



Commission for
Communications Regulation

Further Response to Consultation & Decision Notice

An Post's Proposals to increase the price of Domestic Postal Services 2003

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1. Foreword [by the Chairperson]

Following the consultation about An Post's proposals to increase the price of domestic letter post services the Commission published a Response to consultation in which it was indicated that we were minded to approve the new 48c rate for a POP (C5) envelope, 60c rate for larger (C4) envelopes and 96c rate for other packets provided that the discount proposals were revised.

We have now received revised proposals which generally address the concerns that we, and many of the respondents to the consultation, had about An Post's original discount proposals.

On the basis of the financial information available, the new proposals offer a far more comprehensive and consistently priced range of discounts for An Post's customers who post more than 2,000 items at the one time. There are discounts for presentation before Noon or 15:00 and for accepting deferred processing. Furthermore these discounts are available whether the items are capable of being automatically sorted, sorted by machine with manual coding or have to be manually sorted in their entirety.

There is a further range of discounts for mail that is pre-sorted by the contractor or a mail consolidator for direct delivery to 150 post towns. This is a long standing facility which is offered by postal services in most countries. The discount for this has been adjusted, taking account of comments made by respondents, and by ComReg. The discounts offered are now at least as good as the highest discounts available for mail that has to be processed by An Post for next day delivery.

Finally, An Post, recognising the importance of their smaller business customers, has introduced a new discount for postings of 500 items or more. Now any customer who has a meter machine of any type and who has 500 machinable letters to post at any one time will be able to get a 5c discount if they lodge their letters at any of the 24 designated centres and give An Post two days to process the mail. Discounts are also available for non-machinable letters, packets and flats. The new limit of 500 will be further reduced to 350 on 1 September 2004. A review of any issues regarding the inclusion of meters, that have to be set at a local post office, will also take place in the next year. This response to ComReg's comments on the small business sector and other small entities is acceptable.

The new arrangements will come into effect on 30 August 2003 or when the relevant scheme(s) under Section 70 of the 1983 Act are countersigned on behalf of ComReg, whichever is later.

ComReg would like to thank all respondents to the consultation and An Post for amending their proposals to take into account the views expressed by their customers who responded.

**Etain Doyle,
Chairperson.**

2. Background

In June the Commission for Communications Regulation (ComReg) initiated a consultation¹ about An Post's proposals to increase the price of domestic letter post services. Under Section 70 of the Postal and Telecommunications Services Act, 1983, as amended, ComReg must approve the increases for services that are reserved to An Post, i.e. items weighing less than 100grams. A report on that consultation was published on 5 August last.²

An Post's financial position has been well documented. ComReg, like many respondents to the consultation, was concerned that the proposals outlined would not, on their own, resolve An Post's problems. While overall volumes had increased in recent years, the rate of increase had slowed considerably and items per delivery point had begun to fall back. An Post indicated that further increases may be necessary, while others noted that the company continues to generate losses on international inbound mail whilst failing to realise projected savings from the investment in the automation programme.

Given An Post's current financial position, ComReg concluded that it would be difficult to avoid granting the proposed increases. However the view was taken that An Post needed to prioritise, focus its efforts on converting their commitments and their very significant investments made to date into tangible improvements in efficiency as well as becoming more proactive in its efforts to reduce unit costs by growing volumes rather than relying on future price increases. A serious commitment to quality delivery for customers must also be demonstrated by way of substantially improved quality of service indicators.

The report indicated that there were three key reasons why most postal tariffs within the reserved area had to be increased.

- The first was that there are many anomalies in the current weight based pricing structure. The proposals were an important step in addressing this situation.
- The second was that An Post's costs are increasing at an unsustainable rate. Some of these, such as the increase in pay rates over the last few years are long term issues. Others such as the failure to achieve the full savings on which key investment decisions costing €96.5m in capital and €52m in redundancy costs were based must be tackled as a matter of urgency.
- The third was that there has been a significant reverse in the volume growth per delivery point that facilitated price stability for more than a decade.

ComReg however had serious concerns about the proposed discount policy. It concluded therefore that, in these circumstances, it was minded to approve the new 48c rate for a POP (C5) envelope, 60c rate for larger (C4) envelopes and 96c rate for other packets, together with proposed new Postaim prices, provided that the discount proposals were revised satisfactorily. Implementation of the new rates and revised discount proposals on 30 August 2003 was envisaged, provided that a satisfactory proposal on discounts was received from An Post within the specified timeline.

