



Office of the Director of  
**Telecommunications  
Regulation**

**DECISION NOTICE & FURTHER RESPONSE TO  
CONSULTATION**

**“Application by An Post to increase the  
price of reserved Postal Services ODTR  
02/15”**

**Decision Notice:** D 14/02  
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# 1 INTRODUCTION

## 1.1 CONSULTATION PAPER ODTR 02/15

At the end of January 2002 the Director launched a consultation on An Post's Application to increase the price of Postal Services in the Monopoly (reserved) area. The process involved the publication of a consultation document ODTR 02/15 which addressed a number of issues including factors to be taken into account in deciding whether to approve price increases in the Monopoly (reserved) area, the need for price increases and interim proposals in respect of national, international and direct mail services.

## 1.2 REPORT ON CONSULTATION ODTR 02/32

In the report on consultation "Application by An Post to increase the price of reserved Postal Services" ODTR 02/32 dated 28 March 2002 chapter 7 concluded with the following:

*"Decision No 6 : The proposed changes in tariffs for Direct Mail services are not approved but An Post is authorised to raise a surcharge of 3c per item for the period until 30 June 2002. An Post is invited to submit revised proposals as quickly as possible for implementation on 1 July which limit the "interim" increase for any customer to 3c for POP letters and 7c for other items in the reserved area, while eliminating the cumulative discount."* [Page 34]

## 1.3 INFORMATION NOTICE ODTR 02/62

A Direct Mail price proposal for approval was received from An Post on 24 June 2002. In the course of compliance with the request set out in paragraph 1.2 above, the level of pricing for the direct mail services coupled with the abolishment of the cumulative discounts created an additional level of complexity not initially envisaged.

On 1 July the Director issued an information notice stating that the Office required a further 2 – 3 weeks to undertake a comprehensive review of the revised proposal. In the meantime An Post was allowed to retain the status quo (3c surcharge on all prices) until a further decision was made.

## 1.4 **FORMAT OF THIS DOCUMENT**

In this addendum to ODTR 02/32<sup>1</sup>, An Post's revised price proposal for each of the following Direct Mail Services, together with the Director's position on each proposal, are dealt with in turn:

- Postaim
- Postaim Light
- Loyalty Mail
- Other Direct Mail Services

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<sup>1</sup> Response to Consultation Application by An Post to increase the price of reserved Postal Services" ODTR 02/32 dated 28 March 2002,

## 2 POSTAIM

### 2.1 AN POST PROPOSAL

Postaim offers substantial discounts to businesses that pre-sort approved advertising and promotional material and accept deferred delivery. Currently there were 4 weight bands priced according to 8 volume amounts. The revised proposal attempts to simplify the pricing and reduces to 4 the number of different tariff scales available to customers depending on the quantity posted in each mailing.

The Postaim rates as proposed by An Post are as follows:

**TABLE 2.1 PROPOSED POSTAIM RATES**

	<b>2k– 10k</b>	<b>10k– 25k</b>	<b>25k– 50k</b>	<b>50k– 75k</b>	<b>75k– 100k</b>	<b>100k– 250k</b>	<b>250k– 500k</b>	<b>&gt; 500k</b>
<b>0–50g</b>	30c	30c	30c	30c	27c	27c	26c	25c
<b>50–100g</b>	38c	38c	38c	38c	34c	34c	32c	31c
<b>100–250g</b>	52c	52c	52c	52c	48c	48c	46c	45c
<b>250–500g</b>	83c	83c	83c	83c	79c	79c	78c	77c

It must be borne in mind that as a result of the elimination of the cumulative discount the amount of postage payable will be determined by the size of the specific mailing. For example a customer sending a direct mail letter to 150,000 recipients will now pay at the 100k-250k rate, whereas previously the >500k rate may have been applicable if other mailings had been sent earlier in the year,.

An Post have estimated the impact on different customers as follows:

- for 33% of Postaim customers the average price will be reduced by up to 2c.
- for 60% of Postaim customers the average price increase will be no more than 3c.

