An Coimisiún um Rialáil Cumarsáide
Commission for Communications Regulation

ComReg's assessment of universal postal service provider's cross-border single-piece parcel delivery tariffs

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1: Executive Summary

1. Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services ("the Regulation")[1] lays down specific provisions to foster better cross-border parcel delivery services in Member States. These provisions include improving transparency of single-piece cross-border tariffs and required assessment by national regulatory authorities in Member States, the Commission for Communications Regulation ("ComReg") in Ireland, of certain single-piece cross-border tariffs by the Universal Service Provider ("USP") for the purpose of identifying those tariffs that are considered unreasonably high.

2. In accordance with the Regulation, ComReg, as the national regulatory authority for postal services in Ireland, is required to identify the single-piece cross-border tariffs of the parcel delivery service provider ("PDSP") that originates in Ireland and that are subject to a universal service obligation that it objectively considers necessary to assess. ComReg considers that in Ireland, this assessment is required of the cross-border parcel delivery tariffs of USP, An Post, only.

3. ComReg is then obliged in accordance with Article 6 of the Regulation to objectively assess, in accordance with the principles in Article 12 of Directive 97/67/EC[2], the tariffs identified in order to identify those tariffs that it considers to be "unreasonably high". In that assessment ComReg is required to consider certain specified elements.

4. In April 2020 the European Commission published the public lists of relevant tariffs for single-piece cross-border parcel delivery services applicable on 1 January 2020 and obtained in accordance with Article 5 of the Regulation. On 9 April 2020 the European Commission identified to ComReg seven tariffs for seven of the USP's products as being in the top quartile (top 25%) of tariffs, as identified via its pre-assessment filter mechanism. These tariffs were corrected by the European Commission according to purchasing-power parities, as laid down by Eurostat to achieve a true and fair comparison of the applicable tariffs across Europe. This is acknowledged by the USP, An Post, who stated that the assessment of comparing these PPP adjusted tariffs appeared *"…a legitimate means of comparison for tariffs[3]."*

[1] Article 6 of Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services ("the Regulation") published at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R0644&rid=1
[2] Article 12 of Directive 97/67/EC published at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31997L0067&from=EN
[3] Email from An Post - CBPR tables / analysis - Error check for An Post - 23 July 2020

5. ComReg observed, from reviewing the European Commission table of USP tariffs adjusted for purchasing power-parities for USPs in each Member State, that Romania was absent from the analysis when compared to prior year information. This was flagged to the European Commission on 20 April 2020, and the European Commission updated this table of analysis for all Member States that same day. Due to this omitted information, the ranking changed for the 1 kg (domestic and intra Union) track and trace letter specifically in the case of the USP in Ireland. Due to the USP of Romania being re-introduced, and its tariff being higher than that of the Irish USP, this changed the rankings. However, this pre-assessment filter mechanism was only to assist ComReg in carrying out of its identification and given that this 1 kg (domestic and intra Union) track and trace letter tariff was still ranked high in terms of being amongst the most expensive tariffs at this product weight and still remained near the top quartile in rank, ComReg continued to identify it for assessment in 2020.

6. ComReg considers that it is necessary for it to objectively assess these seven identified tariffs given that the output of the pre-assessment by the European Commission is that these seven tariffs are in or near the top quartile of purchasing power parity adjusted tariffs. Consequently, ComReg objectively considers that these identified seven tariffs are necessary to objectively assess, in accordance with the Regulation and principles in Article 12 of Directive 97/67/EC, in order to identify those cross-border single-piece parcel tariffs that ComReg considers to be unreasonably high.

7. In assessing whether any of the identified tariffs are unreasonably high, ComReg has objectively considered data from the USP's audited Regulatory Accounts[4] and other supporting data and explanatory information provided by the USP. The USP was provided with certain outputs of ComReg's analysis used in its assessment for error checking by the USP, no errors were noted by the USP.

8. Having objectively assessed, in accordance with the principles in Article 12 of Directive 97/67/EC, the cross-border tariffs of the USP (as the PDSP that originates in Ireland and that is subject to a universal service obligation) that ComReg considered objectively necessary to assess and having taken into account the elements specified in Article 6 of the Regulation, ComReg has identified one tariff, specifically the 1kg track and trace letter, that it considers be unreasonably high[5]. This is given, in summary, due to its price

[4] Public version available at https://www.anpost.com/AnPost/media/PDFs/Regulatory%20Reports/Regulatory-Reports-2019.pdf

[5] This is informed, together with other evidence and information, by the audited Regulatory Accounts; the USP disagrees with the reliance by ComReg on the audited Regulatory Accounts to inform the objective assessment and the identification of the tariff that is considered to be unreasonably high. The USP claims there are issues with relying on the audited Regulatory Accounts as it does not provide specific granularity on

increase during the year and its high margin of [✂ [redacted] ✂] which afforded an opportunity for consideration of a price reduction during the year instead of a price increase in 2019. This margin is determined from key cost per unit information provided by the USP from its audited Regulatory Accounts 2019.

9. Given this high margin of [✂ [redacted] ✂] is derived from the USP's audited Regulatory Accounts, ComReg requested the USP to provide detailed reasons, if any, as to why the 1kg track and trace letter should not be considered unreasonably high. The USP stated[6] that the methodology underpinning the [✂ [redacted] ✂] profit was *"incomplete and misleading"*. However, ComReg notes that in last year's assessment, the USP noted that the unaudited cost information, which was more indicative in terms of highlighting internal and external costs separately, but also derived a different profit margin analysis, was *"indicative rather than robust accounting data"*[7]; this was and is agreed with still by ComReg. Therefore, the methodology of the margin derived from the audited Regulatory Accounts was used last year in the assessment without issue. However, when questioned regarding why the tariff should not be considered unreasonably high, the USP now claims that this methodology cannot be used to derive service costs and margins. In light of this claim the USP has instead referred to this unaudited analysis of the direct and internal costs by service to be used for deriving a reduced profit margin, but as a methodology was considered last year as *"indicative rather than robust accounting data"* analysis for this same purpose.

10. ComReg does not agree that the unaudited cost information should be used. However, if ComReg were to consider this unaudited analysis by the USP, it shows instead a [✂ [redacted] ✂] margin for the 1kg Trace & Trace Letter and also shows significant profit margins for other product tariffs originally flagged under the EU Commission pre-filtering mechanism, see Figure 1 below.

11. Notwithstanding issues with using this unaudited cost information, ComReg notes that this unaudited cost information would also lead to concerns for ComReg's objective assessment that this tariff as being considered unreasonably high given the high margin of [✂ [redacted] ✂]. It is also noted that, according to the USP, [✂ [redacted] ✂] is the most popular destination for this product and, according to the USP, that records a margin of [✂ [redacted] ✂] using the unaudited cost analysis.

cost for each of the tariffs under assessment. ComReg will discuss with the USP for next year how to allocate costs accurately, as required by ComReg's Accounting Direction.

[6] Letter from USP dated 08/10/2020
[7] Letter from USP dated 26/06/2019

Figure 1[8] [✂ REDACTED ✂]

[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted]]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
1kg Track and Trace Letter	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[[redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
1kg Standard Parcel	[✂ [redacted] ✂]%	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2kg Standard Parcel	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[[redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
5kg Standard Parcel	[✂ [redacted] ✂]	[[redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
1kg Track and Trace Parcel	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2kg Track and Trace Parcel	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
5kg Track and Trace Parcel	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]

12. The USP also raised other matters explaining why it considered the tariff was not unreasonably high. ComReg has also considered these matters and further detail is provided in paragraphs 88 -91 and 105.

13. Based on its analysis using the audited regulatory accounts information, ComReg considers that the other six tariffs assessed, for the 1, 2 and 5kg standard parcels and 1, 2 and 5kg track and trace parcel as being potentially unreasonably high and will consider these tariffs for assessment next year. These are being identified as potentially unreasonably high, with the tariffs reporting an audited margin of [✂ [redacted] ✂] and being amongst the highest, if not the highest tariffs amongst other USPs in other EU Member

[8] Letter from AP 29/05/2020 with accompanying excel workbooks ("Appendix A – Zonal Parcel Analysis"), and Letter of 22/06/2020 copied table of "Summary as per letter"

States through analysis of these tariffs after being adjusted for purchasing-power parities. These tariffs will be considered for assessment by ComReg next year:

- given the noted significant cost volatility due to external payable costs;
- given a reduction in internal costs in 2019 and likely to continue for 2020, as advised by the USP, An Post, *"due to Indirect and Common costs being apportioned to Non-USO parcels as their volume increased from 2018-2019"*[9] ;
- given these products are universal postal services and are required to be cost oriented and affordable;
- given the conflicting high profit margins provided by the USP in its unaudited analysis to justify why 1kg Trace & Trace Letter was not unreasonably high;
- noting the relatively low volumes of these products, according to the USP.

14. In summary, ComReg's objective assessment of the identified single-piece cross-border parcel delivery tariffs that it considers to be unreasonably high is as follows:

Figure 2

Identified Tariff Products	Tariff Zone 3[10] - 01/01/2019	2019 - Identified Tariffs	Tariff Zone 3 – 01/01/2020	2020 - Identified Tariffs	Price Change 2019/20	ComReg's objective assessment
a 1 kg (domestic and intra Union) track and trace letter	18.00	No	18.50	Yes	0.50	Considered unreasonably high[11]

[9] Email from An Post - CBPR tables / analysis - Error check for An Post – 13 July 2020

[10] The USP's Zone 3 is a uniform tariff for sending to Europe, including European countries that are not Member States (figure 2)

[11] This is informed, together with other evidence and information, by the audited Regulatory Accounts; the USP disagrees with the reliance by ComReg on the audited Regulatory Accounts to inform the objective assessment and the identification of the tariff that is considered to be unreasonably high. The USP claims there are issues with relying on the audited Regulatory Accounts as it does not provide specific granularity on cost for each of the tariffs under assessment. ComReg will discuss with the USP for next year how to allocate costs accurately, as required by ComReg's Accounting Direction. (Figure 2).

a 1 kg (domestic and intra Union) standard parcel	28.00	Yes	28.00	Yes	0.00	Consider for assessment next year
Identified Tariff Products	**Tariff Zone 3 - 01/01/2019**	**2019 - Identified Tariffs**	**Tariff Zone 3 – 01/01/2020**	**2020 - Identified Tariffs**	**Price Change 2019/20**	**ComReg's objective assessment**
a 2 kg (domestic and intra Union) standard parcel	35.50	Yes	35.50	Yes	0.00	Consider for assessment next year
a 5 kg (domestic and intra Union) standard parcel	67.00	Yes	67.00	Yes	0.00	Consider for assessment next year
a 1 kg (domestic and intra Union) track and trace parcel	40.00	Yes	35.00	Yes	-5.00	Consider for assessment next year
a 2 kg (domestic and intra Union) track and trace parcel	49.00	Yes	42.50	Yes	-6.50	Consider for assessment next year
a 5 kg (domestic and intra Union) track and trace parcel	79.00	Yes	74.00	Yes	-5.00	Consider for assessment next year,

2: Information Gathering

15. In April 2020 the European Commission published the public lists of relevant tariffs for cross-border parcel delivery services applicable on 1 January 2020 and obtained in accordance with Article 5 of the Regulation. On 9 April 2020 the European Commission flagged to ComReg seven tariffs for seven of the USP's products as being in the top quartile (top 25%) of tariffs (including the 1 kg (domestic and intra Union) track and trace letter before later re-ranking), as identified via their pre-assessment filter mechanism. These are set out in Figure 3. These tariffs were corrected by the European Commission according to purchasing-power parities as part of this filtering mechanism, as laid down by the European Commission to achieve a true and fair comparison of the applicable tariffs across Europe[12].

Figure 3

Identified Tariff Products	**Tariff Zone 3[13] – 01/01/2019**	**2019 - Identified Tariffs**	**Tariff Zone 3 – 01/01/2020**	**2020 - Identified Tariffs**	**Price Change 2019/20**
a 1 kg (domestic and intra Union) track and trace letter	18.00	No	18.50	Yes	0.50
a 1 kg (domestic and intra Union) standard parcel	28.00	Yes	28.00	Yes	0.00
a 2 kg (domestic and intra Union) standard parcel	35.50	Yes	35.50	Yes	0.00
a 5 kg (domestic and intra Union) standard parcel	67.00	Yes	67.00	Yes	0.00
a 1 kg (domestic and intra Union) track and trace parcel	40.00	Yes	35.00	Yes	-5.00
a 2 kg (domestic and intra Union) track and trace parcel	49.00	Yes	42.50	Yes	-6.50
a 5 kg (domestic and intra Union) track and trace parcel	79.00	Yes	74.00	Yes	-5.00

[12] This correction was noted in the '*Communication from the Commission on guidelines to national regulatory authorities on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263'* (COM (2018) 338 final)
[13] The USP's Zone 3 is a uniform tariff for sending to Europe, including European countries that are not Member States

16. ComReg considers that it is necessary for it to objectively assess these seven identified tariffs given that the output of the pre-assessment by the European Commission is that these seven tariffs are in or near the top quartile of purchasing power parity adjusted tariffs. Consequently, ComReg objectively considers that these identified seven tariffs are necessary to objectively assess, in accordance with the Regulation and principles in Article 12 of Directive 97/67/EC, in order to identify those cross-border single-piece parcel tariffs that ComReg considers to be unreasonably high.

17. Therefore, ComReg proceeded to the next stage of the assessment by requesting information from the USP pursuant to Article 6(5) of the Regulation to justify and explain why these tariffs should not be considered unreasonably high as at 1 January 2020. ComReg also required the USP to provide information to demonstrate how each of these identified tariffs met the obligation to uphold the principles contained in Article 12 of Directive 97/67/EC i.e. that tariffs must be cost-orientated, affordable, transparent and non-discriminatory.

18. ComReg wrote to the USP initially on 27 April 2020, with ongoing correspondence and clarifications to these requests being made up to 10 July 2020. ComReg's assessment was also dependent on the finalisation and sign-off of the 2019 Regulatory Accounts[14] by an independent Auditor before such key information could be utilised by ComReg and so that the USP could provide further detailed analysis for ComReg's use in this assessment.

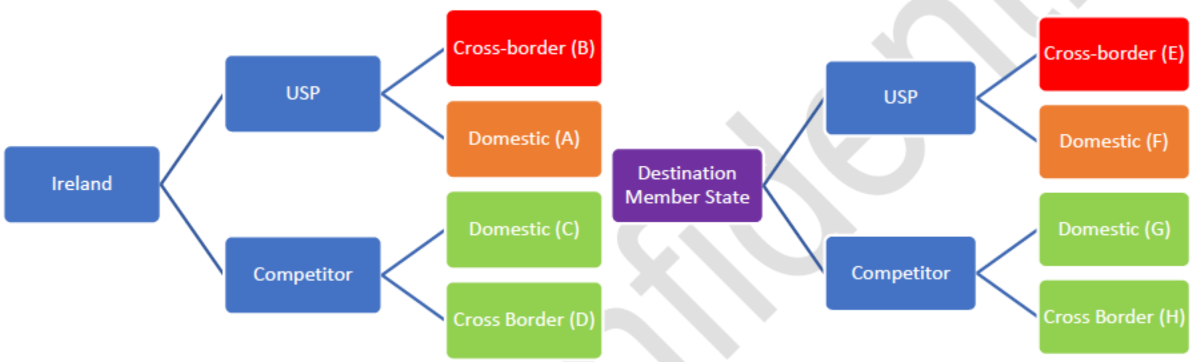
19. ComReg gathered information via letter correspondence with the USP, with supporting data in excel files being provided also to support analysis on these tariffs. This information was cost information and volumes information from USP internal systems, with supporting commentary given to explain differences in zonal prices, and price changes between standard parcels and registered parcels. Details of this specific correspondence between ComReg and USP is provided in the attached Annex 1. Analysis of this information and data is detailed in Chapters 3 and 4.

[14] 2019 Regulatory Accounts – Published on 25 June 2020 – see Summary version at https://www.anpost.com/AnPost/media/PDFs/Regulatory%20Reports/Regulatory-Reports-2019.pdf. P&L information for International Outbound Parcels and International Outbound Registered products.

3: Assessment Process and Analysis

20. For this year's assessment, ComReg applied a form of analysis, adherent to the guidelines communicated by the European Commission for National Regulatory Authorities on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644, which detailed guidance on the methodology to be used for the assessment of the cross-border single-piece tariffs (Article 6(2) and 6(3))(COM(2018) 838 final). This is detailed in Figure 4 below.

Figure 4



21. ComReg has carried out the following step by step process in assessing the reasonable pricing of products, taking into consideration the following benchmarks, as supported by the European Commission Guidelines[15]:

    a. Analysis of rates adjusted for purchasing-power parities as provided by the European Commission as an output from its web-based Parcel tool,

    b. Following the European Commission guidelines, compared then the identified seven tariffs of the Irish USP to the tariffs by European universal service providers across Member States.

22. As per the European Commission guidelines, this task, compared the Irish USP tariffs to:

    - Domestic cross-border rate of USP compared to Domestic cross-border rate in the destination member state to Ireland (B to E, as per Figure 4 above),

[15] Supported analysis recommendations from Commission guidelines document "*COM (2018) 838 final*"

- Outbound selected rates of USP compared to Origin based competitors in Ireland to Destinations i.e. UK and Mainland Europe (B to D, as per Figure 4 above).

23. In using this approach, ComReg has noted that there are different pricing mechanisms for operators that have provided tariff information via the European Commission web-based tool. Although weight break criteria are set for the 15 products under the Regulation, other providers do place additional pricing criteria on the sizes of packets & parcels, and these dimensions and or volumetric pricing criteria add a further level of complexity to comparing these products and prices fairly across member states. There are also other add value services that certain products may carry such as speed of delivery that likewise adds difficulty in comparing products.

24. In addition to the above analysis, consideration was given for prior year figures from the first year of the Regulation taking effect. Such trend analysis is illustrated in the below sections.

25. In addition to the above benchmarking test, ComReg carried out an assessment of tariffs taking into consideration the following:

    - the USP's audited Regulatory Account information for 2018 and 2019;
    - the USP's public price guides for universal postal services;
    - bilateral volumes and cost related to transportation, handling, sorting, transit and delivery abroad;
    - the existence of uniform tariffs as a positive measure for the protection of regional and social cohesion, transparency, development of e-commerce and non-discrimination of geographic location;
    - Terminal dues;
    - Zonal price changes between Zone 1, Zone 2 and Zone 3, and the relationship of how / if any price change in one zone might impact negatively or positively other zones;
    - Difference in costs and prices for both standard parcels and Trace and Trace Parcels (Registered Parcels) and Track and Trace letters (registered packet).

26. All these factors are separately assessed and supported by commentary and supporting data from the USP. Once again, trend analysis is utilised to show prior year changes and what potential volume differences might have impacted price.

27. The product categories are determined by the European Commission under the Regulation. On that basis, PDSPs were required to provide information on their products that were within the criteria of the categories set pursuant to Regulation (EU) 2018/644. However, as noted earlier in this report, there are many alternative pricing mechanisms PDSPs use whether by weight breaks, dimension criteria of packets / parcels, alternative volumetric measurements or even a combination of both, as well as other add on services, so therefore it is not possible to align or match products for comparison purposes directly, more that they are placed in a similar cohort for reasonable comparison under this study for reasonable pricing. An example would be GLS in Ireland, where their products are set at a floor minimum price point for each weight break. However, this minimum is then subject to a further flex in price based on the product being "small", "medium" or "large" – each criterion having dimension restrictions. Therefore, although a price as at 1 January 2020 for GLS ranked cheaper and more favourable to that of the USP for delivery of a 1kg Parcel, this does not take into considerations of the other variables to consider for delivering a single piece parcel item via the USP or GLS.

28. For example, when referring to specific products of the USP compared to the product categories in the Regulation, the USP does not have 500g standard letter, 1kg standard letter or 2kg standard letter product, rather they are priced as a large envelope or a 1kg and 2kg packet or parcel respectively. This is an important point in pricing terms for the USP, as the difference in processing a letter to a packet or parcel is significant. A packet or parcel will incur more manual handling costs and therefore would be significantly more expensive than a letter in terms of processing. This is illustrated in Figure 5 below, with tariffs for a 500g standard letter ranging from €5.70 to €28.00 to mainland Europe based on the USP pricing guide, a parcel being nearly 5 times the price of a large envelope at the same weight break, or for a 1 kg or 2kg parcel to mainland Europe being nearly 2.5 times the tariff of its counterpart as a packet based on dimensions alone. This then may limit a fair and direct comparison of these products to other providers; for example, providers may have the capability of processing these items by machine instead of through manual handling or could have different methods of processing each product regardless of weight or dimensions, therefore the price and processing / logistics chain could be more efficient and less costly. Furthermore, the Regulation does not seek to determine what is efficiency in an organisation i.e. lean cost base, rather it only observes what are the top line tariffs

and whether reasonable margins are made which would then suggest the product (s) are then cost-orientated and reasonably priced.

Figure 5

Product categories for USP	Zones	Letter	Large Envelope	Packet	Parcel
a 500 g (domestic and intra Union) standard letter	Zone 1 (Ireland)	n/a	€ 3.40	€ 6.20	€ 9.00
a 500 g (domestic and intra Union) standard letter	Zone 2 (UK)	n/a	€ 5.70	€ 7.50	€ 21.00
a 500 g (domestic and intra Union) standard letter	Zone 3 (Mainland Europe)	n/a	€ 5.70	€ 8.00	€ 28.00
a 1 kg (domestic and intra Union) standard letter	Zone 1 (Ireland)	n/a	n/a	€ 9.00	€ 9.00
a 1 kg (domestic and intra Union) standard letter	Zone 2 (UK)	n/a	n/a	€ 11.00	€ 21.00
a 1 kg (domestic and intra Union) standard letter	Zone 3 (Mainland Europe)	n/a	n/a	€ 11.50	€ 28.00
a 2 kg (domestic and intra Union) standard letter	Zone 1 (Ireland)	n/a	n/a	€ 9.00	€ 9.00
a 2 kg (domestic and intra Union) standard letter	Zone 2 (UK)	n/a	n/a	€ 14.00	€ 21.00
a 2 kg (domestic and intra Union) standard letter	Zone 3 (Mainland Europe)	n/a	n/a	€ 14.50	€ 35.50

29. Furthermore, there may be products under the Regulation that are seen by some Member States universal service providers as being a Non-USO service and are an add-value service, and therefore will not provide data on these products for this study as a comparison. One such example would be the UK noting that Track and Trace parcels are

Non-USO, however USP note that these are in fact a replica of registered products, and therefore being a universal service have provided tariff information on this product.

30. Taking the above into consideration, ComReg remains of the view that the PPP adjusted tariffs for each product do give a strong indicative position of whether cross-border parcel tariffs could be perceived as being unreasonably high or not. The USP also was of the view[16], when carrying out error checks on the figures for comparison of PPP adjusted tariffs produced by ComReg, that although they could not replicate the analysis, that in principle *"the ratio analysis described appears a legitimate means of comparison for tariffs."*[17] The USP also shared information on Household final consumption expenditure across Europe from Eurostat to support the principles of needing to adjust for PPP.

31. The European Commission flagged the top 25% highest tariffs for the Irish USP. ComReg objectively considers that these seven identified tariffs are necessary to objectively assess, in accordance with the principles in Article 12 of Directive 97/67/EC, in order to identify those cross-border single-piece parcel tariffs that ComReg considers to be unreasonably high and on that basis has proceeded with the assessment by carrying out a further comparison study which is guided by the principles of the guidelines document provided by the European Commission.