¹ Consultation Paper – An Post's Proposals to increase the price of Domestic Postal Services 2003 ComReg 03/65

² Response to Consultation – An Post's Proposals to increase the price of Domestic Postal Services 2003 ComReg 03/95

Further Response to Consultation - An Post's Proposals to increase the price of Domestic Postal Services 2003 and Decision Notice

An Post have now submitted a revised proposals that address the issues that ComReg raised following the submissions by interested parties following the public consultation. This further response to consultation and decision notice deals solely with the revised discount proposals. ComReg's position on the issues relating to the principal pricing proposals for fully paid mail and Postaim are set out in document ComReg 03/95.

3. An Post's Revised Discount Proposals

The revised proposal received from An Post presents the following range of discounts for services within the reserved area and therefore subject to prior approval by ComReg:

(i) POP Letters up to 100g

Minimum Quantity	Latest Posting Time	Delivery Standard	Sorting Method	Current Tariff			AN POST REVISED PROPOSALS up to 100g			Change
				BASIC PRICE	Disc out	Net Price	BASIC PRICE	Disc out	Net Price	
				50g/ 100g		50g/ 100g				50g/ 100g
2,000	Noon	Next Day	Pre-sorted	41 / 60	5	36 / 55	48	7	41	5 / -14
2,000	17:30	Next Day	Pre-sorted	41 / 60	5	36 / 55	48	6	42	6 / -13
2,000	Noon	Next Day	Auto-Sort	41 / 60	3	38 / 57	48	7	41	3 / -16
2,000	Noon	Next Day	Machine able	41 / 60		41 / 60	48	6	42	1 / -18
2,000	15:00	Next Day	Auto-Sort	41 / 60		41 / 60	48	6	42	1 / -18
2,000	15:00	Next Day	Machine able	41 / 60		41 / 60	48	5	43	2 / -17
2,000	15:00	Next Day	Non Machine able	41 / 60		41 / 60	48	4	44	3 / -16
2,000	Noon	Deferred (two day)	Auto-Sort	41 / 60	3	38 / 57	48	9	39	1 / -18
2,000	Noon	Deferred (two day)	Machine able	41 / 60		41 / 60	48	8	40	-1 / -20
2,000	Noon	Deferred (two day)	Non Machine able	41 / 60		41 / 60	48	6	42	1 / -18
500	Noon	Deferred (two day)	Machine able	41 / 60		41 / 60	48	5	43	2 / -17
500	Noon	Deferred (two day)	Non Machine able	41 / 60		41 / 60	48	2	46	5 / -14

(ii) Large Envelopes (Flats) up to 100g

Minimum Quantity	Latest Posting Time	Delivery Standard	Sorting Method	Current Tariff			AN POST REVISED PROPOSALS up to 100g			Change
				BASIC PRICE	Disc out	Net Price	BASIC PRICE	Disc out	Net Price	
				50g/ 100g		50g/ 100g				50g/ 100g
2,000	Noon	Next Day	Pre-sorted	47 / 60	5	42/ 55	60	10	50	8/ - 5
2,000	17:30	Next Day	Pre-sorted	47/ 60	5	42/ 55	60	8	52	10/ -3
2,000	Noon	Next Day	Auto-Sort	47/ 60	3	44/ 57	60	9	51	7/-6
2,000	Noon	Next Day	Machine able	47/ 60		47/ 60	60	7	53	6/ -7
2,000	15:00	Next Day	Auto-Sort	47/ 60		47/ 60	60	8	52	5/ -8
2,000	15:00	Next Day	Machine able	47/ 60		47/ 60	60	6	54	7/ -6
2,000	15:00	Next Day	Non Machine able	47/ 60		47/ 60	60	5	55	8/ -5
2,000	Noon	Deferred (two day)	Auto-Sort	47/ 60	3	44/ 57	60	12	48	4/ -9
2,000	Noon	Deferred (two day)	Machine able	47/ 60		47/ 60	60	9	51	4/ -9
2,000	Noon	Deferred (two day)	Non Machine able	47/ 60		47/ 60	60	8	52	5/ -8
500	Noon	Deferred (two day)	Machine able	47/ 60		47/ 60	60	6	54	7/ -6
500	Noon	Deferred (two day)	Non Machine able	47/ 60		47/ 60	60	4	56	9/ -4

(iii) Packets up to 100g

Minimum Quantity	Latest Posting Time	Delivery Standard	Sorting Method	Current Tariff			AN POST REVISED PROPOSALS up to 100g			Change
				BASIC PRICE	Discount	Net Price	BASIC PRICE	Discount	Net Price	
				50g/ 100g		50g/ 100g				50g/ 100g
2,000	Noon	Next Day	Pre-sorted	47/ 60		47/ 60	96	11	85	38 / 25
2,000	17:30	Next Day	Pre-sorted	47/ 60		47/ 60	96	9	87	40 / 27
2,000	15:00	Next Day	Non Machine able	47/ 60		47/ 60	96	7	89	42 / 29
2,000	Noon	Deferred (two day)	Non Machine able	47/ 60		47/ 60	96	10	86	39 / 26
500	Noon	Deferred (two day)	Non Machine able	47/ 60		47/ 60	96	6	90	43 / 30

(iv) Detailed Listing of Acceptance Locations

The pre-sorted and deferred delivery for postings of between 500 and 2000 items are available from the following 24 locations.