- for 5.5% of Postaim customers the average price increase will be no more than 4c for POP letters.
- for 1% of Postaim customers the average price increase will be no more than 5c for POP letters.
- for 0.6% of Postaim customers the average price increase will be no more than 6c for POP letters
- for 1.5% of Postaim customers the average price increase will be no more than 7c for non POP letters. This will affect firms who send substantial numbers of non standard sized mail. The discount from the standard stamp will still be about 40% for these groups. [The initial decision in ODTR 02/32 was that there should be an increase of 7c in this sector because the level of discount compared with normal tariffs was unsustainable, particularly bearing in mind that those services are effectively open to competition.]

In table 2.2 the rates for the smallest Postaim bands are set out, with the current rate for “normal” First Class Letter Post shown for comparative purposes.

**TABLE 2.2 PROPOSED POSTAIM RATES FOR MAILINGS 10K - 25K**

<b>Weight not over</b>	<b>Normal Letter Rate</b>	<b>Proposed Postaim price</b>	<b>% discount</b>
<b>50g</b>	41c or 47c	30c	27% or 36%
<b>100g</b>	60c	38c	37%
<b>250g</b>	92c	52c	43%
<b>500g</b>	€1.49or €1.60	83c	44% or 48%

In table 2.3 the rates for the largest Postaim bands are set out, with the current rate for “normal” First Class Letter Post shown for comparative purposes.

**TABLE 2.3 PROPOSED POSTAIM RATES FOR MAILINGS > 500K**

<b>Weight not over</b>	<b>Normal Letter Rate</b>	<b>Proposed Postaim price</b>	<b>% discount</b>
<b>50g</b>	41c or 47c	25c	39% or 47%
<b>100g</b>	60c	31c	48%
<b>250g</b>	92c	45c	51%
<b>500g</b>	€1.49or €1.60	77c	48% or 52%

## 2.2 POSITION OF DIRECTOR

The Director has already published her decision agreeing with An Post’s proposal to discontinue the cumulative discount element of the Postaim scheme<sup>2</sup>. The issue therefore is to devise a pricing matrix that ensures that the discount on normal tariffs afforded to Postaim customers is kept at broadly the present level pending collation of full costing data and appraisal of tariffs, and that customers of the Postaim service do not face significantly larger increases than customers of other services. The Director considers An Post’s revised proposals are a reasonable attempt at an “interim” solution to these issues.

<sup>2</sup> Decision No 6 Response to Consultation “Application by An Post to increase the price of reserved Postal Services” ODTR 02/32 dated 28 March 2002,

**Decision No 1:**

**The following prices for Postaim are hereby approved:**

<b>No of items in Mailing</b>	<b>2k -75k</b>	<b>75k - 250k</b>	<b>250k – 500k</b>	<b>&gt; 500k</b>
<b>Weight</b>				
<b>0 – 50g</b>	<b>30c</b>	<b>27c</b>	<b>26c</b>	<b>25c</b>
<b>50–100g</b>	<b>38c</b>	<b>34c</b>	<b>32c</b>	<b>31c</b>
<b>100-250g</b>	<b>52c</b>	<b>48c</b>	<b>46c</b>	<b>45c</b>
<b>250–500g</b>	<b>83c</b>	<b>79c</b>	<b>78c</b>	<b>77c</b>



### 3 POSTAIM LIGHT

#### 3.1 AN POST PROPOSAL

Postaim Light, a direct mail service on offer to customers for mailings weighing up to 10g only, offers substantial discounts to businesses that presort approved advertising and promotional material and accept deferred delivery.

The revised proposals for Postaim Light envisage an increase of 2c or 3c depending on the volume posted. The number of volume ranges are reduced in accordance with the proposed Postaim volumes.