32. Note that the PPP adjusted tariffs submitted in 2020 for EU Member States USPs were used in comparison ranking analysis in section 3.1 below. Furthermore, of the non-adjusted tariffs published on the European Commission website, this year there are 28 Member States represented in the public listing of products and tariffs, Germany was the addition for 2020, although for completeness purposes, it must be noted Germany does not have USP adjusted tariffs to be used for the assessment piece in comparing tariffs in the different product categories under this Regulation.

3.1 USP cross border rates compared to incoming cross border rates from USPs in destination Member States

33. In April 2020, the European Commission published its findings of the top 25% tariffs for 15 products categories. Of these 15 Products, seven tariffs[18] for seven products of the Irish USP in 2020 were identified as being in the top quartile for listed tariffs amongst USPs (originally ranked seven, 1 kg (domestic and intra Union) track and trace letter changed after re-ranking with inclusion of Romanian tariffs but kept as part of assessment). This

16 Email from An Post on 10 July 2020, fact check for analysis carried out by ComReg
17 Email from An Post - CBPR tables / analysis - Error check for An Post – 13 July 2020
18 Tariffs as at 1 January 2020 – Adjusted by PPP for tariffs for 15 Products applicable under the Regulation

compared to eleven tariffs for seven products identified in 2019. Of the seven products identified by ComReg for assessment in 2020, a prior year comparison of tariff changes and then rankings versus other universal service providers has been provided. The ranking process will be outlined and explained in the analysis in the next section for each product identified.

Figure 6

Identified Tariff Products	Tariff Zone 3 – 01/012019	Tariff Zone 3 – 01/01/2020	Diff	% Difference	Rank 2019	Rank 2020
a 1 kg (domestic and intra Union) track and trace letter	18.00	18.50	0.50	2.78%	5th/ 14 USP PDSPs	5th/ 15 USP PDSPs
a 1 kg (domestic and intra Union) standard parcel	28.00	28.00	0.00	0.00%	4th / 16 USP PDSPs	2nd / 16 USP PDSPs
a 2 kg (domestic and intra Union) standard parcel	35.50	35.50	0.00	0.00%	2nd 16 USP PDSPs	2nd / 16 USP PDSPs
a 5 kg (domestic and intra Union) standard parcel	67.00	67.00	0.00	0.00%	1st / 16 USP PDSPs	1st / 16 USP PDSPs
a 1 kg (domestic and intra Union) track and trace parcel	40.00	35.00	-5.00	-12.50%	2nd / 23 USP PDSPs	4th / 22 USP PDSPs
a 2 kg (domestic and intra Union) track and trace parcel	49.00	42.50	-6.50	-13.27%	2nd / 23 USP PDSPs	4th / 23 USP PDSPs
a 5 kg (domestic and intra Union) track and trace parcel	79.00	74.00	-5.00	-6.33%	1st / 23 USP PDSPs	1st / 22 USP PDSPs

34. As per the European Commission guidelines, ComReg has carried out analysis that determines the ratio for each the USP outbound tariff to a destination Member State to then its counter receiving inbound tariff from each of these destination Member States USPs to determine a ranking of these tariffs for delivery of the same product under the criteria of being the same reasonably comparable product and travelling the same

distance of delivery e.g. Ireland to Poland, Poland to Ireland. These rates are adjusted for PPP for the purpose of fairness and comparability also.

35. As can be seen from Figure 6 above, of the products that were identified by ComReg:

    a. The tariffs identified are amongst the most expensive tariffs based on ComReg's analysis, and six of these tariffs for 2020 identified, were also considered in the top 25% most expensive tariffs for each product in 2019 also;

    b. Of the tariffs identified, ComReg can further determine that of these products tariffs are in the top 5 most expensive tariffs to and from Ireland when compared to other USPs. In particular, the 5kg Standard parcel and the 5kg track & trace parcel (registered parcel) are both the most expensive product service to and from Ireland amongst European USPs. The 1kg and 2kg standard parcel services follow as the second most expensive product services to and from Ireland amongst European USPs. The remaining three track & trace products (registered products) i.e. 1kg T&T letter, 1kg T&T parcel and the 2kg T&T parcel, are all noted as being the fifth (in case of 1 kg T&T letter) or fourth highest tariffs for these service to and from Ireland amongst European USPs.

36. Therefore, the above supports the identification of these tariffs as being potentially unreasonably high for further objective assessment by ComReg. Further details per product is noted below.

3.1.1 1kg (domestic and intra Union) track and trace letter

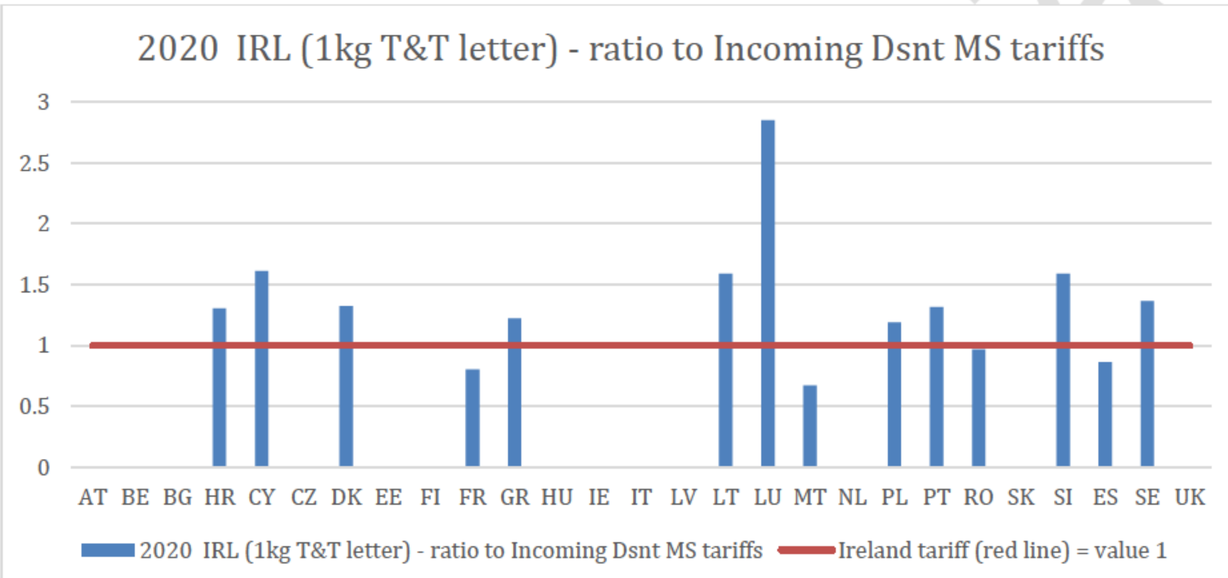
37. In Figure 7 below, the red line equals the USP rate (1:1). A ratio higher than 1 indicates that for each destination on the X axis, the outgoing rate from that destination to Ireland is less expensive than the USP rate to that destination country. Furthermore, the countries which note values below the red line, then this indicate that these rates are more expensive than the USP rate to send a product from that destination to Ireland compared from Ireland to that destination.

38. The graph below shows that only four countries - Malta, France, Spain and Romania are more expensive than the Irish USP rate when comparing the universal service provider rates in each of these countries.

39. Of the remaining 9 Member States (excluded Luxembourg[19]), the average rate of these tariffs is €11.85. When compared to the Irish USP rate of €16.28 (apart from UK which has tariff of €15.84), this notes that the Irish USP tariff 37% higher versus the average.

40. The outlier excluded from this comparison is despatched products to / from Ireland and Luxembourg. Rates from Luxembourg to Ireland are almost 3 times cheaper than Ireland.

Figure 7



3.1.2 1kg (domestic and intra Union) standard parcel

41. In Figure 8 below, the red line equals the USP rate (1:1). A ratio higher than 1 indicates that for each destination on the X axis, the outgoing rate from that destination to Ireland is less expensive than the Irish USP rate to that destination country. Furthermore, the countries which note values below the red line, then this indicate that these rates are more expensive than the Irish USP rate to send a product from that destination to Ireland compared from Ireland to that destination.

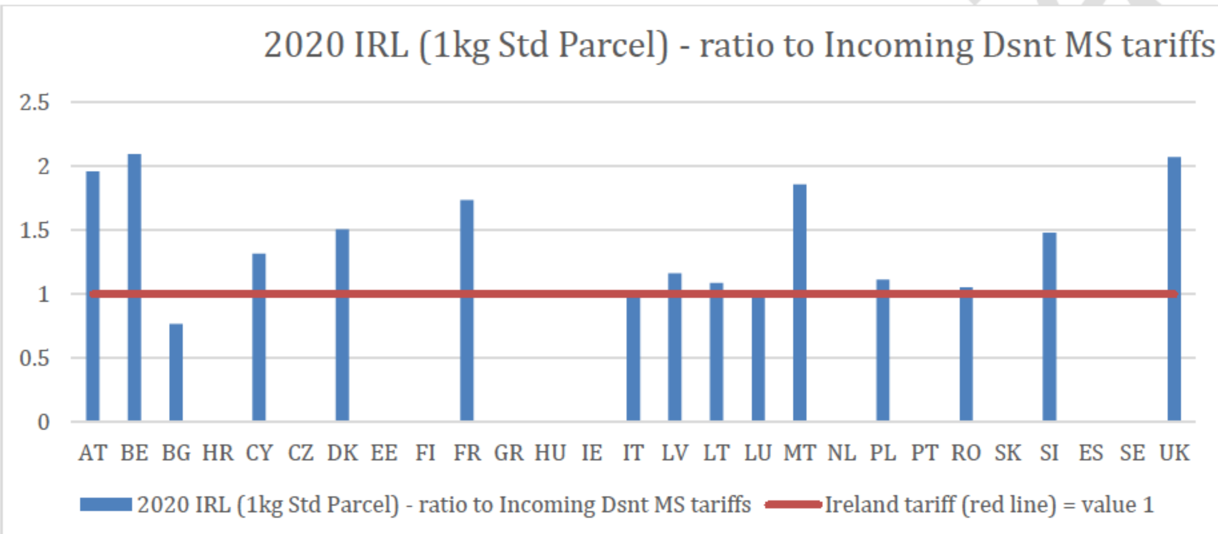
42. The graph below shows that only one country, Bulgaria, has a more expensive than the Irish USP rate when comparing the universal service provider rates in each of the Member States.

[19] Luxemburg tariff an outlier at rate of only €5.71 versus next lowest rate of €10.10 from Cyprus

43. Of the remaining 13 Member States (excluding UK) the average rate of these tariffs is €18.57. When compared to the Irish USP rate of €24.63 (apart from the UK which has a tariff of €18.47), this notes that the Irish USP tariff is 32.6% higher versus the average.

44. The outliers excluded from this comparison is despatched products to / from Ireland from destination country the UK. Rates from UK to Ireland are 2 times cheaper than Ireland.

Figure 8



3.1.3 2kg (domestic and intra Union) standard parcel

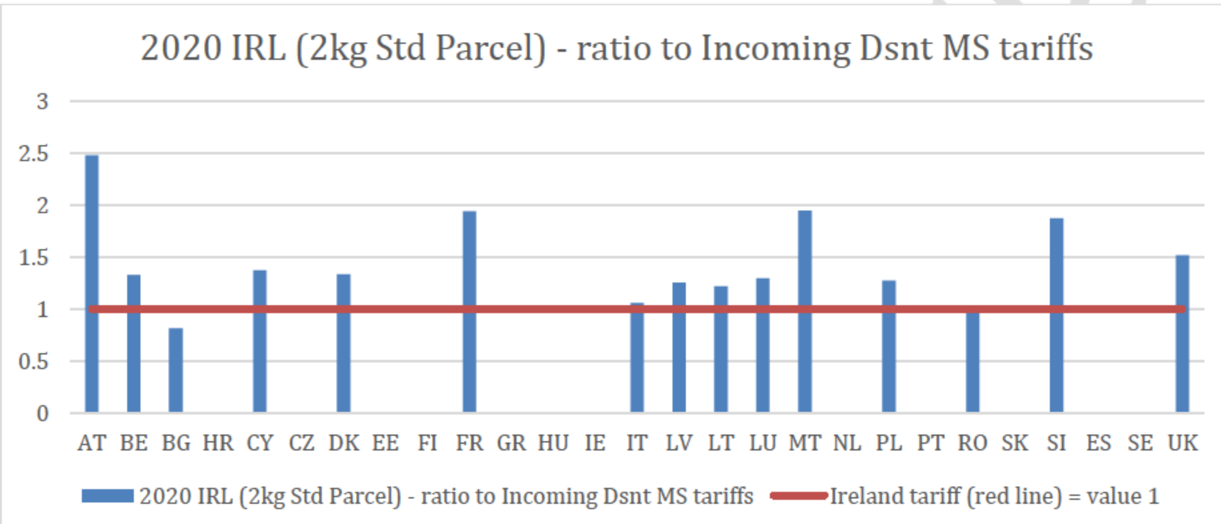
45. In Figure 9 below, the red line equals the USP rate (1:1). A ratio higher than 1 indicates that for each destination on the X axis, the outgoing rate from that destination to Ireland is less expensive than the USP rate to that destination country. Furthermore, the countries which note values below the red line, then this indicate that these rates are more expensive than the USP rate to send a product from that destination to Ireland compared from Ireland to that destination.

46. The graph below shows that only one country - Bulgaria has a more expensive than the USP rate when comparing the universal service provider rates in each of the member states.

47. Of the remaining 12 Member States (excluding outliers Austria & UK) the average rate of these tariffs is €23.12. When compared to the USP rate of €31.23 (apart from the UK tariff of €18.47), this notes that USP tariff is 35% higher versus the average.

48. The outliers excluded from this comparison is despatched products to / from Ireland from destination countries Austria and the UK respectively. When reviewing the average price for these two countries i.e. €12.38, this average tariff to Ireland are almost 2.5 times cheaper than Ireland.

Figure 9



3.1.4 5kg (domestic and intra Union) standard parcel

49. In Figure 10 below, the red line equals the USP rate (1:1). A ratio higher than 1 indicates that for each destination on the X axis, the outgoing rate from that destination to Ireland is less expensive than the USP rate to that destination country. Furthermore, the countries which note values below the red line, then this indicate that these rates are more expensive than the USP rate to send a product from that destination to Ireland compared from Ireland to that destination.

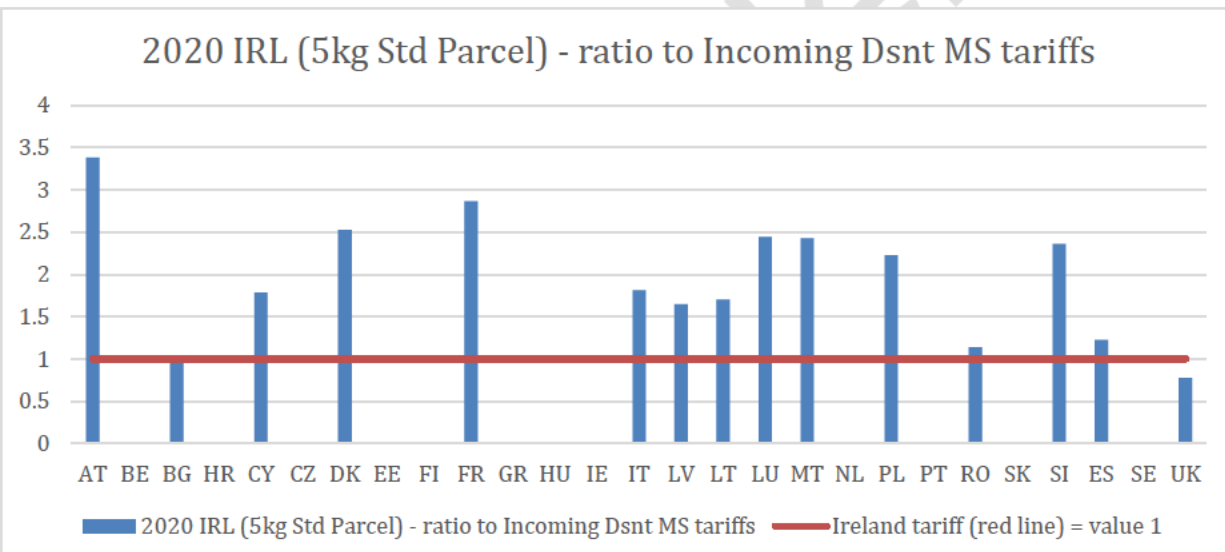
50. The graph below shows that no country has a more expensive tariff than the USP rate when comparing the universal service provider rates in each of the member states.

51. Of the remaining 13 Member States (excluding outliers France & Austria) the average rate of these tariffs is €33.95. When compared to the USP rate of €58.94 (apart from UK with rate of €20.23), this notes that USP tariff is 74% higher versus the average.

52. The outliers excluded from this comparison is despatched products to / from Ireland from destination countries France and the Austria respectively. When reviewing the average price for these two countries i.e. €19.00, this average tariff to Ireland are almost 3 times cheaper than Ireland.

53. It is also noted that for Zone 2 pricing, the UK tariff is more expensive than the Irish Tariff. This is due to the significant price decrease of 50.5% in 2019 to lower the tariff from €46.50 to €23.00.

Figure 10



3.1.5 1kg (domestic and intra Union) track and trace parcel

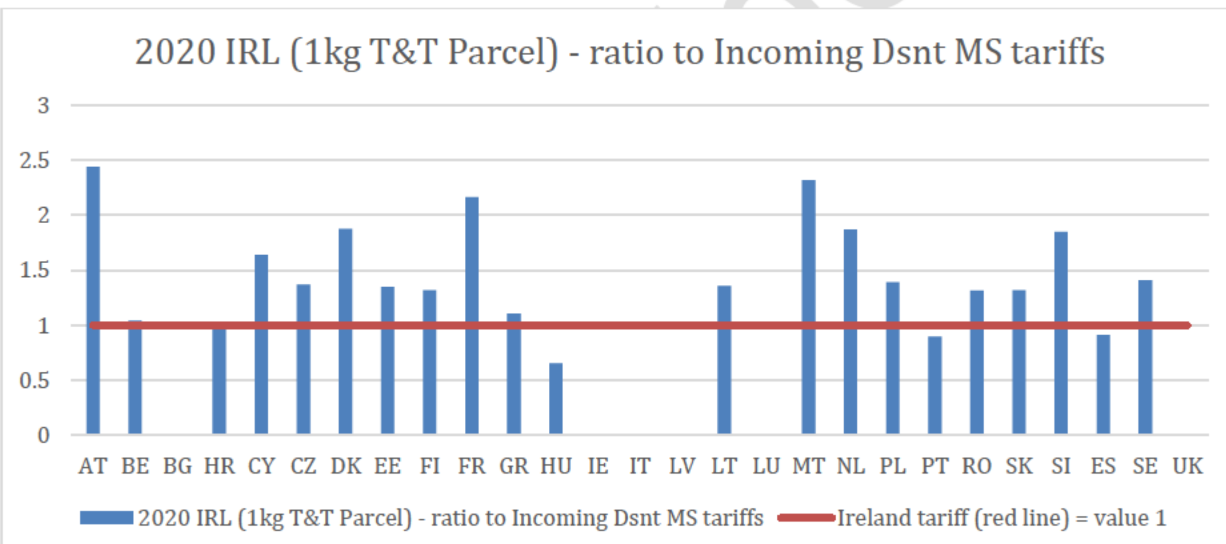
54. In Figure 11 below, the red line equals the USP rate (1:1). A ratio higher than 1 indicates that for each destination on the X axis, the outgoing rate from that destination to Ireland is less expensive than the USP rate to that destination country. Furthermore, the countries which note values below the red line, then this indicate that these rates are more expensive than the USP rate to send a product from that destination to Ireland compared from Ireland to that destination.

55. The graph below shows that three countries - Hungary, Portugal and Spain has a more expensive than the USP rate when comparing the universal service provider rates in each of the member states.

56. Of the remaining 15 Member States (excluding outliers France, Malta and Austria) the average rate of these tariffs is €22.50. When compared to the USP rate of €30.79 (apart from the UK tariff of €24.63), this notes that USP tariff is 37% higher versus the average.

57. The outliers excluded from this comparison is despatched products to / from Ireland from destination countries France, Malta and Austria respectively. When reviewing the average price for these two countries i.e. €13.36, this average tariff to Ireland are more than two times cheaper than Ireland.

Figure 11



3.1.6 2kg (domestic and intra Union) track and trace parcel

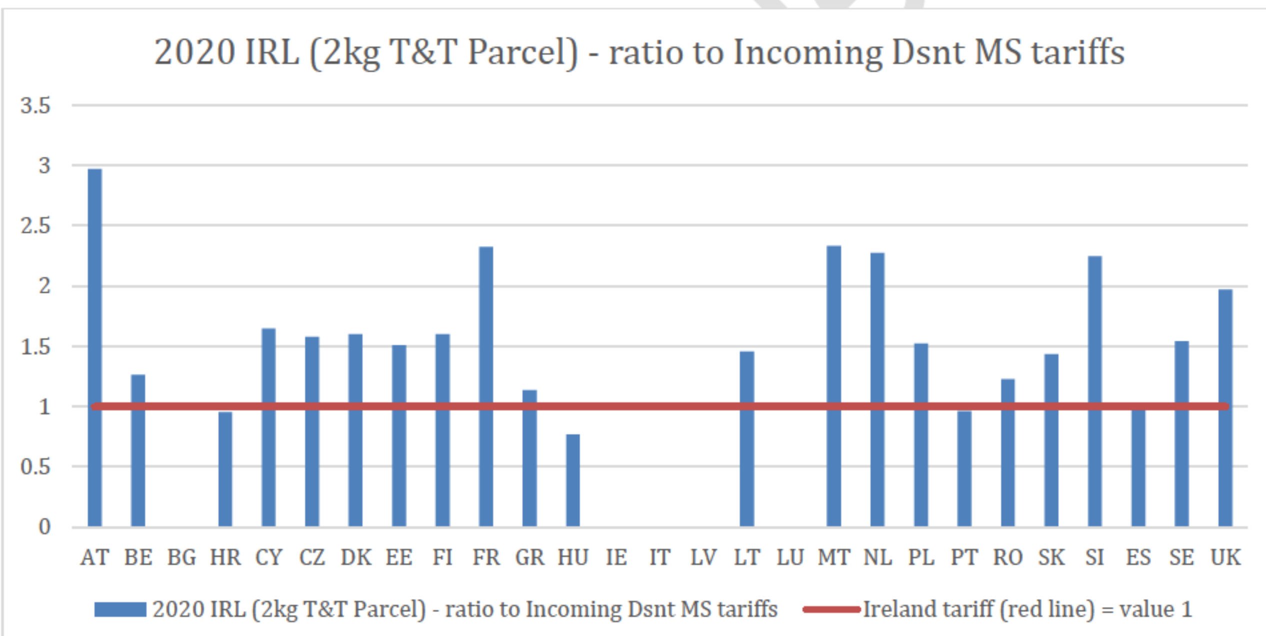
58. In Figure 12 below, the red line equals the USP rate (1:1). A ratio higher than 1 indicates that for each destination on the X axis, the outgoing rate from that destination to Ireland is less expensive than the USP rate to that destination country. Furthermore, the countries which note values below the red line, then this indicate that these rates are more expensive than the USP rate to send a product from that destination to Ireland compared from Ireland to that destination.