Dublin, Cork, Portlaoise, Athlone
Bray, Castlebar, Cavan, Clonmel, Drogheda, Dublin City Centre, Dundalk, Ennis, Galway, Kilkenny, Letterkenny, Limerick, Longford, Naas, Navan, Roscommon, Sligo, Tralee, Waterford and Wexford

Other discounts are available only at the 4 Mails Processing Centres in Dublin, Cork, Athlone and PortLaoise.

The proposal to offer some meter customers a €500 discount, from the yearly collection fee that guarantees a daily collection from a customers premises subject to a range of restrictions, has been superseded by the new 5c discount for deferred delivery available to a wider range of customers.

(v) Services outside the reserved area

The revised proposals are set out at Appendix A.

4. Commission's Position

ComReg had raised concerns about the relativities of the discounts and their gearing to cost, as well as concerns in relation to smaller customers. ComReg's assessment of the revised An Post proposals is as follows:-

On the basis of the financial information available, the new proposals offer a far more comprehensive and consistently priced range of discounts for An Post's customers who post more than 2,000 items at the one time. There are discounts for presentation before Noon or 15:00 and for accepting deferred processing. Furthermore these discounts are available whether the items are capable of being automatically sorted, sorted by machine with manual coding or have to be manually sorted in their entirety.

There is a further range of discounts for mail that is pre-sorted by the contractor or a mail consolidator for direct delivery to 150 post towns. This is a long standing facility which is offered by postal services in most countries. The discount for this has been adjusted, taking account of comments made by respondents, and by ComReg. The discounts offered are now at least as good as the highest discounts available for mail that has to be processed by An Post for next day delivery.

An Post has introduced a new discount for postings of 500 items or more. Now any customer who has a meter machine of any type and who has 500 machinable letters to post at any one time will be able to get a 5c discount if they lodge their letters at any of the 24 designated centres and give An Post two days to process the mail. Discounts are also available for non-machineable letters, packets and flats. The new limit of 500 will be further reduced to 350 on 1 September 2004. A review of any issues regarding the inclusion of meters, that have to be set at a local post office, will also take place in the next year.

As indicated in the response to consultation of 5 August, the quality and timeliness of financial information supplied by An Post is not fully satisfactory. Discounts may need to be further revised at a future date in the light of experience.

5. Decision

Decision No. 1. The Commissioners have decided to concur with the proposed price increases submitted by An Post on 28 May, 2003, as revised by the revised discount structure submitted on 21 August 2003. The new arrangements will come into effect on 30 August 2003 or when the relevant scheme(s) under Section 70 of the 1983 Act are countersigned on behalf of ComReg, whichever is later.

Appendix A –An Post Revised Discount Price Proposals outside the reserved area

1 Schedule of Proposed Discounts –

100% Machineable	Discount (cent)		
	Flats	Flats	Flats
	101g-250g	251g-500g	501g-1kg
Presented at Hub > 2,000			
Presentation 15.00 0% auto sort	9c	13c	17c
Presentation 15.00 85% auto sort	15c	20c	25c
Presentation Pre Noon 0% auto sort	10c	14c	18c
Presentation Pre Noon 85% auto sort	16c	21c	26c
Deferred Processing Pre Noon 0% auto sort	12c	16c	20c
Deferred Processing Pre Noon 85% auto sort	19c	24c	29c
Presented at Acceptance Office			
Deferred Processing Pre Noon > 500	9c	13c	17c

Non Machineable	Discount (cent)			
	Flat	Pkt	Flat	Pkt
	< 250g	< 250g	251g - 1000g	251g - 1000g
Presented at Hub > 2000				
Presentation 1500	5c	7c	5c	7c
Deferred Processing Pre Noon	8c	10c	8c	10c
Presented at Acceptance Office				
Pre Sorted (150) at 1730 > 2,000	8c	9c	13c	17c
Pre Sorted (150) Pre Noon > 2,000	10c	11c	15c	19c
Deferred Processing Pre Noon > 500	4c	6c	4c	6c