



Media Release- 5th August 2003

ComReg publishes its response to consultation on An Post proposal for an increase in the price of Domestic Mail

The Commission for Communications Regulation (ComReg) today announced that it has agreed in principle that An Post should be allowed to increase its prices. However, final approval for the price increases has been deferred as ComReg believes that discount schemes proposed by An Post in the package are not based on cost and also are not of sufficient benefit to small and medium-sized organisations.

ComReg wishes to see discounts made available to small and medium enterprises as well as larger businesses. If An Post can provide a satisfactory response to ComReg's requirements, it is envisaged that new prices would be in place by the end of August.

ComReg said - in the light of the An Post's proposed increases - the company needs to prioritise its efforts by focussing on tangible improvements in its efficiency and by growing its volumes in order to reduce unit costs rather than having an over reliance on price increases. It also needs to demonstrate improvement in its record on quality. (Currently one in four items of mail posted as single items are not delivered the next day). These concerns were also expressed by most of the respondents to the consultation.

The main features of An Post's proposals are to increase the price of a basic stamp for standard sized envelopes from 41c to 48c; prices for larger envelopes [C4] will be 60c and lightweight packets (less than 100g) will increase to 96c. There are also increases in the prices for An Post's direct mail service (Postaim). An Post proposes to mitigate the impact of these increases by offering larger and extended discounts to its business customers. Comreg considers that the basic stamp prices as well as Postaim prices could be accepted if the discount scheme were widened to benefit smaller business and organisations and inconsistencies are ironed out.

On balance, the Commission has come to the view that an increase in prices at this point is unavoidable, given An Post's financial outlook. This increase will not solve An Post's problems on their own but will give it the time and space in which to address them. Postal prices in Ireland for standard mail will, even after this price increase remain competitive internationally although clearly continued emphasis is necessary to improve quality standards here if the consumers are to really benefit from this.

In general, the Commission is concerned that not enough has been done by An Post to improve its cost base and, in particular, that heavy investment in cost saving measures have so far not generated the forecasted improvements. The opportunity to grow postal usage in Ireland to European average levels has not been fully addressed by An Post.

The postal market in Ireland is due to be fully open to competition within six years and over that time An Post needs to improve its performance in order to be able to compete in a fully open marketplace. It is essential that An Post avoids the possibility of a spiral of increased prices and reduced volumes leading to an unsustainable position in the marketplace and endangering its Universal Service Obligation.

Commission Chairperson Etain Doyle, said "This was one of our more challenging consultations. There was clearly little appetite for these increases among the respondents to the consultation. Many were extremely worried by An Post's statements that it does not view these proposed increases as being the end of the matter. The Commission's collective view is that An Post need to address the commercial, operational and quality problems they are experiencing rather than relying on price increases to develop their business . However, given the facts currently before us we believe that we will have little option but to approve the request once the matters in relation to discounts have been addressed."

Note for editors:

The full document ComReg 03/95 is available on the our website www.comreg.ie

An Post has provided for discounts for customers with 2,000 items or more to post who meet one of a number of criteria. For example, customers who post their mail early in the day or who are willing to accept later than standard delivery are entitled to a discounted price under these proposals. ComReg considers that discounts are a good way to stimulate growth in the business, but is concerned that the discounted prices offered are not adequate. They do not consistently reflect the underlying cost savings that An Post can gain from particular discount structures. ComReg also proposes that certain discounts should be available to customers with smaller volumes of mail as this would be of benefit to small and medium businesses.

Business usage of post in Ireland is low by international standards and it represents a significant growth opportunity. ComReg also believes that smaller enterprises should be able to benefit from discounted prices at no extra cost to An Post. Discounts in general are an extremely important part of the evolution of the competitive environment in the postal market in Ireland.

ENDS

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