59. The graph below shows that only three countries – Hungary, Croatia and Portugal have a more expensive tariff than the USP rate when comparing the universal service provider rates in each of the member states.

60. Of the remaining 17 Member States (excluding outliers Austria & UK) the average rate of these tariffs is €24.34. When compared to the USP rate of €37.39 (apart from the UK tariff of €24.63), this notes that USP tariff is 54% higher versus the average.

61. The outliers excluded from this comparison is despatched products to / from Ireland from destination countries UK and Austria respectively. When reviewing the average price for these two countries i.e. €12.55, this average tariff to Ireland is almost three times cheaper than Ireland.

Figure 12



3.1.7 5kg (domestic and intra Union) track and trace parcel

62. In Figure 13 below, the red line equals the USP rate (1:1). A ratio higher than 1 indicates that for each destination on the X axis, the outgoing rate from that destination to Ireland is less expensive than the USP rate to that destination country. Furthermore, the countries which note values below the red line, then this indicate that these rates are

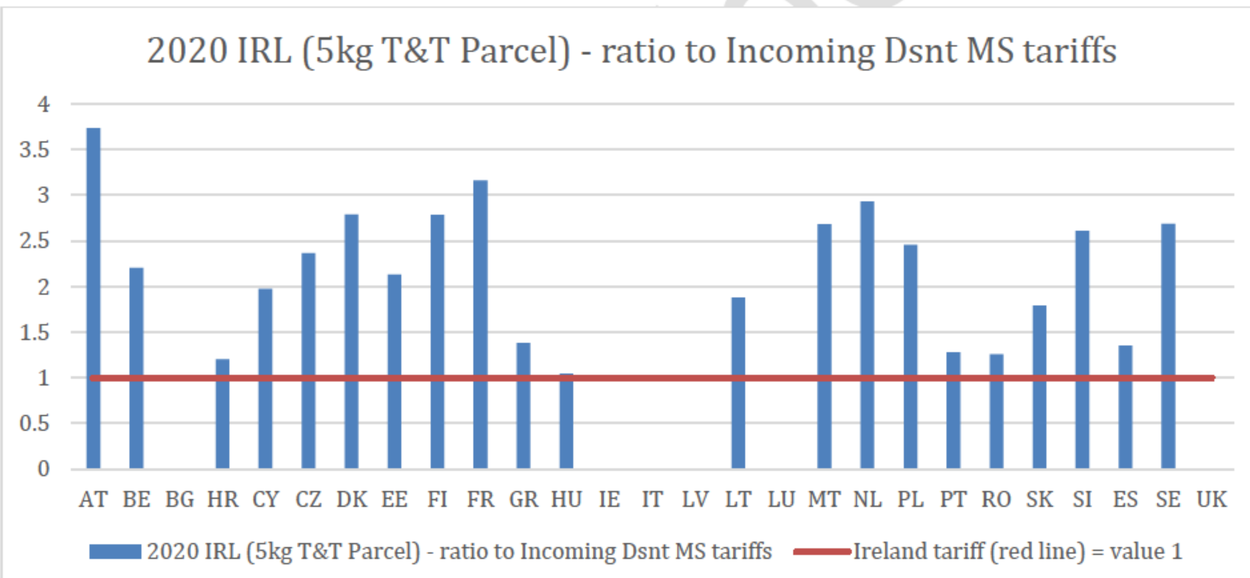
more expensive than the USP rate to send a product from that destination to Ireland compared from Ireland to that destination.

63. The graph below shows that no country has a more expensive tariff than the USP rate when comparing the universal service provider rates in each of the member states.

64. Of the remaining 11 Member States (excluding outliers Belgium & UK) the average rate of these tariffs is €34.76. When compared to the USP rate of €65.10 (apart from the UK tariff of €26.39), this notes that USP tariff is 87% higher versus the average.

65. The outliers excluded from this comparison is despatched products to / from Ireland from destination country Austria. When reviewing the price for Austria i.e. €17.43, this tariff to Ireland is almost four times cheaper than Ireland.

Figure 13



3.2 Analysis of USP information to justify why its tariffs are not unreasonably high

66. The USP provided information to support its view that their tariffs identified were not unreasonably high. ComReg has carried out analysis on this information, under the below headings meeting the requirements of Article 6(2) for consideration of numerous factors in pricing.

3.2.1 External costs analysis (handling costs, trunking, Delivery) – outbound packet /parcels

67. ComReg sought to identify in particular the external costs associated with sending a registered packets and standard and registered parcels abroad i.e. handling costs, trunking, transport and delivery which according to ComReg's analysis can vary from [✂ [redacted] ✂] of total cost between that of standard and registered parcels sent to Zone 2 (UK) and to Zone 3(EU MS and Other). The 1kg registered letter though can have estimated external cost of nearly [✂ [redacted] ✂] based on the USP figures (internal cost [✂ [redacted] ✂] and External cost of [✂ [redacted] ✂]). Also, destination in Zone 3 can also impact costs, for example [✂ [redacted] ✂]per 1kg to [✂ [redacted] ✂] versus, [✂ [redacted] ✂]to [✂ [redacted] ✂]. ComReg sought to assess how significant these external cost differences were by Zone and to assess the cost differences at a product level between registered and standard parcels per Zone.

68. In terms of the above, the USP noted the following also:

   a. [✂ [redacted] ✂], and therefore they are reviewing the evolving volumes trends and effects on margins for these international parcel services;

   b. *"…[✂ [redacted] ✂]"*[20].

69. As seen in Figure 14 below, there are large differences between both Zones and then when factoring type of product of either registered or standard parcels. On review, it can be seen that scale payments and trunking are relatively fixed but the main variable to consider when managing cost and therefore pricing between Zones is that of line haul fees and Delivery fees.

70. Cost can vary significantly by zone:

- Delivery fees (Zone 2 to Zone 3) –
  - Standard products – [✂ [redacted] ✂] difference, [✂ [redacted] ✂]
  - Registered products – [✂ [redacted] ✂], [✂ [redacted] ✂]

- Line Haul (Zone 2 to Zone 3) –

[20] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation") – 21 May 2020

- Standard products – [✂ [redacted] ✂] difference, [✂ [redacted] ✂]
- Registered products – [✂ [redacted] ✂], [✂ [redacted] ✂]

Figure 14 [✂ REDACTED ✂]

Detail	Total	Scale Payment	Trunking	Handling Fee	Line Haul	EMS/ EPG Delivery Fee
ZONE 3 STD	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
ZONE 3 REG	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
ZONE 4 STD	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
ZONE 4 REG	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
UK STD	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
UK REG	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
NI STD	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
NI REG	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]

3.2.2 Cost orientation

71. The USP states that cost orientation is considered as an important input to its tariffs but the USP must also be taken in the context of meeting other requirements like Affordability, Transparency and Non-Discrimination. The USP also notes:

"the European Commission Guidance to NRAs in this matter which states that the application of a uniform tariff may itself be considered a legitimate deviation from the cost-orientation principle, as this possibility is provided for in Article 12 third indent of the Postal Services Directive. In this regard, the Regulation refers to the fact that uniform tariffs for cross-border deliveries to two or more Member States might be important for the protection of regional and social cohesion. As a result, the NRAs should take into consideration that there may be a justified gap between the cost of a specific service (i.e. the underlying costs of a postal item sent to a specific destination) and the tariff of the service. In these cases a certain averaging takes place between different destinations and therefore between items with different cost structures."[21]

3.2.3 Zonal pricing

72. The USP noted the importance of zonal pricing across EU Member States. Such pricing ensures that there are no discriminatory pricing and that all communities across the EU are charged at the same price.

3.2.3.1 "Externally payable "cost difference between Zone 2 and Zone 3

73. The USP provided data to ComReg to illustrate the differences in what are defined as "Externally Payable" costs between Zone 2 & 3.

74. The main points the USP made to justify the differences between the Zones are that "Externally Payable" costs:

- *"[✂ [redacted] ✂]";*
- *"[✂ [redacted] ✂]";*
- *"[✂ [redacted] ✂]".*

75. In Figure 15 below, it can be seen that costs do increase due to weight and this is further impacted by destination with certain countries clearly showing higher direct payable

[21] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation") – 21 May 2020

external costs for delivery of parcels, for example countries like [✂ [redacted] ✂] and [✂ [redacted] ✂], costs as seen in Figure 15 below, are significantly higher than costs to other Member States.

76. The USP has stated that "[✂ [redacted] ✂]. *An Post is therefore reviewing evolving volume trends and effects on margins for these international parcel services."*

Figure 15 [✂ REDACTED ✂]

[✂

[redacted]

✂]

77. In Figure 16 below, it can also be seen that when comparing directly payable costs between the [✂ [redacted] ✂], and costs can also be seen to increase significantly when considering distance of countries from Ireland e.g. [✂ [redacted] ✂].

Figure 16 [✂ REDACTED ✂]

[✂

[redacted]

✂]

3.2.3.2 *Price changes in Zone 2 (UK) compared to Zone 3 (EU MSs & Other)*

78. ComReg has considered the trend analysis of price changes that occurred from the prior year as at 1 January 2019, through to the tariffs as at 1 January 2020; noting that certain Zone 2 tariffs, in particular Zone 2 (UK) tariffs for 1Kg, 2Kg and 5Kg track and trace parcels that were identified as part of the Europe Commission pre-filtering mechanism last year, had price reductions by the USP.

79. ComReg enquired with the USP on the reasoning behind why tariffs reduced in Zone 2 so significantly compared to that of Zone 3 over period of 2019. It was also important to note any consequences these price changes may have had for Zone 3 tariffs for standard and registered parcels(which were identified for the second year by the Europe Commission pre-filtering mechanism 2020), as based on An Post correspondence from the previous year, *"any reduction in parcel prices may need to be funded by clear cost*

reductions or significant price rebalancing - i.e. any reduction may need offsetting increases on other destinations."[22]

80. As seen in Figure 17 below, there were significant prices reductions for Zone 2 products at weight break products for 1, 2 and 5kg standard and registered products during the period of 2019 which led to 1kg, 2kg and 5kg Track & Trace products no longer falling under the identified tariffs for 2020.

Figure 17

Identified Tariff Products	2018 - Apr (01/01/2019 Tariff)	2019 - Feb	2019 – Nov (01/01/20 Tariff)	Diff	% Diff
a 500 g (domestic and intra Union) track and trace letter	€ 13.00	€ 12.70	€ 12.70	-€ 0.30	-2.31%
a 1 kg (domestic and intra Union) standard parcel	€ 22.50	€ 22.00	€ 21.00	-€ 1.50	-6.67%
a 2 kg (domestic and intra Union) standard parcel	€ 31.00	€ 28.00	€ 21.00	-€ 10.00	-32.26%
a 5 kg (domestic and intra Union) standard parcel	€ 46.50	€ 45.50	€ 23.00	-€ 23.50	-50.54%
a 1 kg (domestic and intra Union) track and trace parcel	€ 33.00	€ 29.00	€ 28.00	-€ 5.00	-15.15%
a 2 kg (domestic and intra Union) track and trace parcel	€ 41.00	€ 35.00	€ 28.00	-€ 13.00	-31.71%
a 5 kg (domestic and intra Union) track and trace parcel	€ 59.00	€ 52.50	€ 30.00	-€ 29.00	-49.15%

81. With regard to Zone 3 tariffs though, the same level of price reductions were not made by the USP in 2019. For 1kg, 2kg & 5kg parcels, there was no tariff reduction. For registered products (Track & Trace products), there was changes to Zone 3 parcel products but between 6% - 13%.

[22] Letter from An Post – Regulation of the European Parliament and of the Council on cross-border parcel delivery services – assessment of cross-border single piece-parcel tariffs – 14 June 2019

82. The USP noted the following in relation to its review of just Zone 2 tariffs for 2019, and its reasoning for such price reductions[23]:

- *"Outgoing Zone 2 parcels in 2019 was informed by a separate review of parcel product prices prior to launch of An Post's innovative solution for broadening the availability and accessibility of USO postal services i.e. the Click & Post online service in November 2019. This review covered Zone 1 (Domestic and NI) and Zone 2 (UK excluding NI) services";*

- *"The decision was taken to reduce prices at certain weight bands [✂ [redacted] ✂]";*

- *"These revised Zone 2 weight bands match the simplified Zone 1 weight bands, and significantly improve transparency for customers";*

- *"Pricing changes to Zone 2 products were undertaken in an attempt to improve price transparency, to ensure the greatest availability of USO postal services for all users and to ensure a harmonised approach between counter and on-line purchase mechanisms at the time of introduction of the new online solution for all consumers and should not be used as a barometer for price setting in all other areas."*

83. Furthermore, the USP noted other relevant points in correspondence on this matter regarding Zone 3 tariffs:

- *"The composition of the Zone 3 flow may shift to favour more or less expensive destinations"[24];*

- *"…Zone 3 has much lower overall and per-destination volume… it is therefore much more difficult to consolidate and simplify rates as we did in Zone 2"[25].*

- *"Expectations that Zone 2 and Zone 3 price setting will proceed in concert and on an identical basis ignore the differences between the two Zones…"[26].*

[23] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation") – 21 May 2020
[24] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation") – 21 May 2020
[25] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation") – 21 May 2020
[26] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation") – 21 May 2020

- *"Zone 2 and Zone 3 prices are set separately, reflecting the very different underlying risks, complexity and costs involved in sending parcels to the UK, as against sending parcels to over forty (40) Zone 3 destinations"[27];*

- *"volumes to each of those Zone 3 destinations varies greatly. Counter parcel volumes to the UK are greater than for all 40+ Zone 3 destinations."[28]*

- *[✂ [redacted] ✂]... Zone 3 uniform tariffs are set at a level that is cost covering and non-discriminatory and does not favour a shift in traffic towards one or some of these destinations."[29]*

- *"An Post must adjust prices for reasons not directly related to cost, such as consumer demand, risk, operational complexity and market conditions."[30]*

3.2.3.3 Price changes for Standard parcel and Registered parcel in Zone 3 versus Zone 2

84. Given the above, ComReg queried with the USP the relationship in pricing between similar products in Zone 2 and Zone 3 and requested information as to why reductions in prices in both standard and registered products in Zone 2 were not to the same level in Zone 3.

85. In response, the USP noted the different complexity in costs between Zone 2 and Zone 3 as noted in sections above to justify the differences in price changes.

3.2.3.4 Terminal Dues

86. Terminal dues were also reviewed as part of ComReg's assessment of tariffs for 2020.

87. The USP noted the following in terms of Terminal dues which highlighted the differences between Zone 2 & Zone 3 costs, and product type costs, which will impact on price determination for both:

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[27] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation") – 22 June 2020
[28] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation") – 22 June 2020
[29] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation") – 22 June 2020
[30] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation") – 22 June 2020

- *“[✂ [redacted] ✂]”[31];*
- *“Zone 3 parcels are delivered to a large number of destinations [[redacted] ✂]… it is therefore more complex to manage (compared to Zone 2)”[32].*
- In the context of packets, *“…[✂ [redacted] ✂]”[33]*

88. The USP also noted the importance in considering specific costs i.e. delivery costs - terminal dues, as part of any assessment of unreasonably priced tariffs[34]. It was made clear that terminal dues can make a considerable portion of external cost and can vary per destination e.g. [✂ [redacted] ✂]. Also, terminal dues to Zone 3, is determined by cost based on item per kilo IPK rate, which according to the USP is significant given a heavier item than average will attract a multiple of per item rate and then a per kg rate.

89. On that basis, ComReg reviewed these terminal dues charges to test for volatility in the period 2018/2019 as part of this assessment using USP figures. The USP had confirmed[35] that for reasons of [✂ [redacted] ✂], registered and standard outbound parcels to Zone 3 destinations [✂ [redacted] ✂]. [✂ [redacted] ✂]. Based on this, ComReg compared the costs of external cost for 1kg, 2kg, and 5kg parcels to Zone 3 to test the level of volatility from 2018 to 2019. The analysis using USP data is outlined below:

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[31] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services (“the Regulation”) – 21 May 2020

[32] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services (“the Regulation”) – 21 May 2020

[33] Letter from An Post – Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services (“the Regulation”) – 22 June 2020

[34] Letter from An Post – Assessment of cross-border single piece parcel tariffs – 08 October 2020

[35] Letter from An Post - Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services (“the Regulation”) - 22/06/2020

Figure 18 [✂ REDACTED ✂]

Total Averaged Cost- Zone 3	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2019	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2018	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
Diff	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
% Diff	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]

90. It can be seen from this analysis above, that [✂ [redacted] ✂] [✂ [redacted] ✂] has increased by [✂ [redacted] ✂]from 2018 to 2019, mainly driven as expected [✂ [redacted] ✂]. This information from USP does not support though An Post's claim of significant cost volatility over 2018 / 2019.

Figure 19 [✂ REDACTED ✂]

[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted]	[✂ [redacted]	[✂ [redacted] ✂]	[✂ [redacted] ✂]

					[redacted] ✂]	[redacted] ✂]		
[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ ✂]
[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ ✂]	[✂ [redacted] ✂]	[✂ ✂]

91. This is further demonstrated regarding [✂ [redacted] ✂] and [✂ [redacted] ✂] as examples.

3.3 Domestic PDSP Analysis – Outbound Parcels

92. As part of ComReg's review of outbound parcels from Ireland, and following the guideline document from the European Commission, ComReg compared the cross-border tariffs of the USP as identified as potentially unreasonably high as part of the European Commission pre filtering mechanism to that of the rates for outbound parcels from other domestic PDSPS. As broken down below, ComReg reviewed the USP tariffs to those of the other domestic PDSPs where applicable, and where another PDSP provides a service for that product also, regardless of other factors such as guaranteed delivery times, differences in methods of pricing and any additional add on features for that service of delivery an item at that weight break that is factored into the price.

93. In carrying out such analysis, ComReg retrieved the following results as set out in Figure 20 below:

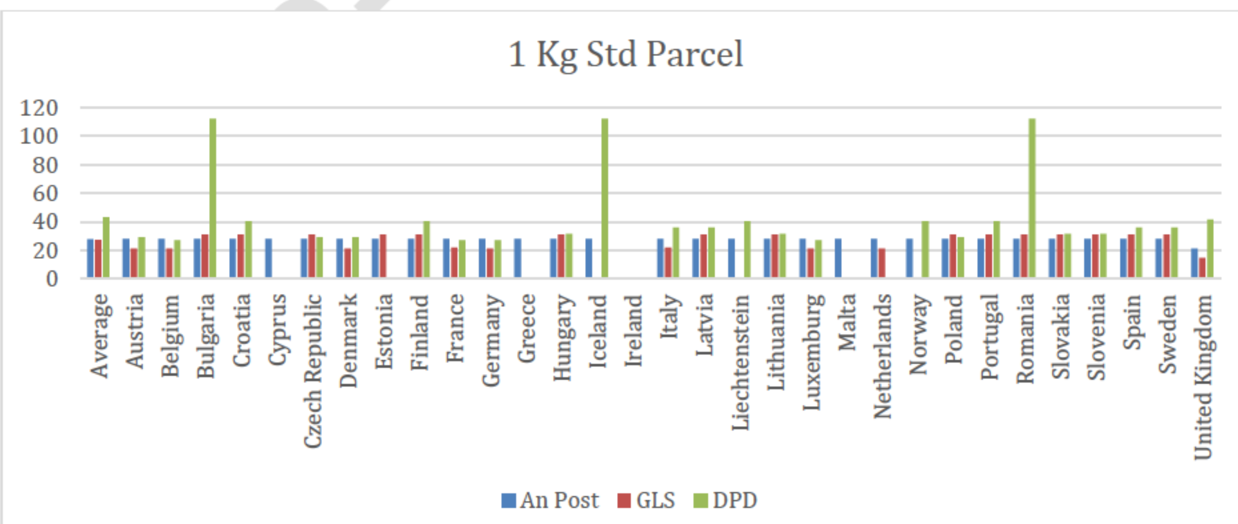
Figure 20

Identified Tariff Products	Tariff Ranking - An Post
a 1kg (domestic and intra Union) track and trace letter	N/a - no comparison tariffs from domestic PDSP
a 1 kg (domestic and intra Union) standard parcel	2nd
a 2 kg (domestic and intra Union) standard parcel	2nd
a 5 kg (domestic and intra Union) standard parcel	1st
a 1 kg (domestic and intra Union) track and trace parcel	5th
a 2 kg (domestic and intra Union) track and trace parcel	5th
a 5 kg (domestic and intra Union) track and trace parcel	4th

3.2.1 1kg (domestic and intra Union) standard parcel

94. For the 1kg standard parcel, there is two other domestic PDSP for this tariff, of which the USP is the second most expensive based on the information provided to ComReg. The average of the USP tariffs is €27.76 versus GLS which is €27.06 and DPD which is €43.08. However, GLS and DPD does not deliver to all of the 30 destinations in the graph below, nor do they have the same pricing system to the USP.

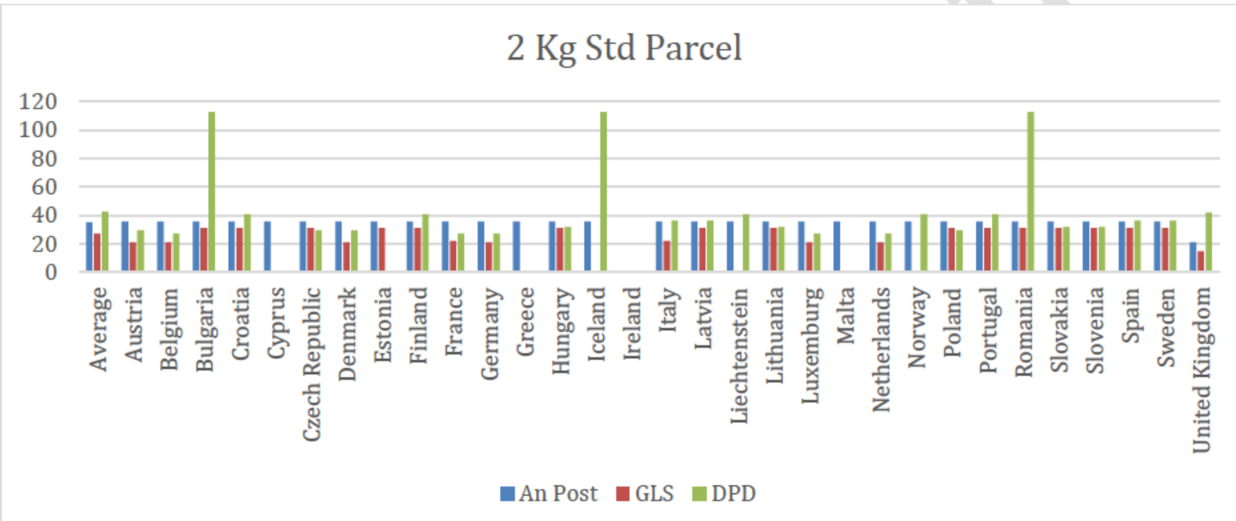
Figure 21



3.2.2 2kg (domestic and intra Union) standard parcel

95. For the 2kg standard parcel, there is two other domestic PDSP for this tariff, of which the USP is the second most expensive based on the information provided. The average of the USP tariffs is €35.02 versus GLS which is €27.06 and DPD which is €42.46. Furthermore, GLS and DPD does not deliver to all the 30 destinations in the graph below, nor do they have the same pricing system to the USP.

