinion that any debate on price increases need to be coupled with discussions on quality of service. We feel that the fact that An Post has consistently failed to meet ComReg targets are grounds in themselves to dismiss any price increase proposal. Customers cannot be expected to continue to pay for a service which does not meet its service deliverables.

In summary we believe the introduction of an interim measure that may or may not be kept is premature and will only create uncertainty for the business community. It also smacks of ridicule in the face of existing ComReg targets since it almost renders such targets as void and not worth meeting.

Financial impact

To put the above into context and to give an example of how our marketing spend alone will be affected by the proposed:

UPC Ireland spends on average of ~~€100m~~ a month on postalm services. Should ComReg agree to the proposed increase of 2c this will amount to an increase of ~~€20m~~ a month or ~~€240m~~ a year to our annual postal budget.

Separate to this, we also have a significant portion of our marketing communications are sent out at the full postage rate (currently 48c). While not as regular as our billing or indeed postalm services, we calculate UPC Ireland spends approximately ~~€100m~~ a month on these services, thus an increase from 48c to 55c for these materials would amount to an increase of ~~€84m~~ per annum.

As the above demonstrates, the proposed increases would amount to an increase of [REDACTED] for our marketing budget alone.

This of course does not include the financial impact the increases will have on our regular and more standard communications such as bill invoices and dunning letters. By way of example, the postage cost for invoices sent out on behalf of NTL side of the business for 2008 was [REDACTED]. Again, the NTL side of the business sent out [REDACTED] letters in 2006 which had postal rates of between [REDACTED] and [REDACTED] (rate dependent on the timing of the posting of the letters), which at a conservative estimate would have cost the company [REDACTED]. Those that continue to fall into the 0.48c category will now have a 6c increase to the previous rate, again increasing costs significantly for the company.

Conclusion

As the above demonstrates UPC Ireland's annual spend on An Post services is quite substantial and any proposal will have significant financial impact for our business.

We do not support the introduction of a price increase be it interim or otherwise. We believe we already pay significantly for a service which fails to meet its targets would call on ComReg and An Post to focus their attention on ensuring these deliverables are met before holding any discussions on price increases.