**TABLE 3.1 POSTAIM LIGHT (WEIGHT 0 – 10G) RATES**

	<b>2k – 75k</b>	<b>75k – 250k</b>	<b>250k – 500k</b>	<b>&gt; 500k</b>
<b>0 – 10g</b>	27c	26c	25c	25c

#### 3.2 POSITION OF THE DIRECTOR

The Director considers the An Post Postaim Light price proposal as a reasonable increase level of 2c and 3c depending on the volume levels. In addition An Post has attempted to bring consistency to volume levels by bringing them into line with the main Postaim volume bands.

**Decision No 2:**

**The following prices for Postaim Light (0 – 10g) are hereby approved:**

<b>Volume</b>	<b>2k -75k</b>	<b>75k - 250k</b>	<b>&gt; 250k</b>
<b>Price</b>	<b>27c</b>	<b>26c</b>	<b>25c</b>

## 4 LOYALTY MAIL

### 4.1 AN POST PROPOSAL

An Post's original proposal was to increase each rate by 2c. Respondents to the consultation questioned why these rates were only being increased by 2c when other rates were being increased by 3c. An Post state that Loyalty Mail rates are more closely geared to cost than Postaim and that the increase of 2c is directly reflective of the 2c increase in pre-sortation discounts

A comparison of the differences between the proposed Loyalty Mail and the proposed Postaim prices is outlined in Table 4.1. The table shows that Loyalty Mail customers will be paying substantially more for their quarterly mailings than Postaim customers generally sending similar large volumes of mail.

**TABLE 4.1 LOYALTY MAIL v POSTAIM RATES  
FOR MAILINGS > 500K**

<b>Weight not over</b>	<b>Proposed Postaim Price</b>	<b>Proposed Loyalty Prices</b>	<b>% discount on Postaim v Loyalty</b>
<b>25g</b>	25c	32c	22%
<b>50g</b>	25c	35c	29%
<b>100g</b>	31c	48c	35%
<b>250g</b>	45c	67c	33%

### 4.2 POSITION OF DIRECTOR

The Director concurs that the proposed 2c increase for loyalty mail is reasonable.

**Decision No 3:**

**A price increase of 2c at each point on the tariff scale for Loyalty Mail is hereby approved**

## 5 OTHER DIRECT MAIL SERVICES

### 5.1 AN POST PROPOSAL

#### 5.1.1 *Postaim Postage Prepaid Envelopes*

An Post's original proposal was to increase each point on the price scale by 3c. Although these prices were not formally approved in ODTR 02/32 An Post were not asked to revise their proposals. Table 5.1 outlines the prices proposed.

**TABLE 5.1 PROPOSED RATES FOR  
POSTAIM POSTAGE PREPAID ENVELOPES**

	<b>Proposed</b>	<b>1 July</b>	<b>2002</b>
<b>Volumes</b>	<b>Basic Rate</b>	<b>Pre-Sort 2 Rate</b>	<b>Pre-Sort 3 Rate</b>
<b>500–2000</b>	41c	N/A	N/A
<b>2001–5000</b>	40c	40c	N/A
<b>5001–10000</b>	40c	39c	39c

#### 5.1.2 *Postaim Response Discounts*

No changes proposed by An Post.

#### 5.1.3 *Postaim Plus*

No changes proposed by An Post.

### 5.2 POSITION OF DIRECTOR

**Decision No 4:**

**An increase of 3c is approved for each point on the price scale for Postaim Postage Prepaid envelopes.**

## **6 IMPLEMENTATION DATE**

### **6.1 POSITION OF DIRECTOR**

The Director stated in ODTR 02/32 dated 28 March 2002 Decision No 4 “ . . . *The implementation date may be decided by An Post bearing in mind the need to adequately inform customers*”. On that occasion An Post implemented the price increases effective 02 April 2002.

The Director in this case will exercise the option of specifying the effective date as being no earlier than 11 August 2002. This timeframe takes cognisance that cumulative discounts for Postaim customers normally ran from 01 July to 30 June each year and of the need to implement the proposed Postaim prices to ensure the business viability of An Post

**Decision No 5:**

**The Direct Mail Services price proposals as approved in this report are effective from 11 August 2002.**