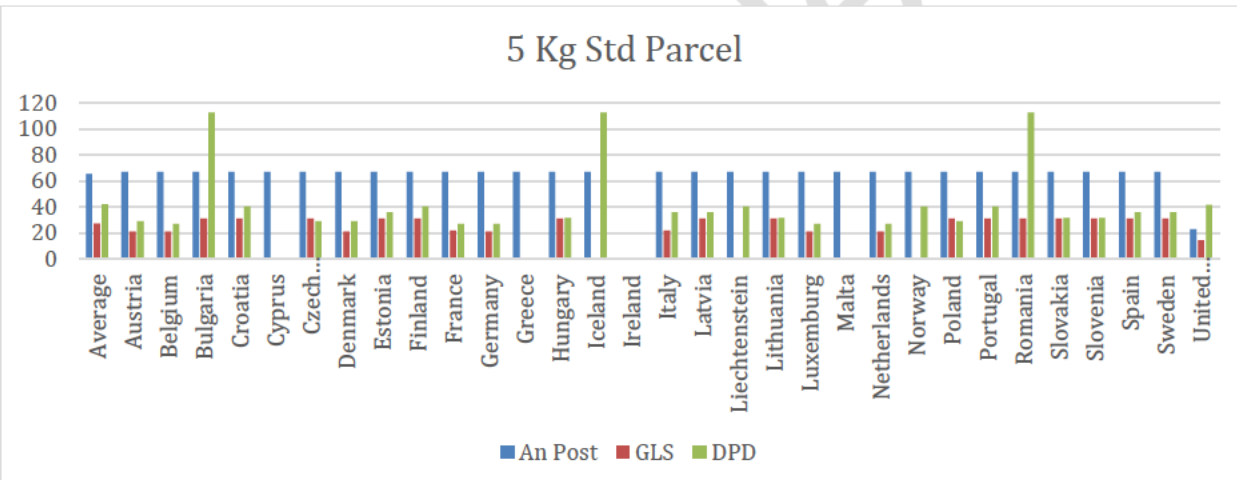
Figure 22



3.2.3 5kg (domestic and intra Union) standard parcel

96. For the 5kg standard parcel, there is two other domestic PDSP for this tariff, but the USP is the most expensive on average based on the information provided. The average of the USP tariffs is €65.53 versus GLS which is €27.06 and DPD which is €42.23. Furthermore, GLS and DPD does not deliver to all the 30 destinations in the graph below, nor do they have the same pricing system to the USP.

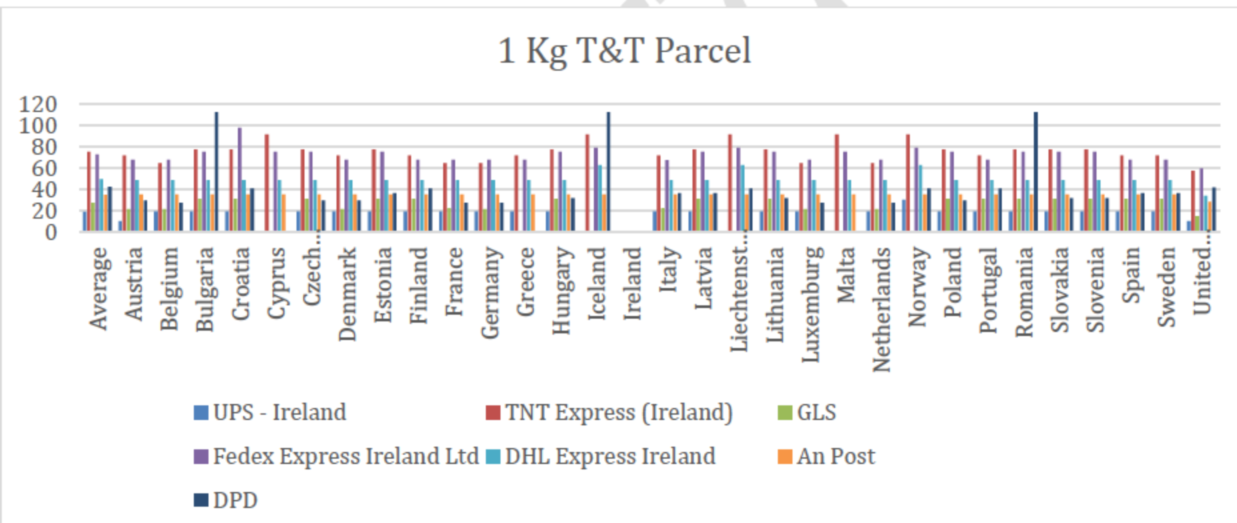
Figure 23



3.2.4 1 kg (domestic and intra Union) track and trace parcel

97. For the 1kg track & trace parcel, there are seven domestic PDSPs for this tariff, with the USP being the 5th most expensive based on the average tariff calculations from information provided for all destinations. The average of the USP tariffs is €34.76 which is lower to competitor tariffs such as TNT Express at €75.29 and FedEx Express Ireland Ltd at €72.51 which rank as the highest prices at this weight break. When comparing tariffs at destinations, it must be noted that GLS, DPD and UPS do not deliver to all the 30 destinations in the graph below, and furthermore it must be noted that there are multiple different pricing plans / and guarantees on delivery times which limits the ability to give fair comparisons of these tariffs.

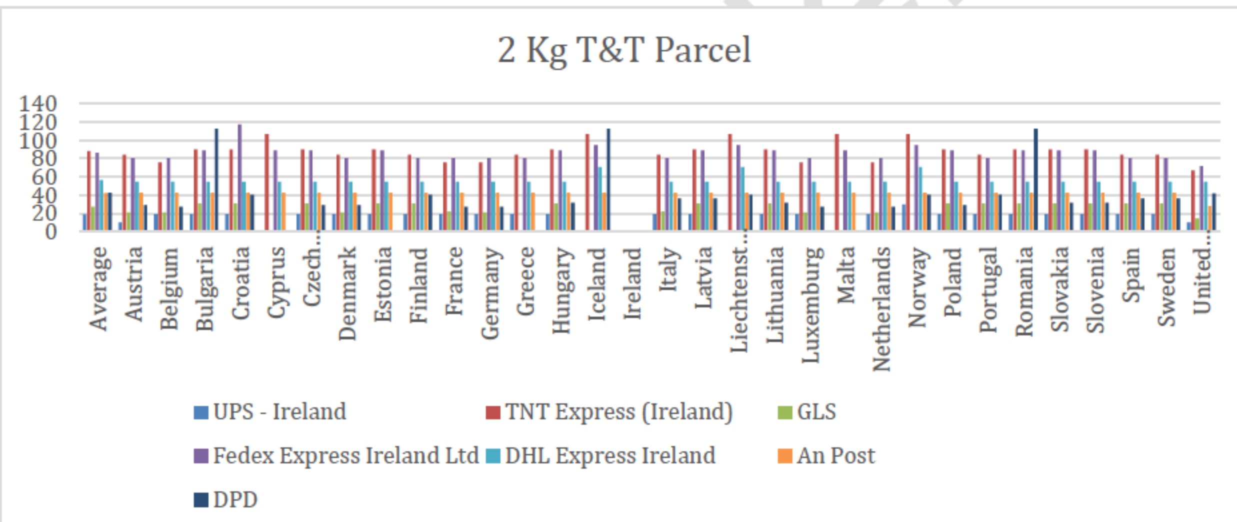
Figure 24



3.2.5 2 kg (domestic and intra Union) track and trace parcel

98. For the 2kg track & trace parcel, there are seven domestic PDSPs for this tariff, with the USP being the 5th most expensive based on the average tariff calculations from information provided for all destinations. The average of the USP tariffs is €42.02 which is lower compared to competitor tariffs such as TNT Express at €88.18 and FedEx Express Ireland Ltd at €86.20 which rank as the highest prices at this weight break. When comparing tariffs at destinations, it must be noted that GLS, DPD and UPS do not deliver to all the 30 destinations in the graph below, and furthermore it must be noted that there is multiple different pricing plans / and guarantees on delivery times which limits the ability to give fair comparisons of these tariffs.

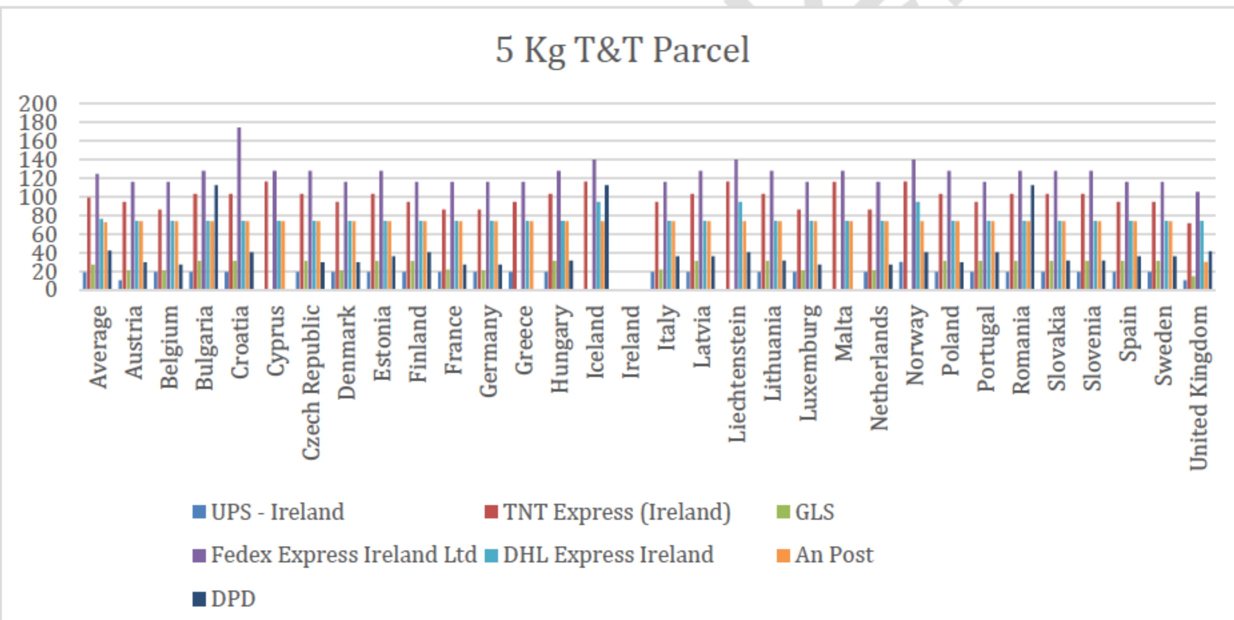
Figure 25



3.2.6 5 kg (domestic and intra Union) track and trace parcel

99. For the 5kg track & trace parcel, there are seven domestic PDSPs for this tariff, with the USP being the 4th most expensive based on the average tariff calculations from information provided for all destinations. The average of the USP tariffs is €72.53 which is lower to competitor tariffs such as TNT Express at €99.23 and FedEx Express Ireland Ltd at €124.80 which rank as the highest prices at this weight break. When comparing tariffs at destinations, it must be noted that GLS, DPD and UPS do not deliver to all the 30 destinations in the graph below, and furthermore it must be noted that there are multiple different pricing plans / and guarantees on delivery times which limits the ability to give fair comparisons of these tariffs.

Figure 26



3.4 Analysis of Regulatory Accounts – Outbound Registered and Standard Parcels

100. ComReg is dependent on the audited Regulatory Accounts 2019 to determine what is the financial position on Outbound Parcel and Outbound Registered and data used for the Regulatory Accounts.

3.4.1 P&L 2018 & 2019 Margin analysis

101. ComReg carried out analysis of the costs and profit margins of the seven cross-border parcel products identified by using the audited 2019 Regulatory Accounts[36] and data provided by the USP. Given this was the second year of the Regulation, and six of the seven products identified this year, were also identified the previous year, ComReg compared the tariffs, total costs, and margins of each of these products from 2018 to 2019 using the audited Regulatory Accounts and data provided by the USP.

Figure 27 [✂ REDACTED ✂]

Year	Identified Tariff products – 2018 / 2019	Tariff	Total Cost*	Profit / Loss	Profit Margin %
2018	a 1kg (domestic and intra Union) track and trace letter	€ 18.00	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2018	a 1 kg (domestic and intra Union) standard parcel	€ 28.00	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2018	a 2 kg (domestic and intra Union) standard parcel	€ 35.50	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2018	a 5 kg (domestic and intra Union) standard parcel	€ 67.00	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2018	a 1 kg (domestic and intra Union) track and trace parcel	€ 40.00	[✂ [redacted] ✂]	-[✂ [redacted] ✂]	[✂ [redacted] ✂]
2018	a 2 kg (domestic and intra Union) track and trace parcel	€ 49.00	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2018	a 5 kg (domestic and intra Union) track and trace parcel	€ 79.00	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2019	a 1kg (domestic and intra Union) track and trace letter	€ 18.50	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2019	a 1 kg (domestic and intra Union) standard parcel	€ 28.00	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]

[36] Public summary version at https://www.anpost.com/AnPost/media/PDFs/Regulatory%20Reports/Regulatory-Reports-2019.pdf

Year	Identified Tariff products – 2018 / 2019	Tariff	Total Cost*	Profit / Loss	Profit Margin %
2019	a 2 kg (domestic and intra Union) standard parcel	€ 35.50	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2019	a 5 kg (domestic and intra Union) standard parcel	€ 67.00	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2019	a 1 kg (domestic and intra Union) track and trace parcel	€ 35.00	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2019	a 2 kg (domestic and intra Union) track and trace parcel	€ 42.50	[✂ [redacted] ✂]	[✂ [redacted] ✂]	[✂ [redacted] ✂]
2019	a 5 kg (domestic and intra Union) track and trace parcel	€ 74.00	[✂ [redacted] ✂]	[[redacted] ✂]	[✂ [redacted] ✂]

** ComReg based the total cost for 2018 for this product at the same level as 2019 as sourced from the audited Regulatory Accounts 2019. Confirmed reasonable by USP[37]

102. As can be seen from Figure 27 above, for all products identified as part of the assessment of tariffs as at 1 January 2020, and using the audited 2018 and 2019 Regulatory Accounts as the source for product cost at each of the weight breaks as produced by the USP, each of the products are reporting a profit for 2019 whereas losses were reported for most in 2018. A summary of the margin % is provided below:

1) **a 1kg (domestic and intra Union) track and trace letter – margin %**
2018 – [✂ [redacted] ✂]
2019 – [✂ [redacted] ✂]

2) **a 1 kg (domestic and intra Union) standard parcel – margin %**
2018 – [✂ [redacted] ✂]
2019 – [✂ [redacted] ✂]

3) **a 2 kg (domestic and intra Union) standard parcel – margin %**
2018 – [✂ [redacted] ✂]
2019 – [✂ [redacted] ✂]

4) **a 5 kg (domestic and intra Union) standard parcel – margin %**
2018 – [✂ [redacted] ✂]
2019 – [✂ [redacted] ✂]

5) **a 1 kg (domestic and intra Union) track and trace parcel – margin %**
2018 – [✂ [redacted] ✂]
2019 – [✂ [redacted] ✂]

[37] Email from An Post - CBPR tables / analysis - Error check for An Post – 13 July 2020

6) **a 2 kg (domestic and intra Union) track and trace parcel – margin %**
2018 – [✂ [redacted] ✂]
2019 – [✂ [redacted] ✂]

7) **a 5 kg (domestic and intra Union) track and trace parcel – margin %**
2018 – [✂ [redacted] ✂]
2019 – [✂ [redacted]
✂]

103. Excluding the 1kg (domestic and intra Union) track and trace letter, all parcels items identified at 1kg, 2kg and 5kg weight breaks for both registered and standard parcels are showing a turnaround in profitability margin of between [✂ [redacted] ✂]from 2018 to 2019. This turnaround in margin is due to reduced costs in 2019. As per analysis in Figure 28 below, cost per unit has decreased by [✂ [redacted] ✂]:

Figure 28 [✂ REDACTED ✂]

[redacted]

104. In respect of the 1kg (domestic and intra Union) track and trace letter, this was not identified in the previous year's assessment. However, for the purpose of showing reasonable comparison to the previous year, ComReg based the total cost for 2018 for

this product at the same level as 2019 as sourced from the audited Regulatory Accounts 2019. Assuming this is reasonably accurate, which the USP confirmed, this would indicate that a significant margin is recorded for outbound 1kg (domestic and intra Union) track and trace letters of [✂ [redacted] ✂]over 2018 and 2019 based on the audited Regulatory Accounts information.

105. The USP was afforded the opportunity to comment on the cost and margin analysis derived from the USP's audited Regulatory Accounts and provided by the USP, which is the same methodology used in the previous year's assessment, which records the 1kg (domestic and intra Union) track and trace letter having a profit margin of [✂ [redacted] ✂]. The USP stated in its response[38] that "*their position remains that the pricing and rate structure on this product, in common with all of our services, reasonably reflects the level and volatility of the underlying costs and is not unreasonably high*". The following summaries the USP's reasons for this conclusion[39]:

a. The USP believes an appropriate comparison to its 1kg (domestic and intra Union) track and trace letter (1kg Registered Packet) is a 1kg trace and trace parcel, at which the USP then compares as the cheapest product amongst five other Irish competitors[40],

b. The [✂ [redacted] ✂] margin for the 1kg (domestic and intra Union) track and trace letter confirmed previously by the USP, and used as the methodology for last year's assessment, is a result of an extrapolation which mirrors the audited profit margin in the 2019 Regulatory Accounts for all Outbound Registered Mail products[41] and, according to the USP, is "*incomplete and misleading*",

c. The USP stated that other detailed unaudited analysis was provided[42] instead that showed specific costs that must be considered as part of assessing if the service tariff is unreasonably high. This unaudited information is provided below, with summary of same analysis for other flagged products under the regulation:

[38] An Post correspondence of 08/10/2020 – Re: Assessment of cross-border single piece parcel tariffs
[39] An Post correspondence of 08/10/2020 – Re: Assessment of cross-border single piece parcel tariffs
[40] Tariff to Germany from Ireland – USP: €18.50, UPS: €18.99. GLS: €21.00, DHL: €43.87, TNT: €64.55. Fedex: €67.60
[41] Requested by ComReg to keep consistency with prior year assessment, as well this is key information from Regulatory Accounts for this assessment. Requested on 1 July 2020 based on analysis being omitted from previous request 27/04/2020
[42] Letter from AP 29/05/2020 with accompanying excel workbooks ("Appendix A – Zonal Parcel Analysis"), and Letter of 22/06/2020 copied table of "Summary as per letter"

Figure 29 [✂ REDACTED ✂]

[redacted]

d. The USP stated that it was important to take into consideration the high external costs, in particular terminal dues. Based on their analysis, this can make up approximately [✂ [redacted] ✂]. However, there are outlier locations like [✂ [redacted] ✂] where terminal dues fee can represent [✂ [redacted] ✂] of total cost,

e. Registered items also have fixed fee of [✂ [redacted] ✂],

f. For Zone 3, USP delivers to over 55 destinations, and some of these locations have high transport and terminal dues (i.e[✂ [redacted] ✂]above). On that basis, USP has to ensure that tariffs charged to Zone 3 both cover costs to these more expensive locations and mitigate risks for shifts in mail towards these destinations.

3.4.2 Regulatory Accounts 2019 – Outbound Standard Parcels

106. ComReg reviewed the aggregated P&L breakdown for outbound standard parcels recorded in the audited Regulatory Accounts 2019 as part of its assessment. On reviewing same, it was noted that there was a net expenditure reduction of 19.38%. This with an increase in outbound parcels of c.18.5% led to a cost per unit in 2019 of €38.23 versus

€56.18 from the prior year. This led to a profit of c.€1M in 2019 for outbound parcels and margin of c.13% in contrast to a reported overall loss of c.€1.3m in 2018.

Figure 30 [✂ REDACTED ✂]

Outbound Standard Parcel P&L Details	2019	2018	Diff	% Diff
Volume	175	148	27	18.50%
Directly Attributable Revenue	7,688	7,003	685	9.78%
Revenue Allocated by Sampling	0	0	0	-
Intra-segment Revenue	0	0	0	-
Total Revenue	7,688	7,003	685	9.78%
[redacted]				
Total - Common Costs	1,331	2,032	-701	-34.47%
[redacted]				

Total - Direct & Indirect Expenditure	5,372	6,283	-911	-14.49%
Service Expenditure	6,704	8,315	-1,611	-19.38%
Net Segment Profit / Loss	**984**	**-1,312**	**2,296**	
Margin %	**12.8%**	**-18.7%**		

3.4.3 Regulatory Accounts 2019 – Outbound Registered Parcels (track & Trace items)

107. ComReg reviewed the aggregated P&L breakdown for outbound registered items recorded in the audited Regulatory Accounts 2019 as part of its assessment. Unlike the analysis for outbound parcels, the Regulatory Accounts do not provide a breakout of registered items to product level, however it does give a good indicative view of the levels of profitability for registered items, taking into consideration track & trace parcels and track & trace letter at the 1kg weight break which were identified in this year's pre filtering mechanism by the European Commission. On reviewing same, it was noted that there was an aggregated net expenditure increase of 2.78% in 2019 for all products. There was no change in outbound item volumes, and this led to only a slight increase in cost per unit in 2019 of €9.47 for outbound registered items versus €9.21 from the prior year. This led to a profit of c.€3.4M in 2019 for outbound registered items with a reported margin of c.30.25% at the aggregated level [✂ [redacted] ✂], while registered parcels at the weight break level are obviously incurring further costs due to the nature of parcels being larger by dimension and weight leading to a profit margin of [✂ [redacted] ✂]

Figure 31

Outbound Registered Parcel - P&L Details	2019	2018	Diff	% Diff
Volume	845	845	0	-0.02%
Directly Attributable Revenue	11,465	11,033	432	3.92%
Revenue Allocated by Sampling	0	0	0	-
Intra-segment Revenue	0	0	0	-
Total Revenue	11,465	11,033	432	3.92%

[redacted]				
Total - Common Costs	2,031	1,916	115	6.01%
[redacted]				
Total - Direct & Indirect Expenditure	5,966	5,865	101	1.72%
Service Expenditure	7,997	7,781	216	2.78%
Net Segment Profit / Loss	**3,468**	**3,252**	216	6.65%
Margin %	**30.2%**	**29.4%**		

3.5 Outbound USP Volume analysis (Counter-Automation Data)

108. As per USP correspondence, ComReg were advised that it was not possible based on limited information captured within the USP to be able to determine 100% of volumes to outbound destinations. However, the USP advised they would be able to provide PO counter automation paid volume information captured. This makes up [✂ [redacted] ✂]of volumes outbound, the rest is captured by sampling. ComReg proceeded to use this

volume information given it would give a very good indicative view of what are the volumes outbound to other destinations from Ireland for parcels.

3.5.1 Split of Mail outbound to different Zones

109. As seen in Figure 32 below, [✂ [redacted] ✂]which makes up approximately [✂ [redacted] ✂] of the volume of parcels. The UK receives [✂ [redacted] ✂], this is a [✂ [redacted] ✂], and furthermore the fact that [✂ [redacted] ✂].

Figure 32 [✂ REDACTED ✂]

[✂ [redacted] ✂]

3.5.2 Details of Parcel mail to Zone 2 (UK)

110. As noted above, [✂ [redacted] ✂]of all outbound parcels both standard and registered according to the counter-automation data provided by the USP. Of this share, nearly [✂ [redacted] ✂] of parcel mail is to Northern Ireland which in pricing terms is aligned to that of domestic prices in Ireland and therefore an all-Ireland approach of standardised pricing is implemented which is considered reasonable and fair.

Figure 33 [✂ REDACTED ✂]

[✂

[redacted]

✂]

111. In terms of the of the split in products at weight level, ComReg analysed the weight breaks of products outbound to the UK to determine where the main volumes are at weight break level to then determine where cost per unit should be lower for those products at the greater level of volumes.

112. In reviewing registered parcels outbound, it was determined in Figure 34 below, that [✂ [redacted] ✂] of volumes comes from products between 1kg and 5kg, which is [✂ [redacted] ✂]sent to the UK. This is of interest given that the USP made price reductions for these products in 2019.

Figure 34 [✂ REDACTED ✂]

[✂ [redacted] ✂]

113. When analysing the Standard parcels to the UK, the same weight break products between 1kg and 5kg are also [✂ [redacted] ✂] in terms of volume from customers. Similarly, standard parcels were also part of the price reductions by the USP in 2019. [✂ [redacted] ✂].

Figure 35 [✂ REDACTED ✂]

[✂

[redacted]

✂]

3.5.3 Details of Parcel mail to Zone 3 (EU Member States)

114. Outbound parcel volumes from the USP to EU Member States in Zone 3 make up [✂ [redacted] ✂] of all outbound parcels, both standard and registered, according to the counter-automation data provided by the USP. Of this share, nearly [✂ [redacted] ✂] of parcels mail is to [✂ [redacted] ✂]with the remaining % split between remaining Member States, each having less than [✂ [redacted] ✂] share of the volume.

Figure 36 [✂ REDACTED ✂]

[✂

[redacted]

✂]

115. As seen in Figure 37 below, the [✂ [redacted] ✂]of standard parcels processed is in the 1 - 5 kg parcel cohort, in particular to those products between 2kg and 3kg weight breaks. This is the same for volumes to [✂ [redacted] ✂].

Figure 37 [✂ REDACTED ✂]

[✂ [redacted] ✂]

116. In review of volumes for standard parcels in Zone 3, it is the same trend whereby volumes at these weight of 1kg to 5kg weight breaks appear to make up [✂ [redacted] ✂]rt for processing by the USP, in particular the [✂ [redacted] ✂]cohort.

Figure 38 [✂ REDACTED ✂]

[✂

[redacted]

✂]

117. The USP also notes for future reference that with the impact of COVID-19 pandemic, costs and operations have been "profoundly affected" in a manner that did not occur for [✂ [redacted] ✂]mail, based on transport options remaining reasonably viable.

3.5.3 Details of Packets and Parcels mail to Zone 3 (Outside EU Member States)

118. ComReg's analysis notes that several countries outside the EU Member States are also part of Zone 3 pricing for the USP. As seen below, these volume splits to destinations are all [✂ [redacted] ✂]apart from that of [✂ [redacted] ✂]which have over [✂ [redacted] ✂] share and together make up [✂ [redacted] ✂]of this reported volume share, [✂ [redacted] ✂] with [✂ [redacted] ✂] share of these reported volumes by itself.

Figure 39 [✂ REDACTED ✂]

[✂

[redacted]

✂]

119. When reviewing the volumes to these countries, the volume is [✂ [redacted] ✂]with [✂ [redacted] ✂]Registered International parcels and [✂ [redacted] ✂]standard parcels sent to these destinations. The [✂ [redacted] ✂] volume is from registered packets which makes up [✂ [redacted] ✂] items.

Figure 40 [✂ REDACTED ✂]

[✂

[redacted]

✂]

120. Although there is a trend in popularity again for consumers sending standard and registered parcels at weight breaks of between [✂ [redacted] ✂], it is noted that larger weighted products are also noted to be [✂ [redacted] ✂], in particular at the [✂ [redacted] ✂]band for both standard and registered products. Through further investigation, it is found that [✂ [redacted] ✂] of this volume is to [✂ [redacted] ✂].

Figure 41 [✂ REDACTED ✂]

[✂

[redacted]

✂]

3.5.4 Details of Registered Packets mail to Zone 3 (EU Member States and other)

121. ComReg also carried out a review of what were specifically registered packets to Zone 3 as part of its assessment for 1kg T&T letters (1kg registered packet). As can be seen in Figure 42 below, registered packets make up [✂ [redacted] ✂] split of delivery between EU Member States with the remaining delivered [✂ [redacted] ✂] to countries outside the EU.

Figure 42 [✂ REDACTED ✂]

[✂

[redacted]

✂]

122. In terms of volumes by packet weight, it can be seen in the diagram below that packet sizes are quite [✂ [redacted] ✂]between weight breaks of [✂ [redacted] ✂]. Therefore, ComReg would assume that [✂ [redacted] ✂]between these product weights given [✂ [redacted] ✂].

Figure 43 [✂ REDACTED ✂]

[✂

[redacted]

✂]

4: Assessment

123. ComReg objectively considers that the following identified seven tariffs are necessary to objectively assess, in accordance with the principles in Article 12 of Directive 97/67/EC, in order to identify those cross-border single-piece parcel tariffs that ComReg considers to be unreasonably high are as follows:

1. a 1 kg (domestic and intra Union) track and trace letter
2. a 1 kg (domestic and intra Union) standard parcel
3. a 2 kg (domestic and intra Union) standard parcel
4. a 5 kg (domestic and intra Union) standard parcel
5. a 1 kg (domestic and intra Union) track and trace parcel
6. a 2 kg (domestic and intra Union) track and trace parcel
7. a 5 kg (domestic and intra Union) track and trace parcel

124. In objectively assessing these identified tariffs, ComReg took into account the following:

a. The relevant provisions of the Regulation (in particular, the elements specified in Article 6(2));

b. The *'Communication from the Commission on guidelines to national regulatory authorities on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263'* (COM (2018) 338 final); and

c. The relevant provisions of Directive 97/67/EC (in particular, the principles in Article 12 thereof).

125. ComReg relied upon the following key information as part of its assessment:

a. An Post's audited Regulatory Accounts[43] for 2018 and 2019; and

[43] Which An Post, as universal postal service provider, is required to provide to ComReg pursuant to a direction issued by ComReg pursuant to section 31 of the Communications Regulation (Postal Services) Act 2011.

b. Information and data provided by An Post in correspondence dated from 21 May 2020 and 10 July 2020. This has been analysed and provided in Chapter 3 of this assessment.

126. In addition to the above, further information was taken into consideration which is outlined in section "3.1 Assessment Process and Analysis".

127. The USP was also provided certain outputs of ComReg's analysis used in the assessment for error checking by the USP, no errors were noted by the USP.

4.1 a 1kg (domestic and intra Union) track and trace letter

128. ComReg objectively considers that the identified tariff is necessary to objectively assess, in accordance with the principles in Article 12 of Directive 97/67/EC, in order to identify if the tariff is considered to be unreasonably high.

129. The following objective assessment is made of the "1kg (domestic and intra Union) track and trace letter", known in USP pricing terms as the 1kg registered packet:

1) The tariff in question increased from €18.00 as at 1 January 2019 to €18.50 as at 1 January 2020, a €0.50 increase. This is a 2.7% increase which appears to be driven by a cost per unit increase of 2.8% for all registered outbound items in 2019. The tariff in question has increased by 36.5% since July 2016, a €4.95 increase.

2) Consistent with the methodology for last year's assessment, ComReg reviewed the audited Regulatory Accounts 2019, specifically International Outbound Registered, for assessment of cost data. Registered Outbound products cost data are not available to product or weight break from the Regulatory Accounts, therefore ComReg requested that this was provided by the USP as part of its assessment for the 1kg registered packet. In overall terms, there was no change in outbound item volumes from 2018 to 2019, and this led to only a slight increase in cost per unit in 2019 of €9.47 for outbound registered items versus €9.21 from the prior year. This led to a profit of c.€3.4M in 2019 for outbound registered items with a reported margin of c.30.25% at the aggregated [✂ [redacted] ✂]. This was compared to prior year, with USP confirming that ComReg's [✂ [redacted] ✂]. Given this high margin of [✂ [redacted] ✂] derived from the USP's audited Regulatory Accounts, ComReg requested the USP to

provide detailed reasons, if any, as to why the 1kg track and trace letter should not be considered unreasonably high. The USP stated[44] that the methodology underpinning the [✂ [redacted] ✂]profit was "*incomplete and misleading*" even though this methodology of the margin derived from the audited Regulatory Accounts was used last year in the assessment without issue. The USP now claims that this methodology cannot be used to derive service costs and margins; therefore, the USP refers to unaudited analysis it prepared on its analysis of the direct and internal costs by service. In last year's assessment, the USP noted that this same unaudited cost information was "*indicative rather than robust accounting data*"; this was and is agreed with still. This unaudited analysis by the USP showed instead a [✂ [redacted] ✂] for the 1kg Trace & Trace Letter, which using this methodology then [✂ [redacted] ✂]profit margins for other product tariffs originally flagged under the EU Commission pre-filtering mechanism, see Figure 44 below. Notwithstanding issue of using this unaudited cost analysis, ComReg believes this unaudited information further supports ComReg's objective assessment that this tariff as being considered unreasonably high[45] given the [✂ [redacted] ✂] as per the unaudited cost analysis prepared by the USP. It is also noted that, according to the USP, [✂ [redacted] ✂] is the most popular destination for this product and, according to the USP, that records a margin of [✂ [redacted] ✂] according to this unaudited cost analysis.

[44] Letter from USP dated 08/10/2020

[45] This is informed, together with other evidence and information, by the audited Regulatory Accounts; the USP disagrees with the reliance by ComReg on the audited Regulatory Accounts to inform the objective assessment and the identification of the tariff that is considered to be unreasonably high. The USP claims there are issues with relying on the audited Regulatory Accounts as it does not provide specific granularity on cost for each of the tariffs under assessment. ComReg will discuss with the USP for next year how to allocate costs accurately, as required by ComReg's Accounting Direction.

Figure 44[46] [✂ REDACTED ✂]

[redacted]

3) ComReg proceeded to address the considerations outlined under Article 6(2) of the Regulation for the objective assessment of this identified tariff, with more details on findings outlined in section "3.1 Assessment Process and Analysis" above:

   a. Assessment under Article 6(2)(a) *"the domestic and any other relevant tariffs of the comparable parcel delivery services in the originating Member State and in the destination Member State "–*

      i. When comparing USP tariff outbound to each destination Member State to the corresponding USP tariffs in other destination member states to Ireland using a ratio analysis, a process that the USP noted *"appears a legitimate means of comparison for tariffs"*[47], ComReg determined that this tariff identified as the 5th most expensive tariff amongst other USPs. Of the remaining 9 Member States tariffs (excluding Luxemburg[48]) which have declared similar products in this 1kg track and trace cohort, the average rate of these tariffs is €11.85. When compared to the Irish USP

[46] Letter from AP 29/05/2020 with accompanying excel workbooks ("Appendix A – Zonal Parcel Analysis"), and Letter of 22/06/2020 copied table of "Summary as per letter"

[47] Email from An Post - CBPR tables / analysis - Error check for An Post - 23 July 2020

[48] Excluded as outlier due to tariff being €5.71 versus next lowest of €10.10 amongst other Member States

rate of €16.28 (apart from the UK which has a tariff of €15.84), this notes that the Irish USP tariff was 37% higher versus the average. However, USP has noted that, *"It should be borne in mind that there are issues with the data gathered by the European Commission in terms of products compared [particularly the '1kg Track & Trace letter', which compares 'Packet' to 'Large Envelope' products] and completeness [There is no data from Deutsche Post for instance]."*[49]

ii. ComReg also compared the USP outbound tariffs to that of other PDSPs based on Ireland. This proved inconclusive given these PDSPs did not provide a comparable product to the 1kg (domestic and intra Union) track and trace letter / 1kg registered packet for 2020.

b. Assessment under Article 6(2)(b) *"any application of a uniform tariff to two or more Member States"* – USP has zonal pricing which through investigation shows that Zone 3 (Mainland Europe) has zonal pricing of 40+ destinations, and this is the applicable Zone as part of the "1kg (domestic and intra Union) track and trace letter" being identified for 2020. This means that the cost to the most expensive Zone is absorbed in the price band for all Zone 3 countries. While ComReg still considers that the application of a zonal uniform tariff simplifies the pricing structure to the benefit of postal service users, there is uncertainty as to why there are other countries outside the EU included with the EU Member States as Zone 3. [✂ [redacted] ✂].

c. Assessment under Article 6(2)(c) *"bilateral volumes, specific transportation or handling costs, other relevant costs and service quality standards":*

i. Bilateral Volumes – ComReg reviewed outbound volumes for Zone 3 registered packets. It was identified that of counter-automation volumes which makes [✂ [redacted] ✂] of all outbound volumes, that [✂ [redacted] ✂] of volumes were to EU Member States with the remaining [✂ [redacted] ✂] to other destinations. [✂ [redacted] ✂]which have over [✂ [redacted] ✂] shares, together make up [✂ c.66% ✂]of this reported [✂ [redacted] ✂] volume slice, [✂ [redacted] ✂] with [✂ [redacted] ✂] share of these reported volumes by itself in this [✂ [redacted] ✂] volume slice.

[49] Email from An Post - CBPR tables / analysis - Error check for An Post - 23 July 2020

ii. Specific transportation or handling costs, other relevant costs and service quality standards – The 1kg registered packet has more additional cost for external transportation, handling and delivery in proportion to internal sorting work for this product, based on estimated USP data, this is nearly [✂ [redacted] ✂] of total cost. According to the USP, these external cost are complex and more difficult to estimate each year and therefore this will lead to greater volatility in cost, but given there is a reported margin of [✂ [redacted] ✂]on this tariff from 2018 to 2019, this volatility has not impacted this product profit margin, in fact there a tariff increase which subsequently increased the profit on this item.

iii. likely impact of the applicable cross-border tariffs on individual and small and medium-sized enterprise users including those situated in remote or sparsely populated areas, and on individual users with disabilities or with reduced mobility, where possible without imposing a disproportionate burden – ComReg is of the view that given there was only a 2.8% increase in cost per unit from 2018 to 2019 for all registered items, there was no clear reason for a price increase of a further €0.50 on this product when it is now recording a profit margin of [✂ [redacted] ✂]and a profit margin of [✂ [redacted] ✂] before the price increase.

d. The tariff is subject to a specific price regulation under national legislation i.e. section 28 of the Communications Regulation (Postal Services) Act 2011 (which transposes Article 12 of Postal Services Directive) which amongst other things stipulates that tariffs for a postal service provided by An Post as universal postal service provider must be affordable, cost-orientated, transparent and non-discriminatory. ComReg conducts ongoing monitoring of An Post's compliance with section 28, in particular using the audited Regulatory Accounts to inform assessment of cost orientation. In objectively assessing whether the tariff is unreasonably high, ComReg has considered the cost and margin data from the audited Regulatory Accounts and further break down provided by the USP.

4) It is ComReg's objective assessment, in accordance with the principles in Article 12 of Directive 97/67/EC, that the outbound tariff of €18.50 for the identified "1kg (domestic and intra Union) track and trace letter" (1kg registered packet as known by the USP price guide) is unreasonably high[50].

[50] This is informed, together with other evidence and information, by the audited Regulatory Accounts; the USP disagrees with the reliance by ComReg on the audited Regulatory Accounts to inform the objective

4.2 a 1kg, 2kg and 5kg (domestic and intra Union) standard parcels

130. ComReg objectively considers that these identified tariffs are necessary to objectively assess, in accordance with the principles in Article 12 of Directive 97/67/EC, in order to identify if the tariffs are considered to be unreasonably high.

131. The following objective assessment is made of the three identified "1kg, 2kg and 5kg (domestic and intra Union) standard parcels":

1) The tariffs in question have not changed price from the previous year. These tariffs last changed in 2016 as follow:

   - 1kg Std Tariff - with an increase in price of 9.37%, a €2.40 increase;
   - 2kg Std Tariff - with an increase in price of 8.90%, a €2.90 increase;
   - 5kg Std Tariff - with an increase in price of 10.56%, a €6.40 increase.

2) ComReg reviewed the audited Regulatory Accounts 2019, specifically International Outbound Parcel, for available cost data. International outbound standard parcels cost data were not available to weight break from the Regulatory Accounts, therefore, ComReg requested that this was provided by the USP as part of its assessment for just the 1kg, 2kg and 5kg standard parcels identified. In overall terms, there was an increase in volumes of 18.5% from 2018 to 2019, and this contributed ([✂ [redacted] ✂]) to a decrease cost per unit in 2019 of €38.23 for outbound parcel items versus €56.18 from the prior year, 2018. This led to a profit of c.€1m in 2019 for outbound parcels with a reported margin of c.13% at the aggregated level which was [✂ [redacted] ✂]. This was compared to prior year, and it was noted that outbound parcels were loss making in 2018, which was confirmed in ComReg's assessment for 2019.

assessment and the identification of the tariff that is considered to be unreasonably high. The USP claims there are issues with relying on the audited Regulatory Accounts as it does not provide specific granularity on cost for each of the tariffs under assessment. ComReg will discuss with the USP for next year how to allocate costs accurately, as required by ComReg's Accounting Direction.

3) ComReg proceeded to address the considerations outlined under Article 6(2) of the Regulation for the objective assessment of these identified tariffs, with more details on findings outlined in section "3.1 Assessment Process and Analysis" above.

a. Assessment under Article 6(2)(a) *"the domestic and any other relevant tariffs of the comparable parcel delivery services in the originating Member State and in the destination Member State "*–

i. When comparing these USP tariffs outbound at each weight break to each destination Member State to the corresponding USP tariffs at each weight break in other destination Member States to Ireland using a ratio analysis, a process that the USP noted *"appears a legitimate means of comparison for tariffs"*[51], ComReg determined that these tariffs were identified as the 2nd most expensive tariffs for the 1kg and 2kg standard parcel and the most expensive tariff for the 5kg standard parcel amongst other USPs in Europe. When comparing these tariffs to the average tariff of cheaper tariffs at each weight break excluding the cheapest outliers, it was found that the USP tariff was between 32.6% to 35% more expensive than the average for the 1kg and 2kg tariffs across Europe and c.74% more expensive for the 5kg standard parcel.

ii. ComReg also compared the USP outbound tariffs at each weight break to that of other PDSPs based in Ireland that had similar products. This showed at the 1kg, 2kg weight break the USP was the second most expensive and the most expensive for the 5kg standard parcel, but this must be caveated by the fact that the only two comparison rates were available, and this is from GLS and DPD. Also, GLS and DPD has a pricing system that is different to An Post, and therefore would not represent a like for like comparison.

b. Assessment under Article 6(2)(b) *"any application of a uniform tariff to two or more Member States"* – USP has zonal pricing which through investigation shows that Zone 3 (Mainland Europe) has zonal pricing of 40+ destinations, and this is the applicable Zone as part of the "1kg, 2kg and 5kg (domestic and intra Union) standard parcels" being identified for 2020. While ComReg still considers that the application of a zonal uniform tariff simplifies the pricing structure to the benefit

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of postal service users, there is uncertainty as to why there are other countries outside the EU included with the EU Member States as Zone 3. The cost of delivery to these other countries outside the EU are higher.

c. Assessment under Article 6(2)(c) *"bilateral volumes, specific transportation or handling costs, other relevant costs and service quality standards":*

   i. Bilateral Volumes – ComReg reviewed outbound volumes for Zone 3 standard parcels. It was identified that of counter-automation volumes which makes up [✂ [redacted] ✂] of all outbound volumes, that [✂ [redacted] ✂] of volumes were to EU Member States for both standard and registered parcels, Of this share, nearly [✂ [redacted] ✂] of parcels mail is to [✂ [redacted] ✂] with the remaining % split between remaining Member States, each having less than [✂ [redacted] ✂] share of the volume. 1 – 5kg standard parcels are the [✂ [redacted] ✂]of standard parcel products, [✂ [redacted] ✂], which is [✂ [redacted] ✂] as many parcels compare to its nearest next cohort of [✂ [redacted] ✂]. It was also recognised by ComReg as part of its analysis that several countries outside the EU Member States were also part of Zone 3 pricing for the USP. This slice represents [✂ [redacted] ✂] of total outbound parcel and registered parcel mail. These volume splits to destinations are all quite small apart from that of [✂ [redacted] ✂]and [✂ [redacted] ✂] which have over [✂ [redacted] ✂] shares and together make up [✂ [redacted] ✂] of this [✂ [redacted] ✂] volume share, [✂ [redacted] ✂] of these reported volumes by itself in this [✂ [redacted] ✂].

   ii. Specific transportation or handling costs, other relevant costs and service quality standards – Handling costs, trunking, transport and delivery according to ComReg analysis can vary from [✂ [redacted] ✂]of total cost between that of standard and registered parcels sent to Zone 2 (UK) and to Zone 3(EU Member States and Other). These costs as explained by the USP are complex when delivering to 40+ destinations in Zone 3, so costs can vary year on year, compared to internal costs or that of scale payments, trunking and handling fees which are relatively fixed when reviewing the external payable costs submitted by the USP.

iii. likely impact of the applicable cross-border tariffs on individual and small and medium-sized enterprise users including those situated in remote or sparsely populated areas, and on individual users with disabilities or with reduced mobility, where possible without imposing a disproportionate burden – ComReg is of the view that given that pipeline costs decreased by [✂ [redacted] ✂]in 2019, there was opportunity to pass these cost savings onto postal service users, in particular to benefit those in society most vulnerable. As it stands, these tariffs are already amongst the highest in Europe with tariffs identified as the 2nd most expensive tariffs for the 1kg and 2kg standard parcel and the most expensive tariff for the 5kg standard parcel amongst USPs.

d. These tariffs are subject to a specific price regulation under national legislation i.e. section 28 of the Communications Regulation (Postal Services) Act 2011 (which transposes Article 12 of Postal Services Directive) which amongst other things stipulates that tariffs for a postal service provided by An Post as universal postal service provider must be affordable, cost-orientated, transparent and non-discriminatory. ComReg conducts ongoing monitoring of An Post's compliance with section 28, in particular using the audited Regulatory Accounts to inform assessment of cost orientation. In objectively assessing whether these tariffs are unreasonably high, ComReg has considered the cost and margin data from the audited Regulatory Accounts and further break down provided by the USP.

4) It is ComReg's objective assessment, in accordance with the principles in Article 12 of Directive 97/67/EC, that the tariffs for 1kg, 2kg and 5kg standard parcels are potentially unreasonably high and will considered for assessment next year. It is ComReg's objective assessment that there is likely scope for tariff reductions given the significant cost savings made in 2019. ComReg will also consider the unaudited cost analysis provided by the USP which in some cases record significantly higher profit margins. ComReg also objectively assesses that the volatility in external costs should be kept under consideration to assess whether such tariff reductions can be made.

4.3 a 1kg, 2kg and 5kg (domestic and intra Union) track and trace parcels

132. ComReg objectively considers that these identified tariffs are necessary to objectively assess, in accordance with the principles in Article 12 of Directive 97/67/EC, in order to identify if the tariffs are considered to be unreasonably high.

133. The following objective assessment is made of the three identified “1kg, 2kg and 5kg (domestic and intra Union) track and trace parcels”, known in USP pricing terms as 1kg, 2kg and 5kg registered parcels:

1) The tariffs in question have decreased price from the previous year by between 6 – 13% (€5.00 for 5kg, €6.50 for 2kg and €5.00 for 1kg registered parcels). These tariffs increased in price from 2016 by the following amounts prior to these price reductions in 2019:

   - 1kg registered parcel Tariff - with an increase in price of 30.7%, a €9.40 increase;
   - 2kg registered parcel Tariff - with an increase in price of 23.2%, a €11.40 increase;
   - 5kg registered parcel Tariff - with an increase in price of 16.9%, a €13.40 increase.

2) ComReg reviewed the audited Regulatory Accounts 2019, specifically International Outbound Registered for available cost data. Registered Outbound parcels cost data were not available to product and weight break from the Regulatory Accounts, therefore, ComReg requested that this was provided as part of its assessment for just the 1kg, 2kg and 5kg registered outbound parcels. In overall terms, there was minimal change in outbound item volumes from 2018 to 2019, and this led to only a slight increase in cost per unit in 2019 of €9.47 for outbound registered items versus €9.21 from the prior year. This led to a profit of c.€3.4m in 2019 for outbound registered items with a reported margin of c.30.25% at the aggregated level which at the weight break level for each parcel led to a profit margin of [✂[redacted] ✂]. This was compared to prior year, and it was seen that these same products were [✂ [redacted] ✂], with [✂ [redacted] ✂]respectively, however are now [✂ [redacted] ✂] factored in for 2019 in just a year.

3) ComReg proceeded to address the considerations outlined under Article 6(2) of the Regulation for the objective assessment of these identified tariffs, with more details on findings outlined in section “3.1 Assessment Process and Analysis” above:

a. Assessment under Article 6(2)(a) *"the domestic and any other relevant tariffs of the comparable parcel delivery services in the originating Member State and in the destination Member State "*–

iii. When comparing these USP tariffs outbound at each weight break to each destination member state to the corresponding USP tariffs at each weight break in other destination member states to Ireland using a ratio analysis, a process that the USP noted *"appears a legitimate means of comparison for tariffs"*[52], ComReg determined that these tariffs were identified as the 4th most expensive tariffs for the 1kg and 2kg registered parcel and the most expensive tariff for the 5kg registered parcel amongst other USPs in Europe. When comparing these tariffs to the average tariff of cheaper tariffs at each weight break excluding the cheapest outliers, it was found that the USP tariff was between 37% to 54% more expensive than the average for the 1kg and 2kg tariffs across Europe and c.87% more expensive for the 5kg registered parcel.

iv. ComReg also compared the USP outbound tariffs at each weight break to that of other PDSP competitors based in Ireland that had similar products. This showed at each weight break, the 1kg, 2kg and 5kg track and trace parcels, the USP was noted as the 5th most expensive for the 1kg and 2kg product and 4th most expensive for the 5kg product in Ireland i.e. in the bottom half of prices, however this must be caveated as the other domestic PDSPS have included their base rate from their pricing systems which can change significantly when factoring in add on services and dimensions for packaging, so this may not present a like for like comparison.

b. Assessment under Article 6(2)(b) *"any application of a uniform tariff to two or more Member States"* – USP has zonal pricing which through investigation shows that Zone 3 (Mainland Europe) has zonal pricing of 40+ destinations, and this is the applicable Zone as part of the "1kg, 2kg and 5kg (domestic and intra Union) trace and trace parcels" being identified for 2020. This means that the cost to the most expensive countries (not Member States) is absorbed in the price band for all Zone 3 countries. While ComReg still considers that the application of a zonal uniform tariff simplifies the pricing structure to the benefit of postal service users, there is uncertainty as to why there are other countries included with the EU

[52] Email from An Post - CBPR tables / analysis - Error check for An Post - 23 July 2020

Member States to Zone 3, [✂ [redacted] ✂].

c. Assessment under Article 6(2)(c) *"bilateral volumes, specific transportation or handling costs, other relevant costs and service quality standards":*

i. Bilateral Volumes – ComReg reviewed outbound volumes for Zone 3 registered parcels. It was identified that of counter-automation volumes which makes up [✂ [redacted] ✂] of all outbound volumes, that [✂ [redacted] ✂] of volumes were to EU Member States for both standard and registered parcels, Of this [✂ [redacted] ✂] volume to EU Member States share, nearly [✂ [redacted] ✂] of parcels mail is to [✂ [redacted] ✂]with the remaining % split between remaining Member States, each having less than [✂ [redacted] ✂] share of the volume. 1 – 5kg registered parcels [✂ [redacted] ✂] of registered products, [✂ [redacted] ✂], which is [✂ [redacted] ✂] as many registered parcels compare to its nearest next cohort of [✂ [redacted] ✂]registered parcels. It was also recognised by ComReg as part of its analysis that several countries outside the EU Member States were also part of Zone 3 pricing for the USP. This slice represents [✂ [redacted] ✂] of total outbound parcel and registered parcel mail. These volume splits to destinations are all quite small apart from that [✂ [redacted] ✂] which have over [✂ [redacted] ✂] and together make up [✂ [redacted] ✂]of this reported volume share, [✂ [redacted] ✂] with [✂ [redacted] ✂] share of these reported volumes by itself within this [✂ [redacted] ✂].

ii. Specific transportation or handling costs, other relevant costs and service quality standards – Handling costs, trunking, transport and delivery according to ComReg analysis can vary from [✂ [redacted] ✂]of total cost between that of standard and registered parcels sent to Zone 2 (UK) and to Zone 3(EU MS and Other). These costs are complex as delivering to 40+ destinations in Zone 3, so costs can vary year on year.

iii. likely impact of the applicable cross-border tariffs on individual and small and medium-sized enterprise users including those situated in remote or sparsely populated areas, and on individual users with disabilities or with reduced mobility, where possible without imposing a disproportionate burden – ComReg are of the view that given [✂ [redacted] ✂], there was opportunity to pass these savings on to consumers, in particular to benefit those in society most vulnerable and this was seen with the USP reducing registered parcels / track and trace parcels prices by between [✂ [redacted] ✂]. Following the price reductions, these tariffs are already amongst the highest in Europe with tariffs identified as the 4th most expensive tariffs for the 1kg and 2kg registered parcel and the most expensive tariff for the 5kg registered parcel amongst other USPs in Europe.

d. The tariff is subject to a specific price regulation under national legislation i.e. section 28 of the Communications Regulation (Postal Services) Act 2011 (which transposes Article 12 of Postal Services Directive) which amongst other things stipulates that tariffs for a postal service provided by An Post as universal postal service provider must be affordable, cost-orientated, transparent and non-discriminatory. ComReg conducts ongoing monitoring of An Post's compliance with section 28, in particular using the audited Regulatory Accounts to inform assessment of cost orientation. In objectively assessing whether the tariff is unreasonably high, ComReg has considered the cost and margin data from the audited Regulatory Accounts and further break down provided by the USP.

4) It is ComReg's objective assessment, in accordance with the principles in Article 12 of Directive 97/67/EC, that the tariffs for 1kg, 2kg and 5kg Track & Trace parcels are potentially unreasonably high and will be considered for assessment next year. ComReg notes that price reductions were made in 2019 but that the prices remained among the highest in Europe. Furthermore, given the profit margins reported there could be scope for further price reduction noting that these are universal postal services and therefore are required to be cost oriented and affordable. ComReg will also consider the unaudited cost analysis provided by the USP which in some cases record significantly higher profit margins. ComReg also objectively assesses that the volatility in external costs should be kept under consideration to assess whether such tariff reductions can be made.

Figure 45 – Summary of ComReg's objective assessment

Identified Tariff Products	Tariff Zone 3[53] - 01/01/2019	2019 - Identified Tariffs	Tariff Zone 3 – 01/01/2020	2020 - Identified Tariffs	Price Change 2019/20	ComReg's objective assessment
a 1 kg (domestic and intra Union) track and trace letter	18.00	No	18.50	Yes	0.50	Considered unreasonably high[54]
a 1 kg (domestic and intra Union) standard parcel	28.00	Yes	28.00	Yes	0.00	Consider for assessment next year
a 2 kg (domestic and intra Union) standard parcel	35.50	Yes	35.50	Yes	0.00	Consider for assessment next year
a 5 kg (domestic and intra Union) standard parcel	67.00	Yes	67.00	Yes	0.00	Consider for assessment next year
a 1 kg (domestic and intra Union) track and trace parcel	40.00	Yes	35.00	Yes	-5.00	Consider for assessment next year
a 2 kg (domestic and intra Union) track and trace parcel	49.00	Yes	42.50	Yes	-6.50	Consider for assessment next year
a 5 kg (domestic and intra Union) track and trace parcel	79.00	Yes	74.00	Yes	-5.00	Consider for assessment next year,

53 The USP's Zone 3 is a uniform tariff for sending to Europe, including European countries that are not Member States

54 This is informed, together with other evidence and information, by the audited Regulatory Accounts; the USP disagrees with the reliance by ComReg on the audited Regulatory Accounts to inform the objective assessment and the identification of the tariff that is considered to be unreasonably high. The USP claims there are issues with relying on the audited Regulatory Accounts as it does not provide specific granularity on cost for each of the tariffs under assessment. ComReg will discuss with the USP for next year how to allocate costs accurately, as required by ComReg's Accounting Direction.

5: Legal Basis

134. ComReg is required to identify the cross-border single-piece parcel tariffs of the parcel delivery service provider that originates in Ireland and that are subject to a universal service obligation that it objectively considers necessary to assess. ComReg is then required to objectively assess, in accordance with the principles in Article 12 of Directive 97/67/EC, those tariffs identified in order to identify those tariffs that it considers to be "unreasonably high". These obligations are imposed by Article 6 of Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services.

Appendix 1: Correspondence

27 April 2020

Dr. Tanya Harrington
Chief Regulatory Affairs Officer
An Post
General Post Office
Dublin 1
D01 F5P2

Ref: Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation")

Dear Tanya

I hope you are well and safe during these difficult times.

I write to you in follow up to our previous correspondence of 17 January 2020. I outline below the next steps of the requirements under the Regulation for 2020 and the respective deadlines for each.

1. **Public list of tariffs pursuant to Article 5 of Regulation 2018/644**

An Post as a declared "parcel delivery service provider" submitted its public list of tariffs applicable at 1 January 2020 for the delivery of certain single-piece postal items as outlined under the Regulation. On receipt of this information from An Post, ComReg reviewed and forwarded this information to the European Commission via the European Commissions' web-based tool. ComReg can confirm these tariffs have now been published on the European Commission website and there is no further action required.

2. **Assessment of cross-border single-piece parcel tariffs pursuant to Article 6 of Regulation 2018/644**

2a. European Commission – Pre-assessment filtering mechanism

Following the same process as last year, the tariff information submitted to the European Commission was collated and analysed by the European Commission, with an output of the tariffs, adjusted by purchasing power parity ("PPP"), that were in the top 25% quartile. The following results, Figure 1 below, were determined for 2020, with seven of An Post's products being flagged in the top 25% quartile of tariffs. Six of the seven products were flagged by the European Commission last year, with the only difference being the positive downgrade of the "500g (domestic and intra Union) track and trace letter", and instead the negative upgrade of the "1kg (domestic and intra Union) track and trace letter" being flagged for 2020. Furthermore, only zone 3 tariffs have been flagged in 2020 compared to last year where four zone 2 products and tariffs were flagged.

Figure 1 – List of product tariffs flagged in top 25% quartile for 2020 by the European Commission

Products	Tariff Zone 3 - 2019	2019 - Zone 3 - Top 25% Tariff	Tariff Zone 3 - 2020	Zone 3 - Top 25% Tariff	Price Change 2019/20
a 1 kg (domestic and intra Union) track and trace letter	18.00	No	18.50	Yes	0.32
a 1 kg (domestic and intra Union) standard parcel	28.00	Yes	28.00	Yes	0.00
a 2 kg (domestic and intra Union) standard parcel	35.50	Yes	35.50	Yes	0.00
a 5 kg (domestic and intra Union) standard parcel	67.00	Yes	67.00	Yes	0.00
a 1 kg (domestic and intra Union) track and trace parcel	40.00	Yes	35.00	Yes	-5.00
a 2 kg (domestic and intra Union) track and trace parcel	49.00	Yes	42.50	Yes	-6.50
a 5 kg (domestic and intra Union) track and trace parcel	79.00	Yes	74.00	Yes	-5.00

Therefore, a minimum of 7 products and 7 tariffs for zone 3 pricing by An Post will be part of our assessment based on the analysis carried out by the European Commission for 2020.

2b. Request for information to inform ComReg's assessment of potentially unreasonably high tariffs pursuant to Article 6 of Regulation 2018/644 – Deadline - 20 May 2020

In order to carry out an objective assessment of the tariffs pursuant to Article 6 of the Regulation, ComReg requires information from An Post by 20 May 2020 (at the latest) that justifies, in detail, why each of these seven products and seven tariffs listed below should not be considered unreasonably high:

1. a 1 kg (domestic and intra Union) track and trace letter & 1kg (domestic and intra Union) registered letter [same product]
2. a 1 kg (domestic and intra Union) standard parcel
3. a 2 kg (domestic and intra Union) standard parcel
4. a 5 kg (domestic and intra Union) standard parcel
5. a 1 kg (domestic and intra Union) track and trace parcel
6. a 2 kg (domestic and intra Union) track and trace parcel
7. a 5 kg (domestic and intra Union) track and trace parcel.

An Post is also required to submit information to demonstrate how each of these tariffs meet the obligation to uphold the principles contained in Article 12 of Directive 97/67/EC i.e. tariffs must be cost-orientated, affordable, transparent and non-discriminatory.

In order to carry out our assessment, the following information and supplementary information is required also to address the above. Any further information which An Post deem to be beneficial is also welcomed in addressing our queries:

1) Information provided by An Post for the 2019 unreasonably high tariff assessment was of use for ComReg's analysis; therefore, we request that this information previously provided by An Post is updated again for 2020. Excel workbooks provided by An Post are attached for your convenience. In this update for 2020 ComReg requires additional data, namely that the [redacted].

2) Information on the results of An Post's review[1] for [redacted]:
   a. Did this review inform the significant price reductions for outgoing parcels in 2019 for Zone 2? Did this review include a review of Zone 3 outbound parcel products also? If so in either case or both, what were the reasons for such tariff reductions? What were the reasons for greater tariff reductions for Zone 2 products when compared to Zone 3? Provide details of pipeline costs when referencing reasoning for tariff reductions as detailed in point b below for both zone products.
   b. Details on pipeline cost changes for these products at the noted weight breaks to understand where the significant cost savings were made for Zone 2 versus Zone 3 products to support such tariff changes, and an explanation as to why such cost savings could not be achieved in Zone 3 products.

3) Explanation on why there is a discrepancy in the reduction of costs between the 1, 2, 5Kg standard parcels and registered parcels flagged in 2019 to 2020; [redacted] Yet in comparing this to the Zone 3 tariffs this is not the case, standard post for 1kg, 2kg & 5kg parcels have no tariff reduction when compared to 1kg, 2kg & 5kg T&T parcels. Explain the reason for

[1] An Post letter to ComReg dated 14/06/2019 – Regulation of the European Parliament and of the Council on cross-border delivery services – assessment of cross-border single-piece parcel tariffs

this and please reference the relevant cost allocation parameters for these different costing results.

4) ComReg notes from An Post's previous correspondence[2] that "*all barcoded tracked items are handled/processed in a similar manner by An Post before leaving Ireland*". [redacted] Therefore, ComReg requires clarification if costs are fixed for all registered items and there is no difference in internal costs for treatment of these registered items? If so, what is the fixed internal processing cost for registered items? Otherwise, please explain what other factors would apply to result in different costs for what is the internal processing cost for these registered items.

5) Outbound volumes to each intra EU member states for each of the flagged products at the specific weight breaks.

6) Given 2019 Regulatory Accounts are in preparation and should be available in May, ComReg requires detailed P&L breakdown for each of the 7 weight break products flagged above. This should be the breakdown to pipelines for outbound parcels and outbound registered items from the audited Regulatory Accounts. See figure below i.e. "Table 1" provided from correspondence from An Post[2] . As noted after this table, [redacted]

[2] An Post letter to ComReg on cross border parcel regulation – 26/06/2019
[4] SMVs manual – *"Guide to work standards – Revision 2.1 – date- September 2006 – section 4"*

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[redacted]

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Communications Regulation

[redacted]

Please note that this correspondence, and An Post's response will be submitted to the European Commission. Please further note that the correspondence on this matter will form part of ComReg's assessment under Article 6 and will be provided to the European Commission. A non-confidential version of this assessment will be published by the European Commission and ComReg; therefore, please clearly note in your response what information An Post considers to be confidential.

3. **Information required pursuant to Article 4 of Regulation 2018/644 – deadline 30 June 2020.**

An Post is required to fill out the form attached at Appendix 1 to this letter, and return it by email to postreg@comreg.ie by no later than 30 June 2020. This is a version of the form in Annex II of the Commission Implementing Regulation (EU) 2018/1263 of 20 September 2018 and is in electronic excel format to ease the process of submitting such information. This form includes An Post's figures submitted in the prior year as a comparison. Given the need for standardisation and assurance of data integrity, we ask An Post to review last year's submission at this stage. As part of your response, please advise clearly of confirmation of last year's information or of any correction to last year's information if now required. Note, ComReg has identified the following items in Annex 2 which requires clarification from your submission last year:

1. Number of outgoing parcel volumes which are outgoing to INTRA Union/EEA – Not provided – give reason for this exclusion, otherwise correct for same,
2. Number of outgoing parcel volumes which are outgoing to EXTRA Union/EEA – Not provided – give reason for this exclusion, otherwise correct for same,
3. Turnover from outgoing parcel delivery services outgoing in INTRA Union/EEA,
4. Turnover from outgoing parcel delivery services outgoing in EXTRA Union/EEA,

Please note that ComReg will publish the aggregate data and information received by it from parcel delivery service providers. However no individual submissions will be published and your individual submission will remain confidential to ComReg. The publication of aggregate data will better inform all stakeholders on cross border parcel delivery to/from Ireland.

Please feel free to contact me at postreg@comreg.ie should you have any further queries on the above.

Yours sincerely

Lorcan Pringle
Postal Regulation, ComReg

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21 May 2020

RE: Regulation (EU) 2018/ 644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation")

Dear Lorcan,

I am writing in response to your letter of 27 April 2020 and specifically in response to Section 2b and your request for information to inform ComReg's assessment of potentially unreasonably high tariffs pursuant to Article 6 of Regulation 2018/ 644.

On this issue, An Post notes that for 2019, only Zone 3 tariffs have been flagged as potentially being unreasonably high.

The scope of this review is to assess potentially unreasonably high tariffs flagged by the European Commission. It is not to assess the changes made to Zone 2 parcel prices in November 2019. No Zone 2 products were flagged by the European Commission for review in this assessment.

An Post considers that the An Post Zone 2 tariffs are therefore generally outside the scope of this reply other than by reference to any explanation as to why Zone 3 tariffs were not reduced in 2019 and tariffs for Zone 2 were.

1 Information provided by An Post for the 2019 unreasonably high tariff assessment was of use for ComReg's analysis; therefore, we request that this information previously provided by An Post is updated again for 2020. Excel workbooks provided by An Post are attached for your convenience. In this update for 2020 ComReg requires additional data, namely that the average "internal cost" is split out for Zone 2 and then Zone 3 rather than averaged across all zones.

An Post notes that ComReg found useful the information collated and voluntarily provided by An Post in respect of 2018 tariffs for ComReg's 2019 review and that ComReg requests equivalent information in respect of 2019 as well as certain additional information, i.e. equivalent data split out by Zone.

Please note that this information supplied by An Post to you contains commercially sensitive information consisting of financial, commercial, technical or other information whose disclosure to a third party could result in financial loss to An Post, or would prejudice the competitive position of An Post in the conduct of its business, or would otherwise prejudice the conduct or outcome of contractual or other negotiations to which An Post is a party. Accordingly, you are required to contact a member of the An Post Regulatory Department where there is a request by any party pursuant to the provisions of the Freedom of Information Act 2014 or any other legislative act to have access to records held by Com Reg which may contain any of the information herein, and not to furnish any information without prior written permission from An Post.

Please note that the data provided in 2019 was an additional work product prepared by An Post and was not readily available from the process of preparing the Regulatory Accounts. ComReg now requires a further breakdown of information per zone, based on the 2019 tariff findings. An Post is working to prepare this as promptly as possible. A breakdown of information per zone is not readily available.

As for our reply for 2020, the Regulatory Accounts for 2019 are not yet finalised and audited. This work is in progress. In 2019, certain simplified models were provided based on draft Regulatory Accounts and other data available at the time.

2a. Did this review inform the significant price reductions for outgoing parcels in 2019 for Zone 2? Did this review include a review of Zone 3 outbound parcel products also? If so in either case or both, what were the reasons for such tariff reductions? What were the reasons for greater tariff reductions for Zone 2 products when compared to Zone 3? Provide details of pipeline costs when referencing reasoning for tariff reductions as detailed in point b below for both zone products.

The price changes for outgoing Zone 2 parcels in 2019 was informed by a separate review of parcel product prices prior to the launch of An Post's innovative solution for broadening the availability and accessibility of USO postal services i.e., the Click & Post online service in November 2019. This review covered Zone 1 (Domestic and NI) and Zone 2 (UK excluding NI) services.

The decision was taken to reduce prices at certain weight bands [redacted]. This was done to simplify the weight bands to the UK in a manner that suits 'best-practice' online parcel retailing. These revised Zone 2 weight bands match the simplified Zone 1 weight bands, and significantly improve transparency for customers.

As notified to ComReg at the time, it was considered advantageous to reduce the number of weight steps and the corresponding pricing brackets was adjusted accordingly.

The nature of the USO Parcel business to Zone 2 destinations is very different to that of Zone 3:

- [redacted]
- Zone 3 parcels are delivered to a large number of destinations [redacted] It is therefore more complex to manage. Freight and delivery costs between destinations can vary substantially and are subject to change. The composition of the Zone 3 flow may shift to favour more or less expensive destinations. In addition, Zone 3 has much lower overall and per-destination volume. It is therefore much more difficult to consolidate and simplify rates as we did for Zone 2.

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An Post notes that none of these Zone 3 rates to the EU countries were found to be unreasonably high in the previous review. We are confident that this is still the case but in any event a further review will await the publication of the 2019 Regulated accounts and analysis of cost and volumes trends through 2020. Any further review of these rates will have to be undertaken in a balanced manner that reflects the complexity and risks of the business, as well the competitive environment in which An Post operates.

2b. Details on pipeline cost changes for these products at the noted weight breaks to understand where the significant cost savings were made for Zone 2 versus Zone 3 products to support such tariff changes, and an explanation as to why such cost savings could not be achieved in Zone 3 products.

This question implies that An Post is required to price all USO parcel services at each weight break at a fixed margin to cost and adjust prices only and always when these costs change and further, that this was the underlying reason for the changes to the Zone 2 tariffs in late 2019. An Post has set out above the rationale for its changes to Zone 2 tariffs.

While tariffs must be cost Orientated, prices must also meet the other tariff requirements of Affordability, Transparency and Non-Discrimination. However, we note that Zone 3 parcels have different transport costs, and different terminal dues arrangements to Zone 2, and that Zone 3 is a combination of many countries, some within the EU and other not.

An Post would further note the European Commission Guidance to NRAs in this matter[1] which states that the application of a uniform tariff may itself be considered a legitimate deviation from the cost orientation principle, as this possibility is provided for in Article 12 third indent of the Postal Services Directive. In this regard, the Regulation refers to the fact that uniform tariffs for cross-border deliveries to two or more Member States might be important for the protection of regional and social cohesion. As a result, the NRAs should take into consideration that there may be a justified gap between the cost of a specific service (i.e. the underlying costs of a postal item sent to a specific destination) and the tariff of the service. In these cases, a certain averaging takes place between different destinations and therefore between items with different cost structures.

3 Explanation on why there is a discrepancy in the reduction of costs between the 1, 2, 5Kg standard parcels and registered parcels flagged in 2019 to 2020; [redacted] Yet in comparing this to the Zone 3 tariffs this is not the case, standard post for 1kg, 2kg & 5kg parcels have no tariff reduction when compared to 1kg, 2kg & 5kg T&T parcels. Explain the reason for this and please reference the relevant cost allocation parameters for these different costing results.

[1] Commission Communication on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263 (COM(2018) 838 final)

Please note that this information supplied by An Post to you contains commercially sensitive information consisting of financial, commercial, technical or other information whose disclosure to a third party could result in financial loss to An Post, or would prejudice the competitive position of An Post in the conduct of its business, or would otherwise prejudice the conduct or outcome of contractual or other negotiations to which An Post is a party. Accordingly, you are required to contact a member of the An Post Regulatory Department where there is a request by any party pursuant to the provisions of the Freedom of Information Act 2014 or any other legislative act to have access to records held by Com Reg which may contain any of the information herein, and not to furnish any information without prior written permission from An Post.

The scope of this review is to assess potentially unreasonably high tariffs flagged by the European Commission. It is not to assess the cost-orientation of the changes made to Zone 2 parcel prices in November 2019. An Post has set out above the reasons for the adjustment of the Zone 2 tariffs in 2019. No Zone 2 products were flagged by the European Commission for review in this assessment. Expectations that Zone 2 and Zone 3 price setting will proceed in concert and on an identical basis ignore the differences between the two Zones as discussed above.

Zone 3 parcels (including Registered parcels) were assessed as 'not being unreasonably high' in 2019, and we see no reason that changes to parcel product pricing for products to other destinations would affect this. Pricing changes to Zone 2 products were undertaken in an attempt to improve price transparency, to ensure the greatest availability of USO postal services for all users and to ensure a harmonised approach between counter and on-line purchase mechanisms at the time of introduction of the new online solution for all consumers and should not be used as a barometer for price setting in all other areas.

4 ComReg notes from An Post's previous correspondence2 that "all barcoded tracked items are handled/processed in a similar manner by An Post before leaving Ireland". [redacted] *Therefore, ComReg requires clarification if costs are fixed for all registered items and there is no difference in internal costs for treatment of these registered items? If so, what is the fixed internal processing cost for registered items? Otherwise, please explain what other factors would apply to result in different costs for what is the internal processing cost for these registered items.*

An Post's reasons for changes to Zone 2 tariffs globally has been set out above.

5 Outbound volumes to each intra EU member states for each of the flagged products at the specific weight breaks.

6 Given 2019 Regulatory Accounts are in preparation and should be available in May, ComReg requires detailed P&L breakdown for each of the 7 weight break products flagged above. This should be the breakdown to pipelines for outbound parcels and outbound registered items from the audited Regulatory Accounts. See figure below i.e. "Table 1" provided from correspondence from An Post2 . As noted after this table, ComReg determined from cost models for Regulatory Accounts the volumes and revenue for weight breaks, see Figure 2, however, we note volume or total revenue was not included by An Post in the creation of "Table 1" below. Please include this information and also advise on the specific volume and revenue figures for the weight break products flagged; this is not the provided in the cost model files, figures are instead provided for product bands i.e. "Standard 2 to 5kg". The revenue and volumes figures from An Post's cost models did not provide the data needed for registered products, please ensure this is also included. Please also provide your working to illustrate the cost absorption for pipelines per product.

Please note that this information supplied by An Post to you contains commercially sensitive information consisting of financial, commercial, technical or other information whose disclosure to a third party could result in financial loss to An Post, or would prejudice the competitive position of An Post in the conduct of its business, or would otherwise prejudice the conduct or outcome of contractual or other negotiations to which An Post is a party. Accordingly, you are required to contact a member of the An Post Regulatory Department where there is a request by any party pursuant to the provisions of the Freedom of Information Act 2014 or any other legislative act to have access to records held by Com Reg which may contain any of the information herein, and not to furnish any information without prior written permission from An Post.

As stated above, it is noted that ComReg found useful the information collated and voluntarily provided by An Post in respect of 2018 for ComReg's 2019 review. However certain additional information is now required. Not all of this information is readily available in the manner requested by ComReg in the An Post Regulatory Accounts.

The Regulation states that, the national regulatory authority shall consider the tariff principles contained in Article 12 of the Directive and also in particular, take into account the following elements:

(a) the domestic and any other relevant tariffs of the comparable parcel delivery services in the originating Member State and in the destination Member State;

(b) any application of a uniform tariff to two or more Member States;

(c) bilateral volumes, specific transportation or handling costs, other relevant costs and service quality standards;

(d) the likely impact of the applicable cross-border tariffs on individual and small and medium sized enterprise users including those situated in remote or sparsely populated areas, and on individual users with disabilities or with reduced mobility, where possible without imposing a disproportionate burden.

The Commission Guidance refers to the DO's cost accounting records only in the context of (c) above.

As such, An Post does not consider this Regulation presents a new obligation for revised presentation of information contained in the Regulatory Accounts to date.

We are progressing our work on information required pursuant to Article 4 of Regulation 2018/644 which is due by 30 June.

Yours sincerely,

Dr. Tanya Harrington
Chief Regulatory Affairs Officer

22 May 2020

Dr. Tanya Harrington
Chief Regulatory Affairs Officer
An Post
General Post Office
Dublin 1
D01 F5P2

Ref: Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation")

Dear Tanya

I refer An Post's response dated 21 May 2020 to ComReg's information request dated 27 April 2020 pursuant to Article 6 of Regulation 2018/644.

ComReg notes under Art.6 (5) of the Regulation, *"For the purposes of the assessment referred to in paragraph 2, the national regulatory authority shall, when it considers that it is necessary,* ***request any further relevant evidence*** *in relation to those tariffs that is needed for the assessment to be made*".

Furthermore, under Art.6 (6) of the Regulation, *"The evidence referred to in paragraph 5 shall be provided to the national regulatory authority within* ***one month*** *of receipt of the request, together with any justification of the tariffs under assessment."*

Given the above, ComReg notes the following regarding An Post's unsatisfactory response[1]:

- None of the data / information required for ComReg's assessment has been provided by the deadline set by ComReg;
- No date has been provided by when ComReg can expect to receive this data / information required for ComReg's assessment;
- An Post states in its response that it is confident that its Zone 3 tariffs flagged are still not unreasonably high, but no supporting information has been provided by An Post to support this, rather a statement by An Post to inform ComReg that a further review will take place after publication of the 2019 Regulatory Accounts, with no information as to when the 2019 Regulatory Accounts will be available to ComReg;
- At page 2 of An Post's response letter, An Post advises that *"...ComReg now requires a further breakdown of information per zone, based on 2019 tariff findings*". This is

[1] An Post letter of 21 May 2020 in response to information request pursuant to Art. 6 of Regulation 2018/644

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incorrect. As outlined in the information request, ComReg requests that An Post's excel workbooks are updated based on 2020 tariff findings, and that [redacted];

- At page 4 of An Post's response letter, An Post highlights ComReg's request for information to provide, "*Outbound volumes to each intra EU member states for each of the flagged products at the specific weight break".* However, no information is provided by An Post under the heading for this request or detail as to when the requested information will be provided.

By An Post not providing the information within the 1-month timeline, this will impact ComReg's ability to deliver our report and findings to the European Commission by 30 June 2020, as required by the Regulation. If there are further delays in the provision of the required information by An Post, this will in turn impact on the timing of ComReg's submission to the European Commission and this will be noted.

An Post is requested to respond by 27 May 2020 with all information requested by ComReg to conduct the required tariff assessment.

Please note that, in the absence of any of above information from An Post, ComReg reserves its rights to issue a formal notice seeking this information under section 13F of the 2002 Act.

Yours sincerely

Lorcan Pringle
Postal Regulation, ComReg

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29th May 2020

Ref: Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation")

Dear Lorcan,

I am writing in response to your letter dated 22 May 2020. This letter concerned ComReg's information request dated 27 April 2020 pursuant to Article 6 of Regulation 2018/644.
An Post can currently access up-to-date data by Zone concerning rates for terminal dues and freight costs payable to external providers- i.e. those costs which are 'Externally Payable'. These are provided in the attached spreadsheets (**Appendix A**), along with 'Internal' costs from the 2018 Regulatory Accounts, the last available audited source of such data.

This analysis is performed on the same basis as that contained in the spreadsheets sent to ComReg as part of the 2019 review. The "Internal Costs" in effect represent the costs of getting parcels from Dublin to the international hub in UK and are therefore of a type that is in fact similar for all Zones. For all Zone 3 countries, there are then in addition the transport and terminal dues payable to the destination country.

Our analysis will be updated once 2019 Regulatory Accounts data is available and the update will be provided by mid-June, as described in further detail below.

It remains to be confirmed based on the audited 2019 Regulatory Accounts, but it is expected that the updated position will show that An Post's outbound international parcel service (both standard and registered) will make a modest overall profit for 2019.

As stated above, the Internal Costs will not be subject to further breakdown by Zone – but we will endeavour to do so by weight step.

However, the 2019 Regulatory Accounts were not available in January 2020 and do not necessarily impact consideration of the international outbound parcel prices that were in effect at 1 January 2020.

This correspondence is concerned with prices in effect on 1 January 2020.
Our response on 21st May outlined a series of fundamental differences concerning the nature of the USO Parcel business to Zone 2 compared to Zone 3. These were:

- Zone 2 parcels are delivered to UK [redacted]
- Zone 3 parcels are delivered to a large number of destinations [redacted] It is therefore more complex to manage. [redacted] It is therefore much more difficult to consolidate and simplify rates as we did for Zone 2.

Appendix B uses the 'Externally Payable' costs data to illustrate these points. It is clearly visible that these 'Externally Payable' costs:

- [redacted]
- [redacted]
- [redacted]

These factors make the approach taken in November to reducing the Zone 2 weight breaks and compressing the corresponding price points for Zone 2 pricing inapplicable to Zone 3. As a result, different considerations applied and Zone 3 pricing was not reduced at the same time as Zone 2 prices. It does not follow that as a result of these considerations, the Zone 3 rates are unreasonably high.

ComReg has requested "*Outbound volumes to each intra EU member states for each of the flagged products at the specific weight break".* Such volumes that are paid via Stamp and Meter are currently estimated using a process of sampling. This sampling does not and cannot distinguish by individual country. However, PO Counter paid volume can be directly determined via the PO Counters database. This channel accounts for [redacted] of USO Parcel volume to Zone 3 destinations. As requested, this data is provided in **Appendix C** for 2019.

an post

As was mentioned in An Post's response of 21 May 2020 to this information request, the Regulatory Accounts for 2019 are close to completion but are not yet finalised and audited. Whilst An Post has made some reasonable projections on the basis of the 2019 figures which are currently available, if An Post releases this data for 2019 prior to the completion of this process, we run the risk of providing data that may be incomplete or in conflict with the published Regulatory Accounts.

An Post will provide this data once the audit process has been completed. In recognition of the time constraints of the assessment, this data will be made available to ComReg by mid-June 2020, i.e., prior the publication of the Regulated Accounts themselves.

Similarly, the information requested regarding overall cross-border volumes and revenues cannot be provided until this process is completed. This information will also be provided by mid-June 2020.

[redacted] As part of the data to be provided in mid-June, as stated above, An Post will endeavour to adjust the data used in production of the audited 2019 Regulatory Accounts to reflect the cost drivers that may differ by Zone.

Please note that the cost and volume data provided as part of this submission, including all of the data contained in the **Appendices** is highly commercially sensitive.

Yours sincerely

Pat Cunningham

Pat Cunningham
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An Coimisiún um
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Commission for
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08 June 2020

Pat Cunningham
Internal Regulatory Affairs Manager
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Ref: Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation")

Dear Pat

I refer to An Post's response dated 29 May 2020 to ComReg's information request dated 27 April 2020 and further letter of 22 May 2020 pursuant to Article 6 of Regulation 2018/644.

ComReg is currently reviewing the appendices A – C An Post provided to support its position that none of the seven tariffs flagged from the European Commission pre-assessment filtering mechanism 2020 are "unreasonably high".

In carrying out this review, ComReg requires the following clarifications and additional information as laid out under the below headings;

(A) Data missing / no response to ComReg's initial information request of 27 April 2020

ComReg has reviewed the information provided from An Posts response of 21/05/2020 and 29/05/2020. Acknowledging the reasoning for delay of certain information due to the sign-off of the 2019 Regulatory Accounts, ComReg note that the following information is still outstanding:

Q3 – Explanation on why there is a discrepancy in the reduction of costs between the 1, 2, 5Kg standard parcels and registered parcels flagged in 2019 to 2020; [redacted] ***Yet in***

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comparing this to the Zone 3 tariffs this is not the case, standard post for 1kg, 2kg & 5kg parcels have no tariff reduction when compared to 1kg, 2kg & 5kg T&T parcels. Explain the reason for this and please reference the relevant cost allocation parameters for these different costing results.

An Post did not address the query in the context of zone 3 tariffs, specifically tariff differences between 1,2 & 5kg standard and registered parcels which have been flagged for the second year in a row as part of the European Commission pre-filtering mechanism.

Our queries on same are laid out below:

1. ComReg request that An Post clarify what is the relationship / reasoning for tariff reductions between standard and registered parcels at the same weight breaks noted in figure 1 below, and how price reductions were found for registered parcels but not standard parcels at the same weight breaks for zone 3? ComReg supported this query by noting that standard and registered products for Zone 2 decreased by the same % in 2019 for 2kg and 5kg registered and standard parcels which suggested a similar shared costing methodology applied regardless of the registered element of the other product, yet this wasn't the case for Zone 3 products. If cost reductions weren't taken into account for the tariff changes below in figure 1, then clarify specifically what determined a reduction of €5 - €6.50 in 1kg, 2kg and 5kg registered parcels in 2019 with no change to that of standard parcels at these same weight breaks in 2019? See figure 1 below.

2. Confirm if it is the case "..[redacted]*?*

Figure 1 – An Post mainland Europe zone 3 cross-border tariff changes in 2019

Products	2018 - Apr (01/01/2019 Tariff)	2019 - Feb	2019 - Nov (01/01/20 Tariff)	Diff	% Diff
a 500 g (domestic and intra Union) track and trace letter	€ 13.00	€ 12.70	€ 12.70	-€ 0.30	-2.31%
a 1 kg (domestic and intra Union) standard parcel	€ 28.00	€ 28.00	€ 28.00	€ -	0.00%
a 2 kg (domestic and intra Union) standard parcel	€ 35.50	€ 35.50	€ 35.50	€ -	0.00%

a 5 kg (domestic and intra Union) standard parcel	€ 67.00	€ 67.00	€ 67.00	€ -	0.00%
a 1 kg (domestic and intra Union) track and trace parcel	€ 40.00	€ 35.00	€ 35.00	-€ 5.00	-12.50%
a 2 kg (domestic and intra Union) track and trace parcel	€ 49.00	€ 42.50	€ 42.50	-€ 6.50	-13.27%
a 5 kg (domestic and intra Union) track and trace parcel	€ 79.00	€ 74.00	€ 74.00	-€ 5.00	-6.33%

Q4 - ComReg notes from An Post's previous correspondence that "all barcoded tracked items are handled/processed in a similar manner by An Post before leaving Ireland". [redacted] ***Therefore, ComReg requires clarification if costs are fixed for all registered items and there is no difference in internal costs for treatment of these registered items? If so, what is the fixed internal processing cost for registered items? Otherwise, please explain what other factors would apply to result in different costs for what is the internal processing cost for these registered items.***

An Post did not provide a response to this direct query based on "…An Post's reasons for changes to Zone 2 tariffs globally has been set out above *[reference to query in previous correspondence]*". ComReg has not referenced Zone 2 tariffs in this query.

3. An Post is requested to address this query above in full and provide a detailed supporting explanation.

(B) Clarifications in relation to responses and appendices of data (An Post letter – 29/05/2020)

In assessing the responses to your correspondence, ComReg requires clarification on the following points:

An Post Letter – 29/05/2020

4. [redacted]

An Coimisiún um
Rialáil Cumarsáide
Commission for
Communications Regulation

5. [redacted]

6. [redacted]

7. [redacted]

8. [redacted];

    a. [redacted]

    b. [redacted]

9. An Post remarked last year that based on outbound parcel losses and an estimated indicative [redacted] *"…clearly suggest(ed) that overall profit on outbound international parcels needs to be improved by a combination of cost control, improved efficiency and revised prices. The numbers also indicate that any reduction in parcel prices may need to be* ***funded by clear cost reductions or significant price rebalancing - i.e. any reduction may need offsetting increases on other destinations****."* Based on these comments from last year, can An Post confirm what actions in the form of offsetting price increases to destinations or cost reductions were required in this instance for the re-balancing of prices carried out in late 2019 that are now applicable as part of this year's review?

An Coimisiún um
Rialáil Cumarsáide
Commission for
Communications Regulation

10. [redacted]

(C) Information used by An Post in considering cost-orientation when reviewing price increases / decreases for cross border parcels

It is unclear what consideration is given to cost-orientation in your response to tariff reviews for 2020. We outline our query below on same:

11. Please outline what consideration is given to cost-orientation when setting the tariffs at the respecting weights for the cross-border products flagged by the European Commission as being potentially unreasonably high for 2020?

(D) What consideration does An Post give to comparable cross border tariffs to other PDSPs?

In order to assess An Post tariffs at a European level amongst other PDSPs, please address the following queries:

12. How often does An Post review cross border tariff's to ensure they are not unreasonably high when compared to other PDSPs in other Member States?

13. Does An Post consider tariffs for products from destination Member States to Ireland versus An Post cross border tariffs in the opposite direction to that destination Member State?

14. What information or analysis does An Post consider when comparing its tariffs for products to that of other PDSPs in Europe?

An Coimisiún um
Rialáil Cumarsáide
Commission for
Communications Regulation

An Post has committed to submitting outstanding information by "mid-June" 2020 that requires the signed off Regulatory Accounts 2019. ComReg will be obliged to accept this timeline, however we will require the above information to be submitted by no later than 22 June 2020. ComReg is available to accept all / or any information as it becomes available prior to this date.

An Post is also required to update the analysis in appendices A – C from your previous correspondence with the updated information from the 2019 Regulatory Accounts so that this information can be considered also as part of our tariff assessment. This should be provided no later than 22 June 2020 also.

Please note that, in the absence of any of above information from An Post, ComReg reserves its rights to issue a formal notice seeking this information under section 13F of the 2002 Act.

Yours sincerely

Lorcan Pringle
Postal Regulation, ComReg

an post

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Lorcan Pringle,
Business Analyst- Postal Regulation,
Commission for Communications Regulation,
One Dockland Central,
Guild Street
Dublin 1,
D01 E4XO

22 June 2020

Ref: Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services ("the Regulation")

Dear Lorcan,

I am writing in response to your letter dated 8 June 2020. This letter concerns ComReg's information request dated 27 April 2020 pursuant to Article 6 of Regulation 2018/644 and further additional information requests.

In the first instance, and as indicated previously, An Post is updating the data already provided by reference to the most recently available 2019 Regulatory Accounts derived data, as stated in our response of 29 May 2020. This is described further below.

A detailed cost analysis of all 7 flagged products are contained in **Appendix A**.

See Fig. 1 below for a brief summary:

Fig 1. Flagged Products and Margins

ZONE 3 PRODUCT	Margin	Direct Cost	Internal Cost	Counter Vol 2019	% Volume of USO outbound
1kg Track and Trace Letter	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
1kg Standard Parcel	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2kg Standard Parcel	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5kg Standard Parcel	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
1kg Track and Trace Parcel	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2kg Track and Trace Parcel	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5kg Track and Trace Parcel	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

This data is based on the recently concluded 2019 Regulatory Accounts. This data did not therefore directly influence the prices in force during 2019. The costs taken into account with regard to setting these prices were by reference to the 2018 Regulatory Accounts (which showed

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an overall loss on this traffic, albeit with a small estimated profit on Zone 3) as well as Terminal Dues and Line Haul costs [redacted]

The decision was therefore made to leave most of the prices unchanged in 2020. The reasoning behind the price changes that were made to Zone 3 Registered Parcels in 2019 are explained in our answer to Q3 below.

The international outbound higher cost parcels above 10kg were removed from the USO category by virtue of ComReg's amendment of the USO specification in SI 280/2012 in early 2019, which has had some impact on cost allocations as recorded in the Regulatory Accounts.

[redacted] An Post is therefore reviewing evolving volume trends and effects on margins for these international parcel services.

International inbound parcels, for example, remain loss making for the moment.

ComReg letter to An Post of 8 June 2020

Our responses to the queries in your letter of June 8 are set out below.

In respect of Figure 1 on page 2 of your letter, we assume you are referring to 1kg and not 500g as added in to your letter of June 8.

We have set out our replies below in the order the queries are set out in your letter of 8 June 2020:

(A) Data missing / no response to ComReg's initial information request of 27 April 2020

Q3 - 1

Your question continues to assume that the Zone 2 and Zone 3 pricing is assessed on a uniform basis with no consideration of differences between the two zones. We have explained from the outset that differences arise between the two Zones.

An Post's Zone 3 rates apply to all of Europe other than the UK, not just to the EU Member States. This has traditionally been for reasons of simplicity and transparency for postal consumers and to provide a user friendly pricing structure across all weight bands and to all international destinations.

As notified to ComReg at the time, all outbound registered packet and parcel tariffs were increased in early 2017. Based on the financial data available to An Post at that time, outbound services were heavily loss-making. Some level of reduction to the 1kg, 2kg and 5kg registered parcels tariffs was made in early 2019 to improve the affordability and transparency of Zone 3 Registered Parcel pricing in these weight breaks.

In our response in this matter in 2019, we had referred to such having already been reduced subsequent to January 2019 and prior to the making of the cross border parcel submission in June 2019. An Post will continue to review the trends in volumes and costs for these services.

Your question also assumes that cost allocations are the sole factor An Post is required to consider. This is not the case.

The change made in early 2019 decreased the average price of these products to customers, and standardised the extra payment to customers for the Registered service to €7 at all weights. This €7 premium mirrors the registered premium paid on domestic letter-post as well as Zone 2 and

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Zone 4 parcels. These changes reflect the objectives of achieving tariffs that are transparent and not unreasonably high.

As explained in our letter of 22 May 2020, Zone 2 and Zone 3 prices are set separately, reflecting the very different underlying risks, complexity and costs involved in sending parcels to the UK, as against sending parcels to over forty (40) Zone 3 destinations.

In addition, the volumes to each of those Zone 3 destinations varies greatly. Counter parcel volumes to the UK are greater than for all 40+ Zone 3 destinations.

This difference between the Zones is illustrated by the effect of the COVID crisis which has profoundly affected Zone 3 costs and operations in a manner that did not occur for to-UK mail, for which transport options remained reasonably viable.

[redacted] Zone 3 uniform tariffs are set at a level that is cost covering and non-discriminatory and does not favour a shift in traffic towards one or some of these destinations.

An Post must adjust prices for reasons not directly related to cost, such as consumer demand, risk, operational complexity and market conditions.

Q3 -2. This query concerns the costs for registered products, in particular, the registered service fee and remaining costs for the applicable weight break.

An Post's reasons for the reduction in the referenced registered product tariff prices for 1, 2 and 5 kg in early 2019 is already set out above.

By virtue of SI 280/2012, An Post is required to provide a Registered and Standard parcel service to Zone 3 destinations and concludes multilateral agreements with other EU countries for the purposes of sending "tracked" parcels (or "track and trace" as referred to in the Regulations).

[redacted]

The €7 extra payable by a counter customer for a Registered Parcel reflects the service offering provided to the customer as part of the universal service, including access to the tracking information and a higher rate of compensation than for a standard service.

[redacted]

Q4 - 3

This query is directed at the internal processing costs for one specific service. The Regulations are concerned with an assessment of the *tariffs* for cross border parcel services and not primarily the costs as your queries tend to show a bias towards.

Costs are just one factor required to be considered pursuant to the Regulations

[redacted]

Based on the data set out at the start of this letter, as well as in the appendices to this letter, An Post does not consider these tariffs to be unreasonably high.

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The reason that An Post also referred to Zone 2 tariffs in its in initial response to this question was to highlight that as explained, the reasons for reducing all Zone 2 tariffs had been given and that the same considerations did not apply to Zone 3.

(B) Clarifications in relation to responses and appendices of data (An Post letter - 29/05/2020)

4. Appendix A - reference to 3kg

The reference to 3kg parcels is a typo and is corrected in the attached Appendices.

5. Appendix A - Sheet 1 Column N

As Outbound USO Parcel costs are not currently required to be split by Zone in the Regulatory Accounts, the analysis that we supply as part of the cross-border parcels review is performed as follows.

An 'Average External Cost' for all outbound parcels is first calculated, by reference to current Line Haul and Terminal Dues rates payable by An Post. This figure is then deduced from the overall cost per item in the Regulatory Accounts 'Outbound USO Parcels' section, in order to get an 'Average Internal Cost' per item.

Both the analysis we supplied as part of the previous Cross-border Parcel review and the analysis we sent as an **Appendix** to the letter of 29 May 2020 were based on the 2018 Regulatory Accounts, plus the latest Line Haul and Terminal Dues 'External Costs' available at the time.

[redacted]

The updated analysis in **Appendix A** uses the 2019 draft Regulatory Accounts figures and does not have this issue.

6. Transport and terminal dues costs for registered and standard

[redacted]

The Commission's Guidance Note on the Regulation recognises that cost orientation may in fact be infringed by the justifiable desire to apply uniform rates across a geographic zone.

7. External and transport Delivery Costs for registered and standard

The costs attracted by Registered parcels are explained in Q2 and Q6. A full analysis is now included in .

[redacted]

It is misleading to refer to a 1kg registered letter as a "packet according to An Post pricing". The terminology used in An Post pricing is as required by SI 280 / 2012, i.e. a "letter" is an item with a maximum weight of just 100g.

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8. Appendix A - Sheet 1

With regard to the Zone 1 (Northern Ireland) 'UK to destination Line Haul', transport and delivery fees charged to An Post for the delivery of a parcel in Northern Ireland were presented as a single figure in the 2018/19 review. The invoices we received for delivery of these items were examined in order to split this figure out and provide more detail for the purposes of the review. The 'line haul' figure in question refers to the transport element of the fee charged to An Post to deliver a parcel in Northern Ireland. This is now clarified in **Appendix A**.

[redacted]

9. As referred to in our previous reply, we expected the 2019 Regulatory Accounts to show a modest profit for this segment. We did not have completed 2019 Regulatory Accounts at the time of our letter of the 29 May 2020.

The attached analysis relies on the 2019 Regulatory Accounts, which shows a profit of [redacted] on this traffic in 2019, as opposed to a loss of [redacted] approximately in 2018.

An Post stated in its submission in 2019 that a price reduction *may* need to be funded by cost reductions or price rebalancing.

An Post has already provided the reasons for and the relative uniqueness of the context for the Zone 2 tariff reductions made in late 2019.

[redacted] It was also considered that these price changes and weight band simplification could attract revenue to offset the costs.

10. Appendix C - PO counter sales for 2019 - UK

Provided in **Appendix C**.

(C) Information used by An Post in considering cost-orientation when reviewing price increases / decreases for cross border parcels

11. Information used by An Post in considering cost orientation is clearly evidenced by the Appendices already provided to ComReg both last year and this year and by the replies contained in the related correspondence. As explained on each occasion, such information is derived from the regulatory accounts exercise together with information from other relevant sources, such as terminal dues agreements etc.

Certain limitations may apply to such data given the variety of destinations being considered and the user driven preference for having a uniform tariff for an entire "zone"; which is at the same time, both in the interests of simplicity and transparency for users as well as in furtherance of the obligation to provide international outbound services to all domestic users, and regardless of the domestic sender's location.

However, the Commission's Guidance Note on the Regulation clearly recognises that cost orientation in the strictest sense may in fact not be possible where there is such a justifiable objective to apply uniform rates across a geographic zone and in furtherance of the USPs obligations to provide service to all such destinations.

In addition, Ireland's position vis-à-vis the UK as distinct from other EU member states is unique and justifies a difference in approach to Zone 2 and Zone 3 pricing. The practical differences between the UK and the remaining EU Member States are as already described in this and previous correspondence; i.e.;

- [redacted]
- the terminal dues arrangements are different; and
- the routing and transportation options are more straightforward.

There are also historical and cultural dimension to be considered. The attached data from the CSO[1] indicates that the level of emigration to the UK from Ireland is comparable to that from Ireland to all other EU member state neighbours combined.

In 2019, despite that fact that their rates were not assessed by ComReg as excessive, we did not increase the prices of any of the cross-border products flagged by the European Commission. As you are aware, we in fact reduced the prices of several of these products, with the result that substantially fewer products are flagged in this review.

(D) What consideration does An Post give to comparable cross border tariffs to other PDSPs?

Qs 12 - 14

An Post assumes that the queries contained in Section D relates to comparing An Post cross border tariffs to those of other European "Parcel Delivery Service Providers".

An Post reviews its tariffs on an annual basis. As part of this, the prices of other PDSPs are considered. European and world market review surveys from sources such as the IPC and Cullen are looked at, as is the European Commission's work on cross-border parcels.

An Post's considers any comparisons in accordance with established principles i.e., that comparisons in rates should be made by reference to fair, reasonable and objective criteria.

As Ireland's geographic position is entirely unique in the EU, such comparisons are not always easily drawn.[2] As an island, all of our outbound services to all EU member states are broadly subject to the same limitations and challenges and no preference or similar factor operates in respect of sending items to any EU member state. The unique (and objective) reasons for UK destination rates has been explained in some detail already.

For these and other reasons, An Post faces a very different cost structure to other European countries.[3] While An Post recognises that tariffs must be cost-orientated, our priority when price-setting is to be compliant with all of the tariff principles rather than making direct comparisons with other European PDSPs.

Pricing therefore also takes steps to consider the following matters:

- Affordability
- Transparency
- Non-discrimination and
- Uniformity of tariffs for all users.

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[1] See Table (Appendix D) attached as well as: https://www.cso.ie/en/releasesandpublications/er/pme/populationandmigrationestimatesapril2019/

[redacted]

[3] See Appendix E attached.

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The additional data to be provided by 30 June 2020 will follow in the required form in due course.

Please note that the replies provided as part of this submission are highly commercially sensitive.

Yours sincerely,

Tanya Harrington

Dr. Tanya Harrington
Chief Regulatory Affairs Officer

Error Check Response

1) Ranking of USPs Tariffs – EU destination tariffs - Ireland versus Ireland (An Post tariffs) to Destination countries

The tariffs quoted and differences are correct.

We cannot verify that the rankings are correct. It is unclear if this ranking was performed by the European Commission or ComReg and what data was used. Our analysis, using the rates from the European Commission website and the Eurostat PPP figures provided to ComReg, has somewhat different results.

The ratio analysis described appears a legitimate means of comparison for tariffs. We have not been provided with the method by which the PPP Adjusted tariffs are calculated or the figures underlying the calculations and so cannot verify the accuracy or appropriateness of the analysis. It should be borne in mind that there are issues with the data gathered by the European Commission in terms of products compared [particularly the '1kg Track & Trace letter', which compares 'Packet' to 'Large Envelope' products] and completeness [There is no data from Deutsche Post for instance].

2) Ranking of USPs Tariffs – EU destination tariffs- Ireland versus Ireland (An Post tariffs) to Destination countries

This appears correct but must be contextualised by the fact that only two Irish operators provided data for the Standard Parcel comparison, and only six for the Track and Trace Parcel. In this context, a ranking of fourth puts us in the bottom half of operators.

3) Assessment table 2020 using costs from Reg accounts and tariffs under assessment:

The 2020 data appears to match that provided on 1st July. For Standard Parcels 2019 data, the data appears to match that provided at the time, as in the picture below. The 2019 data for Track and Trace however, does not match. Please see below.

The assumption with regard to 1kg packet is reasonable.

The comment with regard to Outbound Parcels returning to profit in 2019 is correct, as is the comment that pipeline costs have decreased significantly 2018-2019. This is primarily due to Indirect and Common costs being apportioned to Non-USO parcels as their volume increased from 2018-2019.

associated with each product for zones 2 and 3. It should also be noted that traffic to Northern Ireland is included in the Outbound International segment P&L but not shown separately below.

TABLE 1: COST SPLIT BY WEIGHT												
		Cost based on Cost per €1 Revenue absorption by Tariff										
Zone 2	Tariff	Total Cost	Revenue Coll	Collection	Outward Sort	Transport	Inward Sort	Prep and Delivery	Common Costs-Corporate	Common Costs-Mails	Profit €	Profit %
500g Track and Trace Letter*	€ 12.70	€ [redacted]										
1kg Standard Parcel	€ 22.00	€ [redacted]										
2kg Standard Parcel	€ 28.00	€ [redacted]										
5kg Standard Parcel	€ 45.50	€ [redacted]										
1kg Track and Trace Parcel	€ 29.00	€ [redacted]										
2kg Track and Trace Parcel	€ 35.00	€ [redacted]										
5kg Track and Trace Parcel	€ 52.50	€ [redacted]										
Zone 3	Tariff	Total Cost	Revenue Coll	Collection	Outward Sort	Transport	Inward Sort	Prep and Delivery	Common Costs-Corporate	Common Costs-Mails	Profit €	Profit %
500g Track and Trace Letter*	€ 12.70	€ [redacted]										
1kg Standard Parcel	€ 28.00	€ [redacted]										
2kg Standard Parcel	€ 35.50	€ [redacted]										
5kg Standard Parcel	€ 67.00	€ [redacted]										
1kg Track and Trace Parcel	€ 35.00	€ [redacted]										
2kg Track and Trace Parcel	€ 42.50	€ [redacted]										
5kg Track and Trace Parcel	€ 74.00	€ [redacted]										

*Reflective of Outbound Registered Costs

TABLE 1. COSTS SPLIT BY WEIGHT

Costs based on cost per €1 revenue absorption by tariff

Zone 2	Tariff	Total Cost	Revenue Coll.	Collection	Outward Sort	Transport	Inward Sort	Prep and Delivery	Common Costs-Corporate	Common Costs-Mails	Profit €	Profit %
1kg Track and Trace letter	€ 18.00	€ [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
1kg Standard Parcel	€ 21.00	€ [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2kg Standard Parcel	€ 21.00	€ [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5kg Standard Parcel	€ 23.00	€ [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
1kg Track and Trace Parcel	€ 28.00	€ [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2kg Track and Trace Parcel	€ 28.00	€ [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5kg Track and Trace Parcel	€ 30.00	€ [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Zone 3	Tariff	Total Cost	Revenue Coll.	Collection	Outward Sort	Transport	Inward Sort	Prep and Delivery	Common Costs-Corporate	Common Costs-Mails	Profit €	Profit %
1kg Track and Trace letter	€ 18.50	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
1kg Standard Parcel	€ 28.00	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2kg Standard Parcel	€ 35.50	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5kg Standard Parcel	€ 67.00	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
1kg Track and Trace Parcel	€ 35.00	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2kg Track and Trace Parcel	€ 42.50	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5kg Track and Trace Parcel	€ 74.00	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Zone 4	Tariff	Total Cost	Revenue Coll.	Collection	Outward Sort	Transport	Inward Sort	Prep and Delivery	Common Costs-Corporate	Common Costs-Mails	Profit €	Profit %
1kg Track and Trace letter	€ 22.50	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
1kg Standard Parcel	€ 29.00	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2kg Standard Parcel	€ 36.50	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5kg Standard Parcel	€ 68.00	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
1kg Track and Trace Parcel	€ 36.00	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2kg Track and Trace Parcel	€ 43.50	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5kg Track and Trace Parcel	€ 75.00	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

An Coimisiún um
Rialáil Cumarsáide
Commission for
Communications Regulation

Dr. Tanya Harrington
Chief Regulatory Affairs Officer
An Post GPO
Dublin 1
D01 F5P2

1 October 2020

REF: Assessment of cross-border single-piece parcel tariffs

Dear Tanya

Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services ("the Regulation") lays down specific provisions to foster better cross-border parcel delivery services in Member States. These provisions include a required assessment by national regulatory authorities in Member States, the Commission for Communications Regulation ("ComReg") in Ireland, of certain single-piece cross-border tariffs by the Universal Service Provider, An Post in Ireland, for the purpose of identifying those tariffs that are considered unreasonably high.

ComReg is required in accordance with Article 6 of the Regulation to objectively assess whether the tariffs identified are considered to be "unreasonably high".

ComReg refers to the following identified tariff of An Post that is, amongst others, being objectively assessed by ComReg as to whether the tariff is to be considered "unreasonably high":

Identified Tariff Product	Tariff Zone 3 - 2020	Price Change 2019/20	Total Cost	Profit	Profit Margin %
a 1 kg (domestic and intra Union) track and trace letter	€18.50	+€0.50	[redacted]	[redacted]	[redacted]

An Post is requested to provide its detailed reasons, if any, as to why the identified tariff of €18.50 for a 1 kg (domestic and intra Union) track and trace letter should not be considered "unreasonably high"; with particular reference to An Post's recorded profit margin of [[redacted]] for this tariff.

As this matter is of some urgency, please provide the detailed reasons, if any, by 8 October 2020.

Yours sincerely,

Stephen Brogan,

Senior Manager, Postal Regulation

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Stephen Brogan
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Commission for Communications Regulation
One Dockland Central
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D01 E4XO

8 October 2020

Re: Assessment of cross-border single piece parcel tariffs

Dear Stephen,

What follows is a response to your letter of 1October 2020 concerning Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018, which lays down specific provisions to foster better cross-border parcel delivery services in Member States.

This letter contained a summary of ComReg's assessment of specific cross-border tariffs for services provided by An Post and identified one tariff as potentially 'unreasonably high'. An Post was asked for detailed reasons as to why the identified tariff of €18.50 for a 1kg (domestic and inter-union) Track & Trace letter is not unreasonably high. Detailed reasons are laid out in this letter. We shall also demonstrate that reference to a 30% margin is incomplete and misleading.

Our position remains that the pricing and rate structure on this product, in common with all of our services, reasonably reflects the level and volatility of the underlying costs and is not 'unreasonably high'.

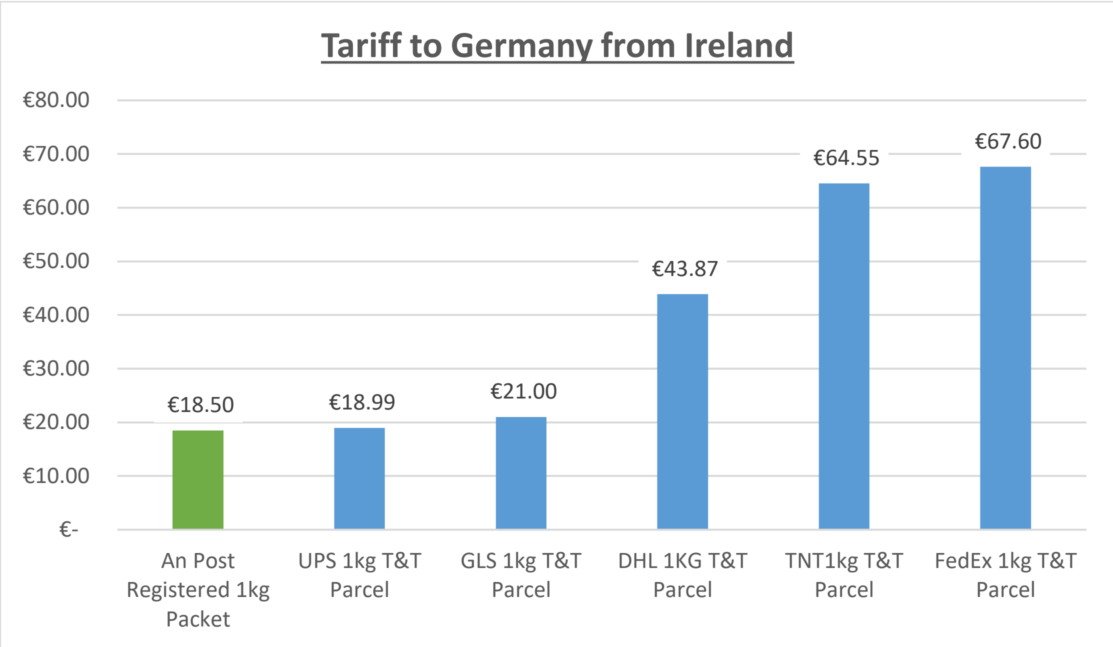
With regard to the specific product under review, some domestic specificities should be noted. An Post does not in fact offer a '1kg (domestic and inter-union) Track & Trace letter' service. The 1kg Registered Packet service to Zone 3 [Europe] is the nearest equivalent publicly available service that An Post offers, but this service includes signature. An Post notes that many postal operators and private couriers did not appear to submit prices on this service to the EU public database and no other Irish service providers did so[1].

For Irish based service providers, the closest equivalent service to a 'Track and Trace 1kg letter' is a 'Track and Trace 1kg parcel'. On the EU public database[1], several Irish based operators are profiled, the cheapest operator offering a 1kg service to Zone 3 destinations for €18.99. Therefore, the An Post 1kg Registered Packet service at €18.50 does not appear unreasonably high

[1] https://ec.europa.eu/growth/sectors/postal-services/parcel-delivery/public-tariffs-cross-border_en

Please note that this information supplied by An Post to you contains commercially sensitive information consisting of financial, commercial, technical or other information whose disclosure to a third party could result in financial loss to An Post, or would prejudice the competitive position of An Post in the conduct of its business, or would otherwise prejudice the conduct or outcome of contractual or other negotiations to which An Post is a party. Accordingly, you are required to contact a member of the An Post Regulatory Department where there is a request by any party pursuant to the provisions of the Freedom of Information Act 2014 or any other legislative act to have access to records held by ComReg which may contain any of the information herein, and not to furnish any information without prior written permission from An Post.

Figure 1: Tariff comparison for sending a 1kg item from Ireland to Germany



The 30% profit margin quoted in the letter of 1 October 2020 is the result of an accounting extrapolation which mirrors the profit margin in the 2019 Regulatory Accounts for all Outbound Registered Mail (letter post) products. This extrapolation [referred to as 'P&L breakdown'] was requested in an e-mail from ComReg of 1 July 2020 on the basis of an identical analysis performed as part of the previous year's review.

This extrapolation reflects the profit margin of all Outbound Registered items in 2019 and therefore cannot be relied upon to reflect the profitability of a specific service, in this case a 1kg (domestic and inter-union) Track & Trace letter [in An Post terms, a Zone 3 Outbound International Registered 1kg Packet].

A detailed analysis by product was provided in An Post's response of 22 June 2020, specifically in 'Appendix A- Zonal Parcel Analysis'. The relevant parts of this analysis are replicated in the attached Excel file to this letter 'Appendix- 1kg T&T Packet'. These specific costs that An Post incurs when providing the 1kg (domestic and inter-union) Track & Trace letter service must be considered when assessing if the service tariff is 'unreasonably high'.

A brief discussion of the structure of the Terminal Dues system is required to explain this fully. Terminal Dues are fees payable by a sender postal operator to a recipient postal operator for the delivery of international mail. Outbound mail items attract a 'per-item' rate and a 'per kg' rate which must be paid to the recipient postal operator. However, this is not done on an item count basis. Rather, it is done by means of an 'item per kilo' IPK rate, set by periodic sampling. Therefore, a heavier item than average will attract a multiple of the 'per item' rate, plus the relevant 'per kg' rate.

For registered items an additional and separate fee is payable to the recipient post on a straightforward 'per item' basis.

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Outbound Registered Mail items attract other additional costs. An Post must bear the cost of a 'scale payment' to postmasters, the cost of sorting these items by destination and air freight to the destination hub.

This can be illustrated by the example of a 1kg registered packet to Germany. [redacted] The relevant costs payable for An Post for a 1kg registered packet are as follows.

Figure 2: Costs payable for the delivery of a 1kg Registered Packet to [redacted]

[redacted]

The above substantiates that the profit margin for this specific product is significantly below the 30% quoted in the letter received. [redacted] Overall Outbound Zone 3 1kg Registered Packets have an estimated profit margin of approximately [redacted] **[See 'Appendix- 1kg T&T Packet' for the detailed weighted analysis]**.

An Post did not increase the tariff on this service in 2020.

An Post maintains that, as communicated in previous correspondence, it provides a network and accounts for international outbound traffic of all weight steps going across that network and margins may not be equal across the many different weight steps; nor are they obliged to be.

Therefore, An Post contests that the tariff for this service is not 'unreasonably high'.

As pointed out in previous correspondence, as part of our Zone 3 service across Europe, An Post sends mail to over 55 destinations. Some of these destinations have high transport and terminal dues fees. For historical and geographical reasons our services within Europe have been split into GB [Zone 2] and Rest to Europe [Zone 3]. An Post believes that a single price to Europe (exc. GB) is

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[redacted]

transparent and user friendly. But An Post must ensure that the tariffs charged on Zone 3 products both cover the costs to these more expensive countries and mitigate the risk of any shift in mail volume towards these destinations. [redacted] [See Figure 3 for details].

The number of destinations covered under Zone 3 also carries risk with regard to freight charges. Each destination country incurs a separate freight charge payable. These charges are inherently unpredictable, and if they change they can substantially increase An Post's costs. The impact of COVID-19 substantiates this, [redacted]

It should also be remembered that the costs within the Regulatory Accounts are 2019 retrospective costs. The trend for costs for these services is upwards, due to agreements to increase Terminal Dues payable in the years to come and new freight restrictions due to COVID-19. An Post must be forward looking in setting prices.

An Post also assumes some exchange rate risk for services provided outside of the Eurozone.

Within Zone 3, An Post is in effect offering a single rate for a service for which the costs and margins are not uniform. An Post must factor in the unpredictable and the inflationary nature of these costs. [redacted]

[redacted]

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The reasons discussed above strongly support An Post contestation that the tariff for the service under review is not 'unreasonably high'.

We trust these responses are satisfactory to ComReg. Please note that this letter and attached analysis contains highly sensitive commercial data which should not be shared with third parties.

Yours sincerely,

Dr. Tanya Harrington
Chief Regulatory Affairs